

**April 2010 update**

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

  
**IKV PAX  
CHRISTI**

  
**netwerk**  
A Different Approach to Money

**April  
2010**

Utrecht, April 2010. IKV Pax Christi and Netwerk Vlaanderen have strived to achieve the highest level of accuracy in our reporting. However, at this point, there is still a marked lack of official information available in the public domain about the use, production, transfer, and stockpiling of cluster munitions, as well as about investments in companies that produce cluster munitions. The information in this report therefore reflects official information available in the public domain known to IKV Pax Christi and Netwerk Vlaanderen. We welcome comments, clarifications, and corrections from governments, companies, financial institutions and others, in the spirit of dialogue, and in the common search for accurate and reliable information on an important subject. If you believe you have found an inaccuracy in our report or if you can provide additional information, please contact us.

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IKV Pax Christi (the Netherlands) and Netwerk Vlaanderen (Belgium) published a report in October 2009 entitled “Worldwide Investments in Cluster Munitions: a Shared Responsibility”. That first edition presented a state-of-the-art report on financial institutions’ investment in companies that develop or produce cluster munitions, on financial institutions disinvesting from producers of cluster munitions and on legislative measures to prohibit investment in cluster munitions. This edition, dated April 2010, updates the research presented in the earlier report.

# STATE-OF-THE-ART REPORT:

## Contents

Executive Summary, Recommendations, Methodology and Summary Tables.....	7
Introduction Investing in Cluster Munitions: What's at Stake?.....	23
Cluster Munitions and the Oslo Process.....	23
Financial Institutions' Power and Responsibility.....	24
Our Research.....	25
Chapter 1 Hall of Shame: Financial Involvement and Investments.....	26
1.1 Red Flag List of Cluster Munitions Producers.....	26
1.1.0 Introduction and Methodology.....	26
1.1.1 Alliant Techsystems (United States).....	26
1.1.2 Hanwha (South Korea).....	28
1.1.3 L-3 Communications (United States).....	29
1.1.4 Lockheed Martin (United States).....	29
1.1.5 Poongsan (South Korea).....	30
1.1.6 Singapore Technologies Engineering (Singapore).....	31
1.1.7 Textron (United States).....	31
1.2 The Investments.....	32
1.2.0 Introduction and Methodology.....	32
1.2.1 Aberdeen Asset Management (United Kingdom).....	34
1.2.2 Acadian Asset Management (United States).....	34
1.2.3 Advent Capital Management (United States).....	34
1.2.4 Allianz (Germany).....	35
1.2.5 American Life (United States).....	35
1.2.6 ANZ Bank (Australia).....	35
1.2.7 Artio Global Management (United States).....	35
1.2.8 Artisan Partners (United States).....	35
1.2.9 AXA (France).....	36
1.2.10 Banco Bilbao Vizcaya Argentaria (BBVA) (Spain).....	36
1.2.11 Bank of America (United States).....	36
1.2.12 Bank of New York Mellon (United States).....	37
1.2.13 Bank of Tokyo-Mitsubishi UFJ (Japan).....	38
1.2.14 Barclays (United Kingdom).....	38
1.2.15 Baring Asset Management (United Kingdom).....	39
1.2.16 Barrow, Hanley, Mewhinney & Strauss (United States).....	39
1.2.17 Batterymarch Financial Management (United States).....	39
1.2.18 Bayerische Landesbank (Germany).....	39
1.2.19 BlackRock (United States).....	40
1.2.20 BMO Financial Group (Canada).....	40
1.2.21 BNP Paribas (France).....	40
1.2.22 Brave Warrior Capital (United States).....	41
1.2.23 Caisse de Depot et Placement du Québec (Canada).....	41
1.2.24 Calamos Holdings (United States).....	41
1.2.25 Calyon (Crédit Agricole) (France).....	41
1.2.26 Capital Group (United States).....	42
1.2.27 Castle Creek (United States).....	42

1.2.28	Cheonan Bukil Education Foundation (South Korea).....	42
1.2.29	Children’s Investment Fund (United Kingdom).....	42
1.2.30	Citadel Group (United States).....	42
1.2.31	Citigroup (United States).....	43
1.2.32	Columbia Management Advisers (United States).....	43
1.2.33	Comerica Bank (United States).....	44
1.2.34	Commerzbank (Germany).....	44
1.2.35	Commonwealth Bank of Australia (Australia).....	44
1.2.36	Credit Suisse (Switzerland).....	44
1.2.37	D.E. Shaw Group (United States).....	45
1.2.38	Daewoo Securities (South Korea).....	45
1.2.39	Daiwa Asset Management (Japan).....	45
1.2.40	Deutsche Bank (Germany).....	45
1.2.41	Dimensional Fund Advisors (United States).....	46
1.2.42	Dongbu Securities (South Korea).....	46
1.2.43	Eagle Capital Management (United States).....	46
1.2.44	Epoch Investment Partners (United States).....	47
1.2.45	Export Import Bank of Korea (South Korea).....	47
1.2.46	Ferox Capital Management (United Kingdom).....	47
1.2.47	Fidelity Group (United States).....	47
1.2.48	Fiduciary Management (United States).....	48
1.2.49	First Eagle Investment Management (United States).....	48
1.2.50	Franklin Templeton (United States).....	48
1.2.51	General Electric (United States).....	48
1.2.52	Genworth Financial (United States).....	48
1.2.53	Goldman Sachs (United States).....	48
1.2.54	Grantham, Mayo, Van Otterloo & Co. (United States).....	49
1.2.55	Hanwha Securities (South Korea).....	49
1.2.56	Henderson Global Investors (United Kingdom).....	50
1.2.57	HMC Investment Bank (South Korea).....	50
1.2.58	Hotchkis and Wiley Capital Management (United States).....	50
1.2.59	HSBC (United Kingdom).....	50
1.2.60	Institutional Capital Management (United States).....	51
1.2.61	Intesa Sanpaolo (Italy).....	51
1.2.62	Invesco (United Kingdom).....	51
1.2.63	Jackson National Life (United States).....	51
1.2.64	Janus Capital Group (United States).....	51
1.2.65	JP Morgan Chase (United States).....	51
1.2.66	Kookmin Bank (South Korea).....	53
1.2.67	Korea Development Bank (South Korea).....	53
1.2.68	Korea Investment & Securities (South Korea).....	54
1.2.69	Kuntien Eläkevakuutus (Finland).....	54
1.2.70	Lazard Capital Markets (United States).....	54
1.2.71	Legg Mason (United States).....	55
1.2.72	Lloyds Banking (United Kingdom).....	55
1.2.73	Longview Partners (United Kingdom).....	55
1.2.74	Lord, Abbett & Co. (United States).....	55
1.2.75	LSV Asset Management (United States).....	55
1.2.76	Manulife Financial (Canada).....	56
1.2.77	Martin Currie Investment Management (United Kingdom).....	56
1.2.78	Massachusetts Mutual (United States).....	56
1.2.79	Matthews International Capital Management (United States).....	56
1.2.80	Mega International Commercial Bank (Taiwan).....	56

1.2.81	Mellon Capital Management (United States)	56
1.2.82	Meritz Securities (South Korea)	57
1.2.83	Metropolitan Life Insurance (United States)	57
1.2.84	MFS Investment Management (United States)	57
1.2.85	Mirae Asset Securities (South Korea)	57
1.2.86	Mizuho Bank (Japan)	58
1.2.87	Mondrian Investment Partners (United Kingdom)	58
1.2.88	Morgan Stanley (United States)	58
1.2.89	National Pension Service (South Korea)	59
1.2.90	Natixis (France)	59
1.2.91	Neuberger Berman (United States)	59
1.2.92	New Jersey Division of Investment (United States)	59
1.2.93	New York Life (United States)	59
1.2.94	Newton Investment Management (United Kingdom)	59
1.2.95	Northern Trust (United States)	60
1.2.96	Northwestern Mutual (United States)	60
1.2.97	Nuveen Investments (United States)	60
1.2.98	Oaktree Capital Management (United States)	60
1.2.99	OppenheimerFunds (United States)	61
1.2.100	PPM America (United States)	61
1.2.101	Principal Financial Group (United States)	61
1.2.102	Prudential (United Kingdom)	61
1.2.103	Prudential Insurance (United States)	61
1.2.104	Putnam Investment Management (United States)	62
1.2.105	Pzena Investment Management (United States)	62
1.2.106	Quantitative Management Associates (United States)	62
1.2.107	Riversource Investments (United States)	62
1.2.108	Riyad Bank (Saudi Arabia)	62
1.2.109	Royal Bank of Scotland (United Kingdom)	62
1.2.110	Schroder Investment Management (United Kingdom)	63
1.2.111	Scotiabank (Bank of Nova Scotia) (Canada)	63
1.2.112	Shin Heung Securities (South Korea)	63
1.2.113	Shinhan Bank (South Korea)	63
1.2.114	SK Securities (South Korea)	64
1.2.115	Société Générale (France)	64
1.2.116	Standard Life (United Kingdom)	64
1.2.117	State Street (United States)	65
1.2.118	Sumitomo Mitsui Banking Corporation (Japan)	65
1.2.119	SunTrust Bank (United States)	65
1.2.120	Susquehanna International Group (United States)	66
1.2.121	Symetra Life Insurance (United States)	66
1.2.122	Systemic Financial Management (United States)	66
1.2.123	T. Rowe Price Group (United States)	66
1.2.124	Tamalpais Asset Management (United States)	66
1.2.125	Teachers Insurance & Annuity Association (TIAA-CREF) (United States)	67
1.2.126	Temasek Holdings (Singapore)	67
1.2.127	Thrivent Financial (United States)	67
1.2.128	Tong Yang Securities (South Korea)	67
1.2.129	UBS (Switzerland)	67
1.2.130	Universal Investment (Germany)	68
1.2.131	Unum Life Insurance (United States)	68
1.2.132	US Bank (United States)	68
1.2.133	Vanguard Group (United States)	69

1.2.134	Veritas Asset Management (United Kingdom)	69
1.2.135	Vontobel Group (Switzerland)	69
1.2.136	Wachovia Bank (United States)	70
1.2.137	Waddell & Reed (United States)	70
1.2.138	Wedge Capital Management (United States)	70
1.2.139	Wellington Management Company (United States)	70
1.2.140	Wells Fargo Bank (United States)	70
1.2.141	WestLB (Germany)	71
1.2.142	Westwood Holdings Group (United States)	71
1.2.143	William Street Commitment Corporation (United States)	71
1.2.144	Woori Investment & Securities (South Korea)	72
Chapter 2	FOCUS: Public Pension Funds and Sovereign Wealth Funds	73
2.1.0	Introduction and Methodology	73
2.1.1	Alaska Permanent Fund Corporation (United States)	74
2.1.2	California Public Employees' Retirement System (CalPERS) (United States)	74
2.1.3	Ireland National Pension Reserve Fund (NPRF) (Ireland)	74
2.1.4	Pensioenfonds Zorg en Welzijn (PFZW) (the Netherlands)	75
2.1.5	Quebec Pension Plan (Canada)	75
Chapter 3	Disinvesting from Cluster Munitions Producers	76
3.1	Hall of Fame: Financial institutions pioneering in divestment	76
3.1.0	Introduction and Methodology	76
	ETHICAL BANKS	78
3.1.1	ASN Bank (the Netherlands)	78
3.1.2	Banca Etica (Italy)	78
3.1.3	Triodos Bank (the Netherlands)	78
	GOVERNMENT-MANAGED PENSION FUNDS	79
3.1.4	National Pensions Reserve Fund (Ireland)	79
3.1.5	Norwegian Government Pension Fund – Global (Norway)	80
3.1.6	New Zealand Superannuation Fund (New Zealand)	80
3.1.7	Swedish Pension Funds AP 1-4 (Sweden)	81
3.1.8	Swedish Pension Fund AP7 (Sweden)	81
	MAINSTREAM FINANCIAL INSTITUTIONS (private)	82
3.1.9	ABP (the Netherlands)	82
3.1.10	ATP (Denmark)	83
3.1.11	BPF Bouw (the Netherlands)	83
3.1.12	DnB NOR (Norway)	83
3.1.13	Ethias (Belgium)	84
3.1.14	KLP (Norway)	84
3.1.15	KPA (Sweden)	84
3.1.16	PGGM (the Netherlands)	85
3.1.17	Philips Pension Fund (the Netherlands)	85
3.1.18	PME (the Netherlands)	85
3.1.19	PNO Media (the Netherlands)	86
3.1.20	Spoorwegpensioenfond (the Netherlands)	86
3.1.21	Storebrand Group (Norway)	86
3.2	Runners-up Financial Institutions	87
3.2.0	Introduction and Methodology	87
3.2.1	ABN Amro (the Netherlands)	89

3.2.2	AXA (France)	90
3.2.3	BNP Paribas (France)	90
3.2.4	Co-operative Financial Services (United Kingdom)	91
3.2.5	Crédit Agricole (France)	91
3.2.6	Danske Bank (Denmark)	92
3.2.7	Dexia Bank (Belgium)	92
3.2.8	Folksam (Sweden)	93
3.2.9	Fortis Bank Nederland (the Netherlands)	93
3.2.10	HSBC (United Kingdom)	93
3.2.11	ING (the Netherlands)	94
3.2.12	KBC (Belgium)	94
3.2.13	Nordea (Sweden)	95
3.2.14	Rabobank (the Netherlands)	95
3.2.15	Royal Bank of Canada (Canada)	96
3.2.16	Syntrus Achmea (the Netherlands)	96
3.2.17	Unicredit Group (Italy)	96
3.3	Countries' Best Practices	100
3.3.0	Introduction and Methodology	100
	DISINVESTMENT AS PART OF THE CONVENTION ON CLUSTER MUNITIONS	101
3.3.1	Ireland	101
3.3.2	Lebanon	103
3.3.3	Luxembourg	103
3.3.4	Mexico	104
3.3.5	New Zealand	104
3.3.6	Norway	105
3.3.7	Rwanda	105
	OTHER LEGISLATION AND LEGISLATIVE INITIATIVES	106
3.3.8	Belgium	106
3.3.9	The Netherlands	108
3.3.10	Switzerland	108
	CONCLUSION AND RECOMMENDATIONS	109
	Appendix 1 Glossary	110
	Appendix 2 References	112



# Executive Summary, Recommendations, Methodology and Summary Tables

## Executive Summary

IKV Pax Christi (the Netherlands) and Netwerk Vlaanderen (Belgium) published a report in October 2009 entitled “Worldwide Investments in Cluster Munitions: a Shared Responsibility”.<sup>1</sup> That first version presented a state-of-the-art report on financial institutions’ investment in companies that develop or produce cluster munitions, on financial institutions disinvesting from producers of cluster munitions and on legislative measures to prohibit investment in cluster munitions. This edition, dated April 2010, updates the research presented in the earlier report.

The Convention on Cluster Munitions (CCM) categorically bans the use, production, stockpiling and transfer of cluster munitions. 94 countries signed the convention at the Oslo Signing Conference held 3 – 4 December 2008. Burkina Faso and the Republic of Moldova ratified the international Convention banning cluster munitions on 16 February, 2010, bringing the total number of ratifications to 30 and triggering entry into force on 1 August 2010. On that day, the Convention will become binding international law. The Cluster Munition Coalition (CMC) is an international coalition working to protect civilians from the effects of cluster munitions by promoting universal adherence to, and full implementation of, the Convention on Cluster Munitions. CMC membership numbers around 350 civil society organisations from 90 countries.<sup>2</sup> Article 1c of the CCM states, “*Each State Party undertakes never under any circumstances to assist, encourage or induce anyone to engage in any activity prohibited to a State Party under this Convention.*” It seems obvious that financing the production of cluster munitions constitutes ‘assistance’ or ‘encouragement’, as the Cluster Munition Coalition also points out in its policy paper.<sup>3</sup> However, state parties’ implementation of this convention might not automatically result in a ban on investments in cluster munitions. The process to ban cluster munitions is in a crucial phase. Many countries that have signed the convention are now incorporating it into their national legislation.

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

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

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

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

institutions have a moral obligation to act on their own and disinvest from cluster munitions. When they finance companies that produce cluster munitions, financial institutions assist these companies to produce an indiscriminate weapon that has been the object of opprobrium in states and civil society worldwide.

We have identified many of the financial institutions that, even now, still invest in cluster munitions producers - more than a year after the Convention on Cluster Munitions opened for signature. You will find the names of these financial institutions in the first part of the report, the Hall of Shame.

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

## Hall of Shame

The Hall of Shame contains a list of financial institutions that still invest in cluster munitions producers. The first step in our research was to identify which companies are involved in the production of cluster munitions. To identify these companies, Dutch research company Profundo used a variety of sources including reports by NGOs, exclusion lists maintained by financial institutions banning investment in cluster munitions, information published by the producing companies, contracts with the US government and correspondence between the companies and investors. From this list we then selected a short list, that we call our red flag list, to include in our research. It is important to note that our list of cluster munitions producers is by no means exhaustive. In October 2009, we identified 8 cluster munitions producers. Since then, one of these companies announced that it has discontinued the production of cluster munitions; we found no evidence to contradict this announcement. So the red flag list in this update contains 7 companies.

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

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

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

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

The 146 financial institutions that we identified as having financial links to the companies on our red flag list are listed in a table at the end of this summary. The table also contains the various types of involvement that these companies engage in. Research institute Profundo (the Netherlands) provided a list of financial institutions derived from stock exchange filings and other publications by financial institutions and

cluster munitions producers, as well as from databases with information supplied by financial institutions.<sup>1</sup> In October 2009, the Hall of Shame contained 138 financial institutions. In this version, 42 of these have moved from the Hall of Shame for the following reasons:

- 1 financial institution (KBC) because it executed a policy requiring selling their shareholdings in cluster munitions producers. Another financial institution (Canada Pension Plan Investment Board) has moved from the Hall of Shame probably for the same reasons but it failed to answer our questions on its new policy;
- 18 financial institutions: because they sold some of their shareholdings in cluster munitions producers for trading reasons. Most of these investors still hold shares in cluster munitions producers, but below the 1% share threshold for US producers and/or the 0.1% share threshold for Asian producers applied in this research;
- 13 financial institutions because we include figures on bond holdings only when they are less than one year old. We find no recent evidence that these 13 financial institutions still own bonds issued by cluster munitions producers.
- 1 financial institution (Balanced Equity Management) because it was erroneously included in the Hall of Shame in the first report;
- 2 financial institutions were taken over by another financial institution already in the Hall of Shame;
- 5 financial institutions because their loan to a cluster munitions producer was signed more than three years prior to this update;
- 1 financial institution (Vakifbank) because it owns shares in one company (Roketsan) no longer considered a producer of cluster munitions in this update.

96 financial institutions stayed in the Hall of Shame. Another 50 were added to it in this update, bringing the total to 146. They were included for the following reasons:

- 23 financial institutions were included because they were found to own or manage bonds issued by one or more cluster munitions producers. Their inclusion in this update does not necessarily mean they did not own bonds in these companies before, as we have used a new source of information on bond ownership for this update (Bloomberg) that we did not have for the previous report;
- 25 financial institutions were included because they raised the number of owned or managed shares in one or more cluster munitions producers above our 1% threshold (or 0.1% for Asian producers). Most of these financial institutions had already owned or managed shareholdings, but have increased their holdings;
- 2 financial institutions (Comerica Bank and Mega International Commercial Bank) were included because they recently participated in new loans to cluster munitions producers.

## **FOCUS: Public Pension Funds and Sovereign Wealth Funds**

Chapter 2 focuses on sovereign wealth funds and public pension funds, since their importance is growing. They are particularly interesting because most are state owned. This becomes even more important when the sovereign wealth fund's or public pension fund's home country has ratified the Convention on Cluster Munitions. Moreover, sovereign wealth funds and public pension funds sometimes hold a substantial stake in the capital of companies. This gives them considerable voting power at annual meetings, and sometimes even one or more seats on boards of directors.

For our research we targeted 15 sovereign wealth funds and public pension funds, chosen for their importance and country of origin (to ensure a broad geographical spread). We have listed all the

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<sup>1</sup> Stock exchange filings for US companies are mostly derived from 10K-Wizard, a commercial variant of the free Edgar database. This database contains information that the companies provided to the US *Securities and Exchange Commission (SEC)*. We also used the Thomson ONE database and archives from Euroweek and other trade journals.

shareholdings that we could document, including those under the 1% threshold. For the rest, we used the same research criteria as for the financial institutions in the Hall of Shame.

Many of these funds are entrusted to managers. This makes it difficult to determine in which companies they hold assets. Some funds are very transparent and publish a list with shares on their websites. We found information on assets for five funds, two own or manage assets in the companies in our red flag list.

### **Hall of Fame and runners-up**

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

We have identified 38 financial institutions with a policy on cluster munitions available in the public domain in English and/or Dutch. 21 of the 38 made it into our Hall of Fame. They have barred all investment in cluster munitions producers. You can find a list of Hall of Fame members at the end of the executive summary.

17 of the 38 do have a policy on cluster munitions, but show certain shortcomings. Creating a runners-up category allowed us to highlight financial institutions that took steps to ban investment in cluster munitions producers, but whose course of action on cluster munitions has certain flaws. We commend these financial institutions for their efforts while pointing out the remaining steps to acquire a place in our Hall of Fame. The most common shortcomings are:

“We commend these financial institutions for their efforts.”

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

When we compare the new Hall of Fame and runners-up categories to that in the October report we see that 8 financial institutions have joined the Hall of Fame and 5 have joined the runners-up. One moved from the Hall of Fame to become a runner-up (Folksam). The company still has a strong policy, but additional research showed that Folksam owns or manages assets in Textron under the 1% threshold. Since all financial institutions in the Hall of Fame should be fully implementing their policy, Folksam became a runner-up.

The changes can be attributed to:

- Additional research by campaigners and research institutions  
In Canada, the Netherlands and the Nordic region, campaigners and research companies did their own research on financial institutions in their countries and the involvement of these institutions in cluster munitions producers. Their reports became an additional source of information for the Hall of Fame and the runners-up category.<sup>II</sup>
- Strong campaign efforts  
In October 2009, the Cluster Munition Coalition launched the ‘Stop Explosive Investments’ campaign which promotes disinvestment from cluster bomb producers, encourages financial institutions to articulate clearer guidelines on ethical investment with respect to cluster munitions, and urges governments to adopt legislation banning investments in cluster munitions. Since the launch, campaigners in more than 18 countries have taken action on disinvestment.<sup>III</sup>

These campaigning efforts have contributed to increased transparency and explanations of, or additions to, disinvestment policies. Moreover, campaigning on disinvestment has stimulated financial institutions that do not have a disinvestment policy to install one.

Campaign efforts in the UK targeted HSBC alongside other major financial institutions, with regard to their involvement in producers of cluster munitions. In February 2010 UK campaigners welcomed the release of a public summary of HSBC’s revised defense equipment policy.

In Canada, CPPIB announced to Mines Action Canada that it would sell its shares in Poongsan after their ‘When your investment bombs’ campaign was started. CPPIB has sold its shares probably due to a cluster munitions disinvestment policy.<sup>IV</sup>

## Countries’ Best Practices

The Cluster Munition Coalition believes that the prohibition on assistance includes a prohibition on investments in cluster munitions.<sup>V</sup> Belgium adopted legislation to that effect even before the CCM opened for signature. Ireland, Lebanon, Luxemburg, Mexico, New Zealand, Norway and Rwanda have defined investment as a prohibited form of assistance under the CCM. Ireland, Luxemburg

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II In October and November 2009, DanWatch investigated the investments and policies of the 20 largest Danish institutional investors in cluster munitions. Mines Action Canada published the results of a similar research in February 2010, starting from the Canadian banks listed in the October 2009 report ‘Worldwide Investments in Cluster Munitions: a Shared Responsibility’ and adding more banks to it. They researched the policies of 22 Canadian financial institutions. Finally, in November 2009, Ethix SRI Advisors published their research findings on policies of 31 financial institutions in Denmark, Norway and Sweden regarding investments in cluster munitions and landmine producers. They conducted this research for the United Nations Association of Sweden. Thanks to the work of these three campaign organisations (DanWatch, Mines Action Canada and United Nations Association of Sweden), we were able to include more financial institutions from their countries in the Hall of Fame and the runners-up category.

We also used Profundo’s report on ‘Benchmark Verantwoord Beleggen door Nederlandse Pensioenfondsen en Pensioenverzekeraars’ [Benchmark: Responsible Investment and Dutch Pension Funds and Pension Insurers] based on a study for the Dutch Association of Investors for Sustainable Development (VBDO) published in December 2008. This research contains information on the SRI policies at 43 Dutch pension funds and insurance companies.

III [www.stopexplosiveinvestments.org](http://www.stopexplosiveinvestments.org)

IV Unfortunately we could not list CPPIB in our Hall of Fame because it has not replied to our questions with regard to its policy.

V “Investment in Civilian Suffering To Be Halted by Future Cluster Munitions Convention”, CMC policy paper, available at <http://www.stopclustermunitions.org/wp/wp-content/uploads/2009/09/disinvestment-policy-paper.pdf>, last viewed Marched 24, 2010.

and New Zealand passed legislation to that effect. In the Netherlands and Switzerland motions have been adopted to develop legislation prohibiting investment in cluster munitions furthermore. Other parliamentary action is ongoing in Germany.

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

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

When we look at the changes since the October 2009 report, we see that New Zealand has joined the list of countries with legislation on disinvestment. The Netherlands and Switzerland furthermore have adopted parliamentary motions calling for legislation prohibiting investment in cluster munitions.

#### Recommendations

- **States** that have signed the CCM should make clear that as article 1c of the convention prohibits assistance, it prohibits investment in cluster munitions.
- **States** should provide clear guidelines for financial institutions. When states draft national legislation prohibiting investment in producers of cluster munitions, they act in the spirit of the CCM.
- **Financial institutions** should develop policies that exclude all financial links with companies involved in cluster munitions production. Because any investment facilitates this production, no exceptions should be made for third-party financial services, for index funds or for civilian project financing for a company also involved in cluster munitions. Policies should not be narrowed to refusing project financing for cluster munitions.
- **Financial institutions** should inform producers that it has decided to end investment because of their involvement with cluster munitions. Financial institution can set clear deadlines with a limited time frame within which a company must cease production of cluster munitions if it wishes the disinvestment decision to be reversed. When a company persists in producing cluster munitions after the set deadline, the financial institution will disinvest until the company terminates production of cluster munitions. New applications for investment will be declined until the company has halted all activities related to the production of cluster munitions.
- **Financial institutions** should apply their disinvestment policy to all activities: commercial banking, investment banking and asset management. All such activities aid and abet a company's production of cluster munitions. When this new course of action requires a change in investment fund management, investors should be notified of this and given a deadline for withdrawing from these funds. After this deadline, management strategy will change and shares and obligations in companies involved in cluster munitions will be sold.

## Methodology: Questions and Answers

### Does this study include all companies that produce cluster munitions?

No. There is still a marked lack of official information available in the public domain about the production of cluster munitions. We have chosen to include only those companies that meet the following criteria:

- Certainty that the company produces cluster munitions; the evidence is available and clear.
- No evidence that the company will cease the production of cluster munitions in the next 12 months.
- Clear evidence that the company produced cluster munitions in the last two years (meaning since 30 May 2008, the day the Convention text was adopted in Dublin), or involvement in a planned production or development phase (even if this involvement is yet to be confirmed). In addition, we considered the previous year's marketing efforts (exhibitions, new product brochure, advertising on websites, etc.) as evidence of ongoing involvement in cluster munitions production.
- Financial links to the company available through official information in the public domain. When we could not find financial links in the financial information available to us, we decided to omit the company from this report. It was difficult to link state-owned companies to financial institutions.

#### Sources of information on companies producing cluster munitions:

Company publications, contracts with the US government and correspondence between the companies and investors. All producing companies on the red flag list were contacted prior to the October 2009 report to verify our data; when they provided additional information, we included this in our report. Research by Profundo (the Netherlands).

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

No. The list in the Hall of Shame is not an exhaustive list of financial institutions with investments in cluster munitions producers. We apply different thresholds to different companies for investment in shares and bonds. Due to the different shareholding structure in the various companies,<sup>VI</sup> we chose a 0.1% floor limit for Hanwha Corporation, Poongsan, and Singapore Technologies Engineering and 1% limit for ATK, L-3 Communications, Lockheed and Textron. This threshold is a pragmatic tool designed for this research. Without these thresholds, the list of financial institutions would be too long to handle in this report. Even when a financial institution has invested in a cluster munitions producer, as long as its shares are below 0.1% in Hanwha Corporation, Poongsan, and Singapore Technologies Engineering and/or 1% in ATK, L-3 Communications, Lockheed and Textron, you will not find it on our list. Because the red flag list of producing companies is not exhaustive, a financial institution that has invested in a producing company might still not be included in our research. Moreover, there is still a marked lack of transparency in the public domain about financial institutions' investments. There is little or no transparency on what credits were given to whom. That makes it very hard to find out whether a financial institution has granted a loan to a controversial company.

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

### **Sources of information for the Hall of Shame**

We used a variety of sources including reports by NGOs and exclusion lists maintained by financial institutions banning investment in cluster munitions. We also drew upon stock exchange filings and the financial institutions' and the CM producers' own publications, as well as commercial databases with information supplied by financial institutions. Since the information in these databases comes directly from the financial institutions, we trust that it is correct and have not contacted all financial institutions in the Hall of Shame before publishing this report. We welcome comments, clarifications, and corrections from governments, companies, financial institutions and others. Research by Profundo (the Netherlands).

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

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

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

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

### **Sources of information for the Hall of Fame and Runners-up**

We used a variety of sources: NGO reports, screening agency information, financial institutions' reports and websites, worldwide campaigners and other public sources. Since an investment policy is usually stipulated by the banking group and since this group directly or indirectly supervises its subsidiaries, we researched the group's policy. Our list of financial institutions is not exhaustive. We contacted all financial institutions in these lists before publication to check our research findings and clarify their policy. This study takes into account only publicly available policy documents and written comments. A policy document is public when a financial institution has published it and/or a summary of it on its website or in its publications (e.g. annual report, the sustainable development report, etc.). Research by Netwerk Vlaanderen (Belgium).<sup>VII</sup>

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VII Note that the researchers cannot be held responsible when a published policy document is no longer up-to-date and/or when the financial institution gave little or no response to our questions about it.



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

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

### **Why is there a special chapter on Sovereign Wealth Funds and Public Pension Funds?**

We chose to do so, because of the growing importance of these funds. Moreover, most of these funds are state owned, which makes them particularly interesting. They sometimes hold a substantial stake in the capital of companies. This gives them considerable voting power at annual meetings, and sometimes even one or more seats in the board of directors. For our research we targeted 15 major sovereign wealth funds and public pension funds, chosen for their importance and country of origin (to ensure a broad geographical spread). Many of these funds are entrusted to managers. This makes it difficult to determine in which companies they hold assets. We found information on assets for five funds, two own or manage assets in the companies in our red flag list.

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

The runners-up category lists financial institutions that took steps to ban investment in cluster munitions producers, but whose policies have loopholes. A financial institution can be applauded in the runners-up category for its policy, while at the same time it can be listed in the Hall of Shame for its investment. Checking whether this involvement runs counter to their policy, or whether it results from a loophole, was beyond the scope of this report. An accurate report on implementation of policies published by runners-up would require more detailed information on the investments we found (Own investments or for a third party? Which investment fund was involved? Is it a financial link through a fund following an index?)

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

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

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

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

### **Researched time frame**

- We listed a company as cluster munitions producer when we found involvement in the production of (key components of) cluster munitions in the time span extending from 30 May 2008 – to 1 March 2010.
- We listed a financial institution as an investor when we have found investment in the time span extending from 1 May 2007 – to 28 February 2010. Since an investment policy is usually stipulated by the banking group and since this group directly or indirectly supervises its subsidiaries, we researched the group's investments.
- We updated the policies of financial institutions listed in the Hall of Fame and runners-up category as far as 25 March 2010. Since an investment policy is usually stipulated by the banking group and since this group directly or indirectly supervises its subsidiaries, we researched the group's policy.

## Hall of Shame

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

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

Financial Institution	Country of origin	Alliant Techsystems ATK (US)	Hanwha (South Korea)	L-3 Communications (US)	Lockheed Martin (US)	Poongsan (South Korea)	Singapore Technologies Engineering (Singapore)	Textron (US)
Aberdeen Asset Management	United Kingdom						S	
Acadian Asset Management	United States		S					
Advent Capital Management	United States	B						
Alaska Permanent Fund Corporation (APFC)	United States	S		S	S		S	S
Allianz	Germany				B		S	
American Life	United States							B
ANZ Bank	Australia			L,Y	L			
Artio Global Management	United States	B						
Artisan Partners	United States			S				
AXA	France			S				S
Banco Bilbao Vizcaya Argentaria	Spain				L			
Bank of America	United States			L,Y	L,Y			L, X, Y
Bank of New York Mellon	United States			L,Y	L			Y,S
Bank of Tokyo-Mitsubishi UFJ	Japan			L,Y	L,Y			X,Y
Barclays	United Kingdom			L,Y	L			X,Y
Baring Asset Management	United Kingdom					S		
Barrow, Hanley, Mewhinney & Strauss	United States			S				
Batterymarch Financial Management	United States					S		
Bayerische Landesbank	Germany				L			
BlackRock	United States	S	S	S	S		S	S
BMO Financial Group	Canada				L			
BNP Paribas	France				L,Y			Y
Brave Warrior Capital	United States				S			
Caisse de Depot et Placement du Québec	Canada					S		
Calamos Holdings	United States	B		B				
California Public Employees' Retirement System (CalPERS)	United States	S		S	S			S

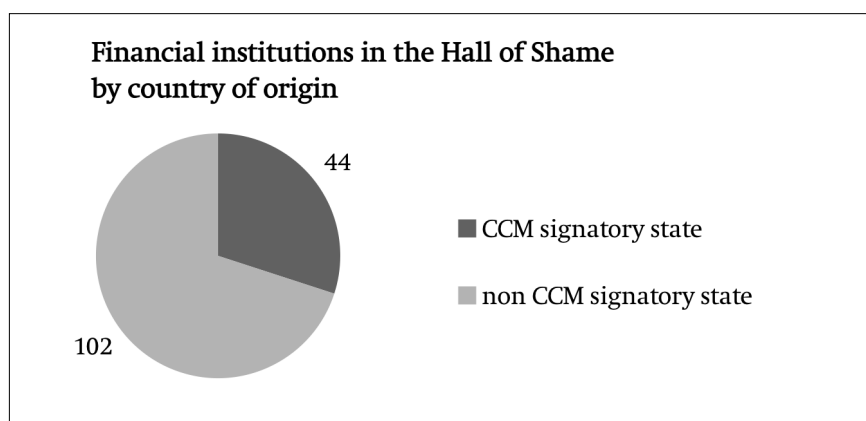
<b>Financial Institution</b>	<b>Country of origin</b>	<b>Alliant Techsystems ATK (US)</b>	<b>Hanwha (South Korea)</b>	<b>L-3 Communications (US)</b>	<b>Lockheed Martin (US)</b>	<b>Poongsan (South Korea)</b>	<b>Singapore Technologies Engineering (Singapore)</b>	<b>Textron (US)</b>
Calyon	France			L,Y	L			Y
Capital Group	United States				S,B		S	
Castle Creek	United States	B						
Cheonan Bukil Education Foundation	South Korea		S					
Children's Investment Fund	United Kingdom				S			
Citadel Group	United States	B						B
Citigroup	United States				L,Y			L,X,Y
Columbia Management Advisors	United States	S		S				
Comerica Bank	United States			L				
Commerzbank	Germany				L			
Commonwealth Bank of Australia	Australia						B	
Credit Suisse	Switzerland	B					S,B	X,Y
D.E.Shaw Group	United States	B						
Daewoo Securities	South Korea		Y					
Daiwa Asset Management	Japan						S	
Deutsche Bank	Germany			L,Y			S,Y	X,Y
Dimensional Fund Advisors	United States					S		
Dongbu Securities	South Korea		Y					
Eagle Capital Management	United States			S				
Epoch Investment Partners	United States	S						
Export Import Bank of Korea	South Korea		Y					
Ferox Capital Management	United Kingdom	B						
Fidelity	United States	S,B	S		S	S	B	S,B
Fiduciary Management	United States	S						
First Eagle Investment Management	United States	S						
Franklin Templeton	United States						S	
General Electric (GE)	United States	S						
Genworth Financial	United States				B			
Goldman Sachs	United States	S			Y			L,X,Y,B
Grantham Mayo Van Otterloo & Co	United States		S				S	
Hanwha Securities	South Korea		Y					
Henderson Global Investors	United Kingdom						S	
HMC Investment Bank	South Korea		Y					
Hotchkiss & Wiley Capital Management	United States				S			

<b>Financial Institution</b>	<b>Country of origin</b>	<b>Alliant Techsystems ATK (US)</b>	<b>Hanwha (South Korea)</b>	<b>L-3 Communications (US)</b>	<b>Lockheed Martin (US)</b>	<b>Poongsan (South Korea)</b>	<b>Singapore Technologies Engineering (Singapore)</b>	<b>Textron (US)</b>
HSBC	United Kingdom			L				X,Y
Institutional Capital Management	United States							S
Intesa Sanpaolo	Italy				L			
Invesco	United Kingdom <sup>VIII</sup>						S	
Jackson National Life	United States			B				
Janus Capital Group	United States	S		B				
JP Morgan Chase	United States	B,S		S	L,Y			X,Y,S
Kookmin Bank	South Korea		Y					
Korea Development Bank	South Korea		Y			Y		
Korea Investment & Securities	South Korea		Y					
Kuntien Eläkevakuutus	Finland						S	
Lazard Capital Markets	United States							Y
Legg Mason Global Asset Management	United States			S				
Lloyds Banking	United Kingdom				L,Y			
Longview Partners	United Kingdom			S				
Lord Abbet & Co	United States	B		B				
LSV Asset Management	United States			S				
Manulife Financial	Canada	S						
Martin Currie Investment Management	United Kingdom						S	
Massachusetts Mutual	United States							B
Matthews International Capital Management	United States						S,B	
Mega International Commercial Bank	Taiwan			L				
Mellon Capital Management	United States							S
Meritz Securities	South Korea		Y					
Metropolitan Life Insurance	United States	B		B	B			
MFS Investment Management	United States			B	S			
Mirae Asset Securities	South Korea		Y					
Mizuho Bank	Japan				L,Y			
Mondrian Investment Advisors	United States						S	
Morgan Stanley	United States			S,B	L,Y		Y	S,Y
National Pension Service	South Korea		S					

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

<b>Financial Institution</b>	<b>Country of origin</b>	<b>Alliant Techsystems ATK (US)</b>	<b>Hanwha (South Korea)</b>	<b>L-3 Communications (US)</b>	<b>Lockheed Martin (US)</b>	<b>Poongsan (South Korea)</b>	<b>Singapore Technologies Engineering (Singapore)</b>	<b>Textron (US)</b>
Natixis	France	S		S				B
Neuberger Berman	United States	S						
New Jersey Division of Investment	United States				B			
New York Life	United States				B			
Newton Investment Management	United Kingdom			S			S	
Northern Trust	United States			S	L,S			
Northwestern Mutual	United States			B	B			
Nuveen Investments	United States				S			
Oaktree Capital Management	United States	B		B				
OppenheimerFunds	United States				S			
PPM America	United States							S
Principal Financial Group	United States	S						
Prudential	United Kingdom		B					
Prudential Insurance	United States	B			B			B
Putnam Investment Management	United States			S				
Pzena Investment Management	United States			S				
Quantitative Management Associates	United States	S						
Riversource Investments	United States			B				
Riyad Bank	Saudi Arabia				L			
Royal Bank of Scotland	United Kingdom			L,Y	L,Y			
Schroder Investments	United Kingdom						B	
Scotiabank	Canada			L,Y	L			
Shin Heung Securities	South Korea		Y					
Shinhan Bank	South Korea		Y					
SK Securities	South Korea					Y		
Société Générale	France			L,Y				Y
Standard Life	United Kingdom	S						
State Street	United States	S	S	S	L,S	S	S	S
Sumitomo Mitsui Banking Corporation	Japan			L	L			
SunTrust Bank	United States			L,Y	L			
Susquehanna International Group	United States	B						
Symetra Life Insurance	United States				B			
Systemic Financial Management	United States							S
T Rowe Price Group	United States	S			S			S

Financial Institution	Country of origin	Alliant Techsystems ATK (US)	Hanwha (South Korea)	L-3 Communications (US)	Lockheed Martin (US)	Poongsan (South Korea)	Singapore Technologies Engineering (Singapore)	Textron (US)
Tamalpais Asset Management	United States	B						
Teachers Insurance & Annuity Association (TIAA-CREF)	United States		S	B	B			S
Temasek Holdings	Singapore						S	
Thrivent Financial	United States	B						
Tong Yang Securities	South Korea		B,Y					
UBS	Switzerland				L,Y	S	S	S,X,Y
Universal Investment Gesellschaft	Germany						S	
Unum Life Insurance	United States	B						
US Bank	United States			L	L			
Vanguard Group	United States	B,S	S	S, B	S	S	S	S
Veritas Asset Management	United Kingdom						S	
Vontobel Group	Switzerland						S	
Wachovia Bank	United States				L			Y
Wadell & Reed	United States							S
Wedge Capital Management	United States	S						
Wellington Management Company	United States				S			S
Wells Fargo Bank	United States	B		B,L,Y	L,Y			Y
WestLB	Germany				L			
Westwood Holdings Group	United States	S						
William Street Commitment Corporation	United States				L			
Woori Investment & Securities	South Korea		Y			Y		



## Hall of Fame and runners-up

Financial Institution	Country of origin*	Is the policy published?	Does the policy exclude cluster munitions producers?	Does the policy exclude all cluster munitions producers (no exceptions for certain types?)	Does the policy apply to all the products of the financial institution?	Are all a company's activities excluded?
<b>HALL OF FAME</b>						
ABP	The Netherlands	X	X	X	X	X
AP1 – 4	Sweden	X	X	X	X	X
AP7	Sweden	X	X	X	X	X
ASN Bank	The Netherlands	X	X	X	X	X
ATP	Denmark	X	X	X	X	X
Banca Etica	Italy	X	X	X	X	X
BPF Bouw	The Netherlands	X	X	X	X	X
DnB NOR	Norway	X	X	X	X	X
Ethias	Belgium	X	X	X	X	X
KLP	Norway	X	X	X	X	X
KPA	Sweden	X	X	X	X	X
Norwegian Government Pension Fund - Global	Norway	X	X	X	X	X
National Pensions Reserve Fund	Ireland	X	X	X	X	X
NZ SuperannuationFund	New Zealand	X	X	X	X	X
PGGM	The Netherlands	X	X	X	X	X
Philips Pension Fund	The Netherlands	X	X	X	X	X
PME	The Netherlands	X	X	X	X	X
PNO Media	The Netherlands	X	X	X	X	X
Spoorwegpensioenfonds	The Netherlands	X	X	X	X	X
Storebrand	Norway	X	X	X	X	X
Triodos Bank	The Netherlands	X	X	X	X	X
<b>RUNNERS-UP</b>						
ABN Amro	The Netherlands	X	X	X		X
AXA	France	X	X	X		X
BNP Paribas	France	X	X	Unknown		X
Co-operative Financial Services	United Kingdom	X	X	X		X
Crédit Agricole	France	X	X	X	Unknown	Unknown
Danske Bank	Denmark	X	X	X		X
Dexia	Belgium	X	X	X		
Folksam	Sweden	X	X	X	X	X
Fortis NL	The Netherlands	X	X	X		X
HSBC	United Kingdom	X	X	X		X
ING	The Netherlands	X	X	X		X
KBC	Belgium	X	X	X		X
Nordea	Sweden	X	X	X		X
Rabobank	The Netherlands	X	X	X		X
Royal Bank of Canada	Canada	X	X	X		X
Syntrus Achmea	The Netherlands	X	X	X		X
Unicredit	Italy	X	X	X		X

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



# Introduction

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

### Cluster Munitions and the Oslo Process

The third of December 2008 marked an important day for humanitarian law. On that day, 94 countries gathered in Oslo to sign the Convention on Cluster Munitions (CCM), which categorically prohibits the use, production, transfer and stockpiling of cluster munitions. Reports of the suffering that cluster munitions have caused among civilian populations has alarmed people and drawn international attention to the issue.

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

“I lost both my legs when I found a cluster bomb I thought was a can of food. I was ten years old at the time and was walking home from a picnic with my cousin and four other members of my family. My cousin was killed instantly in the blast and the rest of us were injured.”

Soraj Ghulam Habib, Herat, Afghanistan

The Oslo process started in February 2007. At the invitation of the Norwegian Government, 49 countries met after government talks in the traditional forum for weapons issues failed. The resulting Oslo Declaration called for a legally binding instrument by 2008 to prohibit the use, production, transfer and stockpiling of cluster munitions that cause unacceptable harm to civilians.<sup>6</sup> At the ensuing international conferences the number of supporting countries grew at a steady pace; by December 2008 the CCM opened for signature.

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

Action against the weapon has already started to change states' behaviour. Many have started to destroy their stockpiles and/or announced their compliance with the convention. However, the CCM will have to enter into force in order to become legally binding on state parties. Burkina Faso and the Republic of Moldova ratified the CCM on 16 February, 2010, bringing the total number of ratifications to 30 and

triggering entry into force on 1 August 2010. So far, 104<sup>IX</sup> countries have signed and 30<sup>X</sup> have ratified the convention. The universalisation and the implementation of the Convention on Cluster Munitions are two critical steps toward enhancing the human security during and after armed conflict and toward providing assistance to survivors.

Article 1c of the Convention on Cluster Munitions states: “Each State Party undertakes never under any circumstances to assist, encourage or induce anyone to engage in any activity prohibited to a State Party under this Convention.”<sup>7</sup> Financing is clearly an act of support: financing a cluster munitions producer facilitates production. Several states and civil society organisations have confirmed that the CCM prohibits investment in companies that produce cluster munitions.<sup>8</sup>

“Financing and investing are active choices, based on a clear assessment of a company and its plans. Investing in a cluster munitions producer therefore is a choice to support the production of these weapons that cause unacceptable harm.” The CMC policy paper on disinvestment explains: “States signing on to the Convention on Cluster Munitions should realise that this also implies a ban on investments in cluster munitions manufacturers. Recognizing the danger posed by cluster munitions, states should be consistent furthermore and prohibit investments in producers of cluster munitions.”<sup>9</sup>

As we will see in Chapter 3, several states have passed legislation prohibiting investment in companies that produce cluster munitions. We encourage other states to do the same and provide clear guidelines for financial institutions (FIs) operating within their territory. In the end, however, financial institutions will have to be the ones to ensure that investments by state and non-state parties in companies that produce cluster munitions cease. This publication presents an inexhaustive state-of-the-art report (SOAR) on financial institutions’ investments in companies that develop or produce cluster munitions and on legislative measures to prevent investments in cluster munitions. In presenting this information we want to encourage financial institutions, state actors and civil society to engage in a constructive discussion on and work towards a world free of cluster munitions.

## Financial Institutions’ Power and Responsibility

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

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IX By 24 March 2010, the following countries had signed the CCM: Afghanistan, Albania, Angola, Australia, Austria, Belgium, Benin, Bolivia, Bosnia and Herzegovina, Botswana, Bulgaria, Burkina Faso, Burundi, Cameroon, Canada, Cape Verde, Central African Republic, Chad, Chile, Colombia, Comoros, The Dominican Republic, DR Congo, Republic of Congo, Cook Islands, Costa Rica, Côte D`Ivoire, Croatia, Cyprus, Czech Republic, Denmark, Ecuador, El Salvador, Fiji, France, Gambia, Germany, Ghana, Guatemala, Guinea, Guinea Bissau, Haiti, The Holy See, Honduras, Hungary, Iceland, Indonesia, Iraq, Ireland, Italy, Jamaica, Japan, Kenya, Lao PDR, Lebanon, Lesotho, Liberia, Liechtenstein, Lithuania, Luxembourg, the former Yugoslav Republic of Macedonia, Madagascar, Malawi, Mali, Malta, Mexico, Republic of Moldova, Monaco, Montenegro, Mozambique, Namibia, Nauru, Netherlands, New Zealand, Nicaragua, Niger, Nigeria, Norway, Palau, Panama, Paraguay, Peru, Philippines, Portugal, Rwanda, Samoa, San Marino, Sao Tomé and Príncipe, St. Vincent and Grenadines, Senegal, Sierra Leone, Slovenia, Somalia, South Africa, Spain, Sweden, Switzerland, Togo, Tunisia, Uganda, United Kingdom of Great Britain and Northern Ireland, United Republic of Tanzania, Uruguay, Zambia.

X By 24 March 2010 the following countries had ratified the CCM: Albania, Austria, Belgium, Burkina Faso, Burundi, Croatia, Denmark, France, Germany, The Holy See, Ireland, Japan, Lao PDR, Luxembourg, Former Yugoslav Republic of Macedonia, Malawi, Malta, Mexico, Republic of Moldova, Montenegro, New Zealand, Nicaragua, Niger, Norway, San Marino, Slovenia, Sierra Leone, Spain, Uruguay and Zambia.

projects they will finance and invest in, these institutions foster certain (business) evolutions. Although some financial institutions have made an effort to disinvest from cluster munitions, many find it difficult to implement their policy or have, as yet, no policy on investment in companies that produce cluster munitions. The Hall of Shame in Chapter 1 lists a whole range of examples of financial institutions investing in or offering financial services to cluster munitions producers. These investments raise serious ethical concerns for these financial institutions. These concerns arise from two arguments: the controversial character of cluster munitions and the complicity of the investor. Cluster munitions are widely acknowledged to be unacceptable weapons. In signing the CCM, more than 100 countries have agreed to ban these weapons. Financial institutions should, therefore, avoid any involvement in the manufacture of these weapons. Financial institutions sometimes regard financing or providing financial services to companies as a neutral activity. But investing in a company clearly supports that company's objectives by raising the capital it needs to pursue them. In delivering a financial service to a company, a financial institution signifies its approval of this company's objectives. Financing a company involved in cluster munitions facilitates production of these weapons. Moreover, this support is indispensable. All financial institutions should follow the example of those that have already insisted that companies in their portfolio end their involvement in the production and/or development of cluster munitions, and that they disinvest from companies that ignore this demand.

Fortunately, parallel to the Oslo process, more and more financial institutions have recognised their responsibility to withdraw support from companies manufacturing cluster munitions. These financial institutions have banned cluster munitions producers from their investment portfolios. Chapter 3 describes financial institutions' policies on investment in cluster munitions. Many financial institutions have stated in public that they will disinvest from cluster munitions producers; some of them have already done so. We applaud these efforts and feel they can serve as an example for other financial institutions. This report highlights those financial institutions whose investment guidelines take into account the civilian suffering that cluster munitions cause. Our Hall of Fame shows great examples of financial institutions that have shouldered their responsibility and implemented a comprehensive policy to disinvest from cluster munitions. The runners-up category in the same chapter lists financial institutions that have made an effort to adopt and implement a policy to disinvest from cluster munitions, but have some shortcomings in either the policy or its implementation.

## Our Research

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

1. Which financial institutions invest in companies that produce cluster munitions? Chapter 1 contains a list of companies and investors. Chapter 2 focuses on sovereign wealth funds (SWFs) and public pension funds (PPFs), given their growing importance.
2. Who is disinvesting from companies that produce cluster munitions? Chapter 3 contains a list of investors that have done so and a list of states that have passed legislation prohibiting this type of investment.

Profundo did the research on producing companies and financial links, and Netwerk Vlaanderen that on the financial institutions' policies.

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

# Chapter 1

## Hall of Shame: Financial Involvement and Investments

This first chapter answers our first research question:

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

The chapter is divided in three parts:

- The first part describes the companies selected for study.
- The second part gives a list of financial institutions investing in cluster munitions manufacturers.
- The third takes a closer look at a few sovereign wealth funds and public pension funds.

### 1.1 Red Flag List of Cluster Munitions Producers

#### 1.1.0 Introduction and Methodology

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

- **Definitions**

Our research project adopted the definition of cluster munitions and explosive submunitions in the Convention on Cluster Munitions:<sup>10</sup>

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

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

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

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

- Any company or group of companies that, itself or through a subsidiary, develops or produces cluster munitions and/or explosive submunitions according to the definition in the Convention on Cluster Munitions.
- Any company or group of companies that, itself or through a subsidiary, develops or produces key components for cluster munitions or explosive submunitions.

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

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

- **Selection and research**

To research the financial links to cluster munitions producers, we first drew up a list of companies that produce cluster munitions. To identify these companies a variety of sources including reports by NGOs, exclusion lists maintained by financial institutions banning investment in cluster munitions, information published by the producing companies, contracts with the US government and correspondence between the companies and investors were used. All producing companies on the red flag list were contacted prior to the October 2009 report to verify our data; when they provided additional information, we included this in our report. Research by Profundo (the Netherlands).

There is still a marked lack of official information in the public domain about the production of cluster munitions. This is why this list is not exhaustive. From this list we then selected a short, red flag list, based on the following criteria:

- Certainty that the company produces cluster munitions; the evidence is available and clear.
- No evidence that the company will cease the production of cluster munitions in the next 12 months.
- Clear evidence that the company produced cluster munitions in the last two years (meaning since 30 May 2008, the day the Convention text was adopted in Dublin), or involvement in a planned production or development phase (even if this involvement is yet to be confirmed). In addition, we considered the previous year's marketing efforts (exhibitions, new product brochure, advertising on websites, etc.) as evidence of ongoing involvement in cluster munitions production.
- Financial links to the company available through official information in the public domain. When we could not find financial links in the financial information available to us, we decided to omit the company from this report. It was difficult to link state-owned companies to financial institutions.

Using these criteria we narrowed our red flag list to seven companies. It is important to note that our list of cluster munitions producers is by no means exhaustive. In the following section we offer a brief description of each company and how it is involved in the development and/or production of cluster munitions.

### 1.1.1 Alliant Techsystems (United States)

Alliant Techsystems (ATK) is the world's largest manufacturer of ammunition and a leading supplier of precision systems and electronic warfare. The company is also active in space and propulsion systems.<sup>11</sup>

Alliant Techsystems (ATK) is the designer and producer of the rocket motor for Textron's Sensor Fuzed Weapon (SFW). We consider the SFW a cluster bomb under the definition of the Oslo Convention. ATK produces a key component for this cluster bomb. The following information on the SFW is available on the ATK website:

"The BLU-108 submunitions released from the Sensor Fuzed Weapon (SFW) are propelled by an ATK Missions Systems designed and produced rocket motor. The SFW was designed specifically to provide upward axial thrust and rotational torque to the BLU-108 submunition, releasing the skeet warheads at the end of motor burn. The upward thrust and rotational torque is achieved by utilizing dual tangential nozzles in the ATK rocket motor. The SFW is the first smart air-to-surface munition to enter production for the U.S. Air Force. The SFW, a 1,000-pound class weapon, contains ten BLU-108 submunitions, each with four smart Skeet warheads, for a total of 40 warheads. Designed for stand-off deployment from a wide variety of aircraft, SFW's versatility and superior lethality make it a weapon of choice for anti-armor, destruction of enemy air defense, and many other combat missions."<sup>12</sup>

The most recent US Air Force contract with Textron we found on SFW deliveries is a "US\$92,938,707 firm-fixed-price contract modification" dated 31 January 2007 and "provides for 291 Sensor Fuzed Weapons (SFW) Full Rate Production, Lot 12 option exercise."<sup>13</sup> This same contract was modified in February 2009 for an additional US\$9,527,490 of SFWs. According to the US Department of Defence, "This action will provide 30 additional Sensor Fuzed Weapons, Full Rate Production Lot 12. At this time, the entire amount has been obligated. Eglin Air Force Base is the contracting activity."<sup>14</sup>

Beside the United States, the SFW was sold to two other countries over the past three years. The United Arab Emirates signed a contract with Textron in November 2007, with deliveries planned to start in 2008.<sup>15</sup> Moreover, in September 2008, the US government "notified Congress of a possible Foreign Military Sale to India of 510 units of the CBU-105 Sensor Fuzed Weapons as well as associated equipment and services. The total value, if all options are exercised, could be as high as US\$375 million." It was reported in September 2009 that the sale to India was in the final stages. To date there has been no official confirmation that the sale has been completed.<sup>16</sup>

### 1.1.2 Hanwha (South Korea)

Hanwha Corporation, the former Korea Explosives Corporation, is a world business leader in industrial explosives production, and in construction, trade, machinery, and pharmaceuticals.<sup>17</sup> The South Korean Company was officially designated a defence contractor in 1974. Since then, it has specialised in munitions, whose productions process has been under strict government control and for which the Korean Government is the sole customer.<sup>18</sup>

Hanwha is one of South Korea's two producers of cluster munitions (Poongsan is the other). The company produces 130 mm Multiple Launch Rocket System (MLRS) and 2.75" Multi-purpose submunitions (MPSM). The company confirmed its manufacture of these types of cluster munitions in a written answer to Norway's Government Pension Fund in 2007.<sup>19</sup>

Both the 130 mm MLRS and the 2.75" MPSM continue to be advertised on the website of Hanwha Corporation. The 130 mm MLRS is described as a rocket "to launch multiple rockets into concentrated enemy encampments across a wide area."<sup>20</sup> The 2.75-inch MPSM is identified on the company's website as the "HE MPSM K224 Warhead [that] contains 9 each multipurpose submunitions for use against personnel, material and light armour."<sup>21</sup>

In addition to the 130mm MLRS and the 2.75" MPSM Hanwha also produces a so-called Scattering Bomb for Aircraft that is mounted on an aircraft and designed "to destroy massed enemy positions and ground troops."<sup>22</sup> The ethical council of the Norwegian Pension Fund states that although they have been unable to find further information on this weapon, "it seems that this is a category of cluster munitions that has previously led to exclusion of companies from the Fund."<sup>23</sup>

### **1.1.3 L-3 Communications (United States)**

L-3 Communications Corporation is a leading supplier of a broad range of products and services used in a substantial number of aerospace and defence platforms.<sup>24</sup>

L-3 Communications' Fuzing and Ordnance Systems division, the former BT Fuze Products<sup>25</sup>, produces cluster munitions and parts thereof, including fuzes.<sup>26</sup> The company advertises the M864E2 Projectile on its website and produces the XM1162 self-destruct fuze for M101 submunition.

According to the company's website, the M864E2 155mm Projectile "is used to deliver dual purpose armour defeating and antipersonnel grenades with XM1162 pyrotechnic Self-Destruct Fuzes for extended ranges ...".<sup>27</sup> Its features include, "72 dual purpose grenades (48 ea M42; 24 ea M46); Self-Destruct PyroFuzing with SD reliability, 99% primary, 95 SDF of which no more than 1 in 500 hazardous duds."<sup>28</sup> The XM1162 fuze is advertised on the L-3 website as "a grenade fuze designed to minimize battlefield duds by adding a self-destruct capability to the current Dual Purpose Improved Conventional Munitions (DPICM)."<sup>29</sup>

The company produces a self-destruct fuze (GMLRS ESAD) for M101 submunition, 404 pieces of which fit into each M-30 missile of the GMLRS - Guided Multiple Launch Rocket System produced by Lockheed Martin (see section 1.1.4). This product was mentioned in a brochure dated February 2009. It can be viewed on the company's website, although it is not clear whether the fuze is still in production.<sup>30</sup> The company no longer advertises the M101 submunition on its website.<sup>31</sup>

The US government decided that the M30 missile with a warhead containing DPICM will be placed in the war reserve inventory and will require the approval from a combat commander before being used. After 2018, these missiles can no longer be used. In future production, the warhead containing DPICM will be replaced by an alternative non-cluster munitions warhead.<sup>32</sup>

Two facts lead us to assume that the production of the M101 submunition (DPICM) will end in the near future: the new US export law precludes the export of cluster munitions by the US (except for the CBU-97 and the CBU-105) AND the US Army will cease procurement of DPICMs and will only buy unitary rockets after the deliveries of the previously contracted DPICM rockets are complete, supposedly last summer. Still, since L-3 Communications has not publicly stated they will end the production of cluster munitions, and since L-3 still is involved with the M864E2 projectile, we retain L-3 Communications on the list of cluster munitions producers.

### **1.1.4 Lockheed Martin (United States)**

Lockheed Martin is a global security company that is principally engaged in the research, design, development, manufacture, integration and sustainment of advanced technology systems, products and services.<sup>33</sup>

Lockheed Martin has been producing the M30 rocket, which was developed and produced in a version with 404 M101 DPICM submunitions. In 1980, Lockheed Martin was assigned prime contractor for the M30 contract with the US Army, which makes the company responsible for the entire program. Until recently this product was advertised on Lockheed Martin's website but in the meantime seems to have been removed. This may indicate that the production of the M30 GMLRS has now been discontinued in line with recent expectations.<sup>34</sup>

Previously on its website Lockheed described the M30 GMLRS: "... incorporates a GPS-aided inertial guidance package integrated on a product-improved rocket body. Small canards on the guided rocket nose provide basic manoeuvrability and enhance the accuracy of the system. It will carry a warhead payload of 404 Dual Purpose Improved Conventional Munition (DPICM) submunitions." Although the M30 GMLRS has recently been removed from the product list on the website, the site still offers a brochure dating from 2006 that includes the M30 GMLRS.<sup>35</sup>

The Fuzing and Ordnance Systems division of L-3 Communications (see section 1.1.3) produces the self-destruct fuze for the M101 DPICM submunition.<sup>36</sup>

Despite new US legislation prohibiting the export of cluster munitions, Lockheed Martin is allowed to proceed with the export of 130 M30 Guided MLRS dual purpose improved conventional munitions (DPICM) rocket pods to the United Arab Emirates under a contract that was published in September 2006.<sup>37</sup> This is the last published export contract for this version of the M30 rocket.

The US Army will cease procurement of DPICMs and only buy unitary rockets after the deliveries of previously contracted DPICM rockets are complete, supposedly last summer.<sup>38</sup> The M30 rocket will be placed in the war reserve inventory and will require the approval of a combat commander before they are used. As of 2018, they can no longer be used. In future production, the warhead containing DPICM will be replaced by an alternative non-cluster munitions warhead."<sup>39</sup>

Two facts lead us to assume that the production of the M30 GMLRS has ceased or will soon cease: the new US export law precludes US export of cluster munitions (except for the CBU-97 and the CBU-105) AND the US Army will cease procurement of DPICMs and will only buy unitary rockets after the deliveries of the previously contracted DPICM rockets are complete (as presumably they were in the summer of 2009). Lockheed Martin has never publicly stated or confirmed that it has stopped or will stop production of cluster munitions. Clearly, Lockheed Martin has loaded, assembled, packed, and delivered M30 rockets for the US Government in the past two years. Given the fact that Lockheed Martin has not publicly stated that it will end the production of cluster munitions, and despite the fact that the M30 GMLRS is no longer actively advertised on the website, we have included them in our list.

### 1.1.5 Poongsan (South Korea)

Poongsan, a leading defence company in South Korea, develops military and sporting ammunition.<sup>40</sup> It is the second South Korean cluster munitions company on our list, next to Hanwha.

The South Korean company Poongsan has been involved in the production of two types 155 mm artillery cluster munitions: DP-ICM TP/K308 and DP-ICM K310. The K308 version is still advertised on Poongsan's website while the K310 version no longer seems to appear on the product lists.<sup>41</sup>

Poongsan's website describes the Dual Purpose Improved Conventional Munitions (DP-ICM) TP/K308.<sup>42</sup> It is a 155 mm artillery shell, said to contain 88 "bomblets", e.g. small, explosive submunitions that characterise cluster munitions.<sup>43</sup>

Until recently, Poongsan also produced the DP-ICM K310 - a projectile with 49 submunitions with self-destruct fuze,<sup>44</sup> which was co-produced with Pakistan Ordnance Factories.<sup>45</sup> First production came off the line in April 2008.<sup>46</sup>



### 1.1.6 Singapore Technologies Engineering (Singapore)

Singapore Technologies Engineering Ltd (ST Engineering) is an integrated engineering group specialising in innovative solutions and services in the aerospace, electronics, land systems and marine sectors.<sup>47</sup>

Advanced Material Engineering Pte Ltd., a subsidiary of Singapore Technologies Kinetics - the land systems arm of Singapore Technologies Engineering<sup>48</sup> - produces cluster munitions. It produces at least two versions of the 155 mm High-Explosive (HE) Dual Purpose-Improved Conventional Munition (DP-ICM), cluster munitions with 64 submunitions that have a mechanical self-destruct fuze. Singapore Technologies Engineering claims that the dud rate has been reduced to 3%.<sup>49</sup>

On 26 November 2008, Singapore announced that it would impose an indefinite moratorium with immediate effect on the export of cluster munitions.<sup>50</sup>

Although the 155 mm HE DP-ICM no longer appears in the official product list on the website of Singapore Technologies Engineering, a brochure dating from January 2007 including this weapon is still available via the website.<sup>51</sup>

AFP press agency quoted a company spokeswoman in November 2008, saying that: "We do not produce cluster munitions for export, nor are we a subcontractor to anyone that does. [...] To date, we have never exported any cluster munitions."<sup>52</sup>

### 1.1.7 Textron (United States)

Textron is a multi-industry company, consisting of numerous subsidiaries and operating units. One such subsidiary is Textron Systems Corporation, which does business as Textron Defense Systems. This subsidiary operates in the defence, homeland security and aerospace sector.<sup>53</sup>

On its website Textron makes no secret of its production of cluster bombs and submunitions:

"Known as CBU-97 and CBU-105, Textron Defence Systems' Sensor Fuzed Weapon (SFW) is 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 defense and other air combat missions. The SFW, a 1,000-pound class weapon, contains our own BLU-108 submunition 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-deactivation modes for clean battlefield operation."<sup>54</sup>

In the military press, Textron also claims that its "SFW leaves a clean battlefield".<sup>55</sup> Textron's claims of strike accuracy and the reliability of the self-destruct mechanisms have been contested.<sup>56</sup>

The most recent US Air Force contract with Textron we found on SFW deliveries is a "US\$92,938,707 firm-fixed-price contract modification" dated 31 January 2007 and "provides for 291 Sensor Fuzed Weapons (SFW) Full Rate Production, Lot 12 option exercise."<sup>57</sup> This same contract was modified in February 2009 for an additional US\$9,527,490 of SFWs. According to the US Department of Defense, "This action will provide 30 additional Sensor Fuzed Weapons, Full Rate Production Lot 12. At this time, the entire amount has been obligated. Eglin Air Force Base is the contracting activity."<sup>58</sup>

Beside the United States, the SFW was sold to two other countries over the past three years. The United Arab Emirates signed a contract with Textron in November 2007, with deliveries planned to start in 2008.<sup>59</sup> Moreover, in September 2008, the US government "notified Congress of a possible Foreign Military Sale to

India of 510 units of the CBU-105 Sensor Fuzed Weapons as well as associated equipment and services. The total value, if all options are exercised, could be as high as US\$375 million.” It was reported in September 2009 that the sale to India was in the final stages. To date there has been no official confirmation that the sale has been completed.<sup>60</sup>

### **Former cluster munitions producer no longer on our red flag list: Roketsan (Turkey)**

Roketsan is a company that is part of the Turkish Armed Forces Foundation.

Until recently, Roketsan produced the TRK-122 122 mm rocket, that reportedly contained 56 M85 DPICM submunitions.<sup>61</sup> Turkey sold 3,020 of these TRK-122 122 mm rockets to the United Arab Emirates in 2006 and 2007.<sup>62</sup> It is not known whether it has sold or produced any pieces thereafter.

The company’s website now states that it has discontinued production of the TRK version of the 122 mm rocket.<sup>63</sup>

Because no recent deliveries were found and because the company states that production has been discontinued, Roketsan is no longer considered a current cluster munitions producer. The financial institutions financing Roketsan were therefore not researched for this update.

## **1.2 The Investments**

### **1.2.0 Introduction and Methodology**

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

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

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

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

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

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

#### **Investment banking**

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

#### **Asset Management**

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

Asset management can result in a financial institution’s direct or indirect involvement with cluster munitions producers.

Indirect involvement means that the financial institution acts on behalf of a third party when buying shares in or bonds issued by a company. Most of the time this means the third party, a person or an institution, is buying one or more shares in an investment fund that the financial institution markets. The financial institution's asset manager manages this fund using an investment strategy.

Direct involvement means that the financial institution buys shares in and bonds issued by a company on its own behalf. This makes the financial institution a shareholder or bondholder in this company.

- **Definitions**

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

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

- **Research**

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

We apply different thresholds to different companies for investment in shares and bonds. Due to the different shareholding structure in the various companies,<sup>XI</sup> we chose a 0.1% floor limit for Hanwha Corporation, Poongsan, and Singapore Technologies Engineering and a 1% limit for ATK, L-3 Communications, Lockheed and Textron.

Since there are so many shareholders in ATK, L-3 Communications, Lockheed Martin and Textron that hold less than 1% of the shares, listing all of them is beyond the scope of this report. We made a pragmatic choice to apply the abovementioned thresholds.

Research institute Profundo (the Netherlands) provided a list of financial institutions derived from stock exchange filings and other publications by financial institutions and cluster munitions producers, as well from commercial databases with information supplied by financial institutions. Profundo has used a new source of information on bond ownership for this update (Bloomberg) that we did not have for the October 2009 report. More financial institutions owning or managing bonds issued by one or more cluster munitions producers are therefore included in this update.

We included all credits and underwriting found since 1 May 2007 and share and bond portfolios as per March 2010, the date Profundo concluded its research on financial links to cluster munitions producers. Access to an additional database permitted us to include more information about bond holdings in this update.

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

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

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

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

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

- **Results**

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

We provide the institution's name and country of origin for each financial relationship.

We list the types of financial relations with the various companies for each financial institution. We group these relations by type: loans, investment banking and asset management. We list financial activities chronologically for each subgroup.

We also name the recipient company, the amount, date and (if known) the purpose for each financial relation. We provide the maturity date and interest rate for loans.

### **1.2.1 Aberdeen Asset Management (United Kingdom)**

#### ASSET MANAGEMENT

On 6 October 2009, Aberdeen Asset Management owned or managed 10.05% of the shares of **Singapore Technologies Engineering** valued at US\$620.3 million.<sup>64</sup>

### **1.2.2 Acadian Asset Management (United States)**

#### ASSET MANAGEMENT

On 31 October 2009 Acadian Asset Management owned or managed 0.17% of the shares of **Hanwha Corporation** valued at US\$4.3 million.<sup>65</sup>

### **1.2.3 Advent Capital Management (United States)**

#### ASSET MANAGEMENT

On 31 December 2009, Advent Capital Management owned or managed 2.80% of the total outstanding bonds issued by **Alliant Techsystems** valued at US\$33 million.<sup>66</sup>

## 1.2.4 Allianz (Germany)

### ASSET MANAGEMENT

On 31 October 2009, Allianz owned or managed 0.17% of the shares of **Singapore Technologies Engineering** valued at US\$10.3 million.<sup>67</sup>

On 30 September 2009, Allianz owned or managed 2.14% of the total outstanding bonds issued by **Lockheed Martin** valued at US\$115.5 million.<sup>68</sup>

## 1.2.5 American Life (United States)

### ASSET MANAGEMENT

On 30 September 2009, American Life Insurance owned or managed 1.04% of the total outstanding bonds issued by **Textron** valued at US\$62.5 million.<sup>69</sup>

## 1.2.6 ANZ Bank (Australia)

### LOANS

In July 2007, **Lockheed Martin** renewed its current US\$1.5 billion five-year revolving credit facility and extended it to end June 2012. ANZ Bank participated with US\$37.5 million to the 31-bank syndicate.<sup>70</sup>

In October 2009, **L-3 Communications** renewed its current US\$1 billion three-year revolving credit facility and extended it to October 2012. ANZ Bank contributed an estimated US\$42 million to the 17-bank syndicate.<sup>71</sup>

### INVESTMENT BANKING

In September 2009, **L-3 Communications** issued US\$1 billion ten-year bonds. The proceeds were used for general corporate purposes. ANZ Bank contributed an estimated US\$57 million to the 12-bank issuing syndicate.<sup>72</sup>

## 1.2.7 Artio Global Management (United States)

### ASSET MANAGEMENT

On 31 January 2010, Artio Global Management owned or managed 1.19% of the total outstanding bonds issued by **Alliant Techsystems** valued at US\$14 million.<sup>73</sup>

## 1.2.8 Artisan Partners (United States)

### ASSET MANAGEMENT

On 31 December 2009, Artisan Partners owned or managed 1.82% of the shares of **L-3 Communications** valued at US\$182.8 million.<sup>74</sup>

## 1.2.9 AXA (France)

### ASSET MANAGEMENT

On 31 December 2009, AXA owned or managed 1.58% of the shares of **L-3 Communications** valued at US\$158.5 million.<sup>75</sup>

On 31 December 2009, AXA owned or managed 3.49% of the shares of **Textron** valued at US\$179 million.<sup>76</sup>

## 1.2.10 Banco Bilbao Vizcaya Argentaria (BBVA) (Spain)

### LOANS

In July 2007, **Lockheed Martin** renewed its current US\$1.5 billion five-year revolving credit facility and extended it to end June 2012. Banco Bilbao Vizcaya Argentaria contributed US\$37.5 million to the 31-bank syndicate.<sup>77</sup>

## 1.2.11 Bank of America (United States)

### LOANS

In October 2007, **Textron** secured a US\$750 million eleven-month revolving credit facility from a banking syndicate. The proceeds were used to fund the acquisition of the US aerospace and defence company United Industrial Corporation. Bank of America contributed US\$250 million to this facility.<sup>78</sup>

In July 2007, **Lockheed Martin** renewed its current US\$1.5 billion five-year revolving credit facility and extended it to end June 2012. Bank of America, one of the two banks leading the 31-bank syndicate, contributed US\$86.25 million to this facility.<sup>79</sup>

In October 2009, **L-3 Communications** renewed its current US\$1 billion three-year revolving credit facility and extended it to October 2012. Bank of America contributed an estimated US\$100 million to the 17-bank syndicate.<sup>80</sup>

### INVESTMENT BANKING

In July 2007, **Textron** Financial, a wholly owned subsidiary of Textron, issued US\$10 million in thirty-year bonds. Merrill Lynch was the sole underwriter of this issue.<sup>81</sup>

In November 2007, **Textron** Financial, a wholly owned subsidiary of Textron, issued US\$50 million in three-year bonds. Merrill Lynch was the sole underwriter of this issue.<sup>82</sup>

In November 2007, **Textron** Inc. issued US\$350 million in ten-year bonds. The proceeds were used for general corporate purposes. Bank of America, one of the three banks leading the 10-bank syndicate, underwrote US\$87.92 million.<sup>83</sup>

In November 2007, **Textron** Financial, a wholly owned subsidiary of Textron, issued US\$400 million in three-year bonds. Merrill Lynch underwrote this issue for about US\$133 million.<sup>84</sup>

In March 2008, **Textron** Financial, a wholly owned subsidiary of Textron, issued US\$50 million in two-year bonds. Merrill Lynch, one of two underwriting banks, underwrote about US\$25 million.<sup>85</sup>

In April 2008, **Textron** Financial, a wholly owned subsidiary of Textron, issued US\$300 million in five-year bonds. Merrill Lynch underwrote this issue for about US\$100 million.<sup>86</sup>

In April 2009, **Textron** issued shares for a total of US\$217.4 million. The proceeds can be used for general corporate purposes. Merrill Lynch, part of the 10-bank syndicate, underwrote US\$7.7 million.<sup>87</sup>

In April 2009, **Textron** issued US\$540 million in four-year bonds. The proceeds can be used for general corporate purposes. Merrill Lynch, part of the 10-bank syndicate, underwrote US\$14.625 million.<sup>88</sup>

In September 2009, **L-3 Communications** issued US\$1 billion ten-year bonds. The proceeds were used for general corporate purposes. Bank of America was one of the joint bookrunners and contributed an estimated US\$120 million to the 12-bank issuing syndicate.<sup>89</sup>

In September 2009, **Textron** issued a total amount of US\$600 million bonds in two tranches. The first tranche was for US\$350 million of five year bonds and the second tranche was for US\$250 million of ten year bonds. The proceeds were used for general corporate purposes. Bank of America was one of the five bookrunners and contributed an estimated US\$75 million to the 11-bank issuing syndicate.<sup>90</sup>

In November 2009, **Lockheed Martin** issued a total amount of US\$1.5 billion bonds in two tranches. The first tranche was for US\$900 million of ten year bonds and the second tranche was for US\$600 million of thirty year bonds. The proceeds were used for general corporate purposes. Bank of America was one of the four bookrunners and contributed an estimated US\$250 million to the 12-bank issuing syndicate.<sup>91</sup>

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

### LOANS

In July 2007, **Lockheed Martin** renewed its current US\$1.5 billion five-year revolving credit facility and extended it to end June 2012. Bank of New York (now part of Bank of New York Mellon) contributed US\$37.5 million to the 31-bank syndicate.<sup>92</sup>

In October 2009, **L-3 Communications** renewed its current US\$1 billion three-year revolving credit facility and extended it to October 2012. Bank of New York contributed an estimated US\$42 million to the 17-bank syndicate.<sup>93</sup>

### INVESTMENT BANKING

In September 2009, **L-3 Communications** issued US\$1 billion ten-year bonds. The proceeds were used for general corporate purposes. Bank of New York (Mellon) contributed an estimated US\$57 million to the 12-bank issuing syndicate.<sup>94</sup>

In September 2009, **Textron** issued a total amount of US\$600 million bonds in two tranches. The first tranche was for US\$350 million of five year bonds and the second tranche was for US\$250 million of ten year bonds. The proceeds were used for general corporate purposes. Bank of New York Mellon contributed an estimated US\$37.5 million to the 11-bank issuing syndicate.<sup>95</sup>

### ASSET MANAGEMENT

On 31 December 2009, Bank of New York Mellon owned or managed 1.92% of the shares of **Textron** valued at US\$98.5 million.<sup>96</sup>

### 1.2.13 Bank of Tokyo-Mitsubishi UFJ (Japan)

#### LOANS

In July 2007, **Lockheed Martin** renewed its current US\$1.5 billion five-year revolving credit facility and extended it to end June 2012. Bank of Tokyo-Mitsubishi contributed US\$75 million to the 31-bank syndicate.<sup>97</sup>

In October 2009, **L-3 Communications** renewed its current US\$1 billion three-year revolving credit facility and extended it to October 2012. Bank of Tokyo Mitsubishi UFJ contributed an estimated US\$42 million to the 17-bank syndicate.<sup>98</sup>

#### INVESTMENT BANKING

In April 2009, **Textron** issued shares for a total of US\$217.4 million. The proceeds can be used for general corporate purposes. Bank of Tokyo-Mitsubishi UFJ was part of the 10-bank syndicate underwriting US\$7.7 million.<sup>99</sup>

In April 2009, **Textron** issued US\$540 million in four-year bonds. The proceeds can be used for general corporate purposes. Bank of Tokyo-Mitsubishi UFJ was part of the 10-bank syndicate underwriting US\$14.625 million.<sup>100</sup>

In September 2009, **L-3 Communications** issued US\$1 billion ten-year bonds. The proceeds were used for general corporate purposes. Bank of Tokyo Mitsubishi UFJ contributed an estimated US\$57 million to the 12-bank issuing syndicate.<sup>101</sup>

In September 2009, **Textron** issued a total amount of US\$600 million bonds in two tranches. The first tranche was for US\$350 million of five year bonds and the second tranche was for US\$250 million of ten year bonds. The proceeds were used for general corporate purposes. Bank of Tokyo Mitsubishi-UFJ contributed an estimated US\$37.5 million to the 11-bank issuing syndicate.<sup>102</sup>

In November 2009, **Lockheed Martin** issued a total amount of US\$1.5 billion bonds in two tranches. The first tranche was for US\$900 million of ten year bonds and the second tranche was for US\$600 million of thirty year bonds. The proceeds were used for general corporate purposes. Bank of Tokyo Mitsubishi UFJ contributed an estimated US\$62.5 million to the 12-bank issuing syndicate.<sup>103</sup>

### 1.2.14 Barclays (United Kingdom)

#### LOANS

In July 2007, **Lockheed Martin** renewed its current US\$1.5 billion five-year revolving credit facility and extended it to end June 2012. Barclays Bank contributed US\$54.38 million to the 31-bank syndicate.<sup>104</sup>

In October 2009, **L-3 Communications** renewed its current US\$1 billion three-year revolving credit facility and extended it to October 2012. Barclays contributed an estimated US\$100 million to the 17-bank syndicate.<sup>105</sup>

#### INVESTMENT BANKING

In April 2009, **Textron** issued shares for a total of US\$217.4 million. The proceeds can be used for general corporate purposes. Barclays, part of the 10-bank syndicate, underwrote US\$7.7 million.<sup>106</sup>



In April 2009, **Textron** issued US\$540 million in four-year bonds. The proceeds can be used for general corporate purposes. Barclays, part of the 10-bank syndicate, underwrote US\$14.625 million.<sup>107</sup>

In November 2007, **Textron** Inc. issued US\$350 million ten-year bonds. The proceeds were used for general corporate purposes. Barclays, part of the 10-bank syndicate, underwrote US\$12.32 million.<sup>108</sup>

In September 2009, **L-3 Communications** issued US\$1 billion ten-year bonds. The proceeds were used for general corporate purposes. Barclays was one of the joint bookrunners and contributed an estimated US\$120 million to the 12-bank issuing syndicate.<sup>109</sup>

In September 2009, **Textron** issued a total amount of US\$600 million bonds in two tranches. The first tranche was for US\$350 million of five year bonds and the second tranche was for US\$250 million of ten year bonds. The proceeds were used for general corporate purposes. Barclays was one of the five bookrunners and contributed an estimated US\$75 million to the 11-bank issuing syndicate.<sup>110</sup>

### 1.2.15 Baring Asset Management (United Kingdom)

#### ASSET MANAGEMENT

On 30 November 2009, Baring Asset Management owned or managed 0.93% of the shares of **Poongsan Corporation** valued at US\$5.2 million.<sup>111</sup>

### 1.2.16 Barrow, Hanley, Mewhinney & Strauss (United States)

#### ASSET MANAGEMENT

On 31 December 2009 Barrow, Hanley, Mewhinney & Strauss owned or managed 2.69% of the shares of **L-3 Communications** valued at US\$270.5 million.<sup>112</sup>

### 1.2.17 Batterymarch Financial Management (United States)

#### ASSET MANAGEMENT

On 31 August 2009 Batterymarch Financial Management owned or managed 0.4% of the shares of **Poongsan Holding** valued at US\$0.5 million.<sup>113</sup>

On 31 December 2009 Batterymarch Financial Management owned or managed 0.62% of the shares of **Poongsan Corporation** valued at US\$3.2 million.<sup>114</sup>

### 1.2.18 Bayerische Landesbank (Germany)

#### LOANS

In July 2007, **Lockheed Martin** renewed its current US\$1.5 billion five-year revolving credit facility and extended it to end June 2012. Bayerische Landesbank contributed US\$37.5 million to the 31-bank syndicate.<sup>115</sup>

## 1.2.19 BlackRock (United States)

### ASSET MANAGEMENT

On 31 December 2009, BlackRock owned or managed 1.12% of the shares of **Singapore Technologies Engineering** valued at US\$76.9 million.<sup>116</sup>

On 31 December 2009, BlackRock owned or managed 6.43% of the shares of **L-3 Communications** valued at US\$649.9 million.<sup>117</sup>

On 31 December 2009, BlackRock owned or managed 0.56% of the shares of **Hanwha Corporation** valued at US\$16.7 million.<sup>118</sup>

On 29 January 2010, BlackRock owned or managed 11.23% of the shares of **Alliant Techsystems** valued at US\$295.2 million.<sup>119</sup>

On 31 December 2009, BlackRock owned or managed 6.64% of the shares of **Lockheed Martin** valued at US\$1,893.2 million.<sup>120</sup>

On 31 December 2009, BlackRock owned or managed 5.65% of the shares of **Textron** valued at US\$293.2 million.<sup>121</sup>

## 1.2.20 BMO Financial Group (Canada)

### LOANS

In July 2007, **Lockheed Martin** renewed its current US\$1.5 billion five-year revolving credit facility and extended it to end June 2012. BMO Financial Group contributed US\$26.25 million to the 31-bank syndicate.<sup>122</sup>

## 1.2.21 BNP Paribas (France)

### LOANS

In July 2007, **Lockheed Martin** renewed its current US\$1.5 billion five-year revolving credit facility and extended it to end June 2012. BNP Paribas contributed US\$53.75 million to the 31-bank syndicate.<sup>123</sup>

### INVESTMENT BANKING

In November 2007, **Textron** Inc. issued US\$350 million in ten-year bonds. The proceeds were used for general corporate purposes. BNP Paribas, one of ten banks underwriting the issue, underwrote US\$12.32 million.<sup>124</sup>

In September 2009, **Textron** issued a total amount of US\$600 million bonds in two tranches. The first tranche was for US\$350 million of five year bonds and the second tranche was for US\$250 million of ten year bonds. The proceeds were used for general corporate purposes. BNP Paribas contributed an estimated US\$37.5 million to the 11-bank issuing syndicate.<sup>125</sup>

In November 2009, **Lockheed Martin** issued a total amount of US\$1.5 billion bonds in two tranches. The first tranche was for US\$900 million of ten year bonds and the second tranche was for US\$600 million of thirty year bonds. The proceeds were used for general corporate purposes. BNP Paribas contributed an estimated US\$62.5 million to the 12-bank issuing syndicate.<sup>126</sup>

### 1.2.22 Brave Warrior Capital (United States)

#### ASSET MANAGEMENT

On 31 December 2009, Brave Warrior Capital owned or managed 1.02% of the shares of **Lockheed Martin** valued at US\$288.6 million.<sup>127</sup>

### 1.2.23 Caisse de Depot et Placement du Québec (Canada)

#### ASSET MANAGEMENT

On 31 December 2009, Caisse de Depot et Placement du Quebec owned or managed 0.14% of the shares of **Poongsan Holding** valued at US\$0.1 million.<sup>128</sup>

### 1.2.24 Calamos Holdings (United States)

#### ASSET MANAGEMENT

On 31 December 2009, Calamos owned or managed 4.96% of the total outstanding bonds issued by **Alliant Techsystems** valued at US\$58.5 million.<sup>129</sup>

On 31 December 2009, Calamos Advisors owned or managed 2.67% of the total outstanding bonds issued by **L-3 Communications** valued at US\$110.8 million.<sup>130</sup>

### 1.2.25 Calyon (Crédit Agricole) (France)

#### LOANS

In July 2007, **Lockheed Martin** renewed its current US\$1.5 billion five-year revolving credit facility and extended it to end June 2012. Calyon contributed US\$55.00 million to the 31-bank syndicate.<sup>131</sup>

In October 2009, **L-3 Communications** renewed its current US\$1 billion three-year revolving credit facility and extended it to October 2012. Calyon contributed an estimated US\$100 million to the 17-bank syndicate.<sup>132</sup>

#### INVESTMENT BANKING

In September 2009, **L-3 Communications** issued US\$1 billion ten-year bonds. The proceeds were used for general corporate purposes. Calyon contributed an estimated US\$57 million to the 12-bank issuing syndicate.<sup>133</sup>

In September 2009, **Textron** issued a total amount of US\$600 million bonds in two tranches. The first tranche was for US\$350 million of five year bonds and the second tranche was for US\$250 million of ten year bonds. The proceeds were used for general corporate purposes. Calyon contributed an estimated US\$37.5 million to the 11-bank issuing syndicate.<sup>134</sup>

### 1.2.26 Capital Group (United States)

#### ASSET MANAGEMENT

On 29 May 2009, Capital Group owned or managed 5.95% of the shares of **Singapore Technologies Engineering** valued at US\$289.5 million.<sup>135</sup>

On 31 December 2009, Capital Group owned or managed 11.24% of the shares of **Lockheed Martin** valued at US\$3,178.3 million.<sup>136</sup>

On 31 December 2009, Capital Group owned or managed 2.42% of the total outstanding bonds issued by **Lockheed Martin** valued at US\$130.5 million.<sup>137</sup>

### 1.2.27 Castle Creek (United States)

#### ASSET MANAGEMENT

On 31 December 2009, Castle Creek owned or managed 3.60% of the total outstanding bonds issued by **Alliant Techsystems** valued at US\$42.5 million.<sup>138</sup>

### 1.2.28 Cheonan Bukil Education Foundation (South Korea)

#### ASSET MANAGEMENT

On 30 June 2009, Cheonan Bukil Education Foundation owned or managed 1.83% of the shares of **Hanwha Corporation** valued at US\$35.4 million.<sup>139</sup>

### 1.2.29 Children's Investment Fund (United Kingdom)

#### ASSET MANAGEMENT

On 31 December 2009, Children's Investment Fund owned or managed 1.27% of the shares of **Lockheed Martin** valued at US\$360.4 million.<sup>140</sup>

### 1.2.30 Citadel Group (United States)

#### ASSET MANAGEMENT

On 31 December 2009, Citadel Group owned or managed 10.43% of the total outstanding bonds issued by **Alliant Techsystems** valued at US\$123 million.<sup>141</sup>

On 31 December 2009, Citadel Group owned or managed 1.12% of the total outstanding bonds issued by **Textron** valued at US\$55.1 million.<sup>142</sup>

### 1.2.31 Citigroup (United States)

#### LOANS

In October 2007, **Textron** secured a US\$750 million eleven-month revolving credit facility from a banking syndicate. The proceeds were used to fund the acquisition of the US aerospace and defence company United Industrial Corporation. Citigroup contributed US\$250 million to this facility.<sup>143</sup>

In July 2007, **Lockheed Martin** renewed its current US\$1.5 billion five-year revolving credit facility and extended it to end June 2012. Citigroup contributed US\$71.25 million to the 31-bank syndicate.<sup>144</sup>

#### INVESTMENT BANKING

In March 2008, **Lockheed Martin** issued US\$500 million five-year bonds with a coupon rate of 4.12%. The proceeds were used for working capital and other general corporate purposes. Citigroup was a member of the issuing syndicate.<sup>145</sup>

In April 2009, **Textron** issued shares for a total of US\$217.4 million. The proceeds can be used for general corporate purposes. Citigroup, part of the 10-bank syndicate, underwrote US\$7.7 million.<sup>146</sup>

In April 2009, **Textron** issued US\$540 million in four-year bonds. The proceeds can be used for general corporate purposes. Citigroup, part of the 10-bank syndicate, underwrote US\$14.625 million.<sup>147</sup>

In November 2007, **Textron Inc.** issued US\$350 million ten-year bonds. The proceeds were used for general corporate purposes. Citigroup, one of the three organisers of the 10-bank issuing syndicate, underwrote US\$87.92 million.<sup>148</sup>

In September 2009, **Textron** issued a total amount of US\$600 million bonds in two tranches. The first tranche was for US\$350 million of five year bonds and the second tranche was for US\$250 million of ten year bonds. The proceeds were used for general corporate purposes. Citigroup was one of the five bookrunners and contributed an estimated US\$75 million to the 11-bank issuing syndicate.<sup>149</sup>

In November 2009, **Lockheed Martin** issued a total amount of US\$1.5 billion bonds in two tranches. The first tranche was for US\$900 million of ten year bonds and the second tranche was for US\$600 million of thirty year bonds. The proceeds were used for general corporate purposes. Citigroup was one of the four bookrunners and contributed an estimated US\$250 million to the 12-bank issuing syndicate.<sup>150</sup>

### 1.2.32 Columbia Management Advisers (United States)

#### ASSET MANAGEMENT

On 31 December 2009, Columbia Management Advisors owned or managed 2.21% of the shares of **Alliant Techsystems** valued at US\$64.5 million.<sup>151</sup>

On 31 December 2009, Columbia Management Advisors owned or managed 1.54% of the shares of **L-3 Communications** valued at US\$154.4 million.<sup>152</sup>

### 1.2.33 Comerica Bank (United States)

#### LOANS

In October 2009, **L-3 Communications** renewed its current US\$1 billion three-year revolving credit facility and extended it to October 2012. Comerica Bank contributed an estimated US\$42 million to the 17-bank syndicate.<sup>153</sup>

### 1.2.34 Commerzbank (Germany)

#### LOANS

In July 2007, **Lockheed Martin** renewed its current US\$1.5 billion five-year revolving credit facility and extended it to end June 2012. Commerzbank contributed US\$26.25 million to the 31-bank syndicate.<sup>154</sup>

### 1.2.35 Commonwealth Bank of Australia (Australia)

#### ASSET MANAGEMENT

On 31 January 2010, First State Investments (part of the Commonwealth Bank of Australia) owned or managed 0.72% of the total outstanding bonds issued by **Singapore Technologies Engineering** valued at US\$6.1 million.<sup>155</sup>

### 1.2.36 Credit Suisse (Switzerland)

#### INVESTMENT BANKING

In February 2008, **Textron** Financial, a wholly owned subsidiary of Textron, issued US\$100 million five-year bonds. Credit Suisse was the sole underwriter of this issue.<sup>156</sup>

In April 2009, **Textron** issued shares for a total of US\$217.4 million. The proceeds can be used for general corporate purposes. Credit Suisse, part of the 10-bank syndicate, underwrote US\$7.7 million.<sup>157</sup>

In April 2009, **Textron** issued US\$540 million in four-year bonds. The proceeds can be used for general corporate purposes. Credit Suisse, part of the 10-bank syndicate, underwrote US\$14.625 million.<sup>158</sup>

#### ASSET MANAGEMENT

On 30 September 2009, Credit Suisse owned or managed 0.21% of the shares of **Singapore Technologies Engineering** valued at US\$12.7 million.<sup>159</sup>

On 30 December 2009, Credit Suisse owned or managed 0.36% of the total outstanding bonds issued by **Singapore Technologies Engineering** valued at US\$3 million.<sup>160</sup>

On 31 December 2009, Credit Suisse owned or managed 1.63% of the total outstanding bonds issued by **Alliant Techsystems** valued at US\$19.2 million.<sup>161</sup>

### 1.2.37 D.E. Shaw Group (United States)

#### ASSET MANAGEMENT

On 31 December 2009, D.E. Shaw Group owned or managed 2.33% of the total outstanding bonds issued by **Alliant Techsystems** valued at US\$27.5 million.<sup>162</sup>

### 1.2.38 Daewoo Securities (South Korea)

#### INVESTMENT BANKING

In March 2008, **Hanwha** Corp. issued three-year bonds worth 120 billion Korean Won (US\$118.44 million). The proceeds were used for general corporate purposes. Daewoo Securities, part of the issuing syndicate, underwrote US\$13.2 million.<sup>163</sup>

In June 2008, **Hanwha** Corp. issued three-year bonds worth 170 billion Korean Won (US\$163.54 million). The proceeds were used for general corporate purposes. Daewoo Securities, part of the issuing syndicate, underwrote US\$16.35 million.<sup>164</sup>

### 1.2.39 Daiwa Asset Management (Japan)

#### ASSET MANAGEMENT

On 8 July 2009, Daiwa owned or managed 0.59% of the shares of **Singapore Technologies Engineering** valued at US\$32.8 million.<sup>165</sup>

### 1.2.40 Deutsche Bank (Germany)

#### LOANS

In October 2009, **L-3 Communications** renewed its current US\$1 billion three-year revolving credit facility and extended it to October 2012. Deutsche Bank contributed an estimated US\$42 million to the 17-bank syndicate.<sup>166</sup>

#### INVESTMENT BANKING

In November 2007, **Textron** Financial, a wholly owned subsidiary of Textron, issued US\$400 million in three-year bonds. Deutsche Bank underwrote this issue for about US\$133 million.<sup>167</sup>

In November 2007, **Textron** Inc. issued US\$350 million ten-year bonds. The proceeds were used for general corporate purposes. Deutsche Bank, part of the 10-bank syndicate, underwrote US\$12.32 million.<sup>168</sup>

In January 2008, **Textron** Financial, a wholly owned subsidiary of Textron, issued US\$100 million in three-year bonds. Deutsche Bank was the sole underwriter of this issue.<sup>169</sup>

In February 2008, **Textron** Financial, a wholly owned subsidiary of Textron, issued US\$25 million in three-year bonds. Deutsche Bank was the sole underwriter of this issue.<sup>170</sup>

In April 2008, **Textron** Financial, a wholly owned subsidiary of Textron, issued US\$300 million in five-year bonds. Deutsche Bank underwrote this issue for about US\$100 million.<sup>171</sup>

In April 2009, **Textron** issued shares for a total of US\$217.4 million. The proceeds can be used for general corporate purposes. Deutsche Bank, part of the 10-bank syndicate, underwrote US\$7.7 million.<sup>172</sup>

In April 2009, **Textron** issued US\$540 million in four-year bonds. The proceeds can be used for general corporate purposes. Deutsche Bank, part of the 10-bank syndicate, underwrote US\$14.625 million.<sup>173</sup>

In July 2009, **Singapore Technologies Engineering** issued 10-year bonds with an interest rate of 4.80% for a total value of US\$500 million on the international capital markets. The issue was the first under the US\$1.2 billion medium-term note programme that the company set up in early July 2009. Singaporean investors took just under 45% of the issue, with Hong Kong buyers taking about 37% and most of the remainder allocated to UK accounts. Deutsche Bank is one of the two banks arranging the medium-term note programme and managing the first issue.<sup>174</sup>

In September 2009, **L-3 Communications** issued US\$1 billion ten-year bonds. The proceeds were used for general corporate purposes. Deutsche Bank was one of the joint bookrunners and contributed an estimated US\$120.0 million to the 12-bank issuing syndicate.<sup>175</sup>

#### ASSET MANAGEMENT

On 30 June 2009, Deutsche Bank owned or managed 0.15% of the shares of **Singapore Technologies Engineering** valued at US\$7.6 million.<sup>176</sup>

### 1.2.41 Dimensional Fund Advisors (United States)

#### ASSET MANAGEMENT

On 31 December 2009, Dimensional Fund Advisors owned or managed 1.93% of the shares of **Poongsan Holding** valued at US\$2.7 million.<sup>177</sup>

On 31 January 2010, Dimensional Fund Advisors owned or managed 0.28% of the shares of **Poongsan Corporation** valued at US\$1.3 million.<sup>178</sup>

### 1.2.42 Dongbu Securities (South Korea)

#### INVESTMENT BANKING

In February 2009, **Hanwha Corp.** issued 260 billion Korean Won (US\$175.5 million) in bonds. The issue was split into three tranches: 70 billion Korean Won in three-year bonds, 140 billion Korean Won in two-and-a-half-year bonds and 50 billion Korean Won in one-year bonds. The proceeds were used for general corporate purposes. Dongbu Securities participated in the issuing syndicate and underwrote US\$20.25 million.<sup>179</sup>

### 1.2.43 Eagle Capital Management (United States)

#### ASSET MANAGEMENT

On 31 December 2009, Eagle Capital Management owned or managed 1.38% of the shares of **L-3 Communications** valued at US\$138.7 million.<sup>180</sup>



#### 1.2.44 Epoch Investment Partners (United States)

##### ASSET MANAGEMENT

On 31 December 2009, Epoch Investment Partners owned or managed 4.25% of the shares of **Alliant Techsystems** valued at US\$123.9 million.<sup>181</sup>

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

##### INVESTMENT BANKING

In May 2007, **Hanwha** Corp. issued US\$30 million in three-year bonds. The proceeds were used for working capital. Export Import Bank of Korea participated in the issuing syndicate and underwrote US\$3 million.<sup>182</sup>

#### 1.2.46 Ferox Capital Management (United Kingdom)

##### ASSET MANAGEMENT

On 31 December 2009, Ferox Capital Management owned or managed 2.89% of the total outstanding bonds issued by **Alliant Techsystems** valued at US\$34.1 million.<sup>183</sup>

#### 1.2.47 Fidelity Group (United States)

##### ASSET MANAGEMENT

On 31 December 2009, Fidelity Group owned or managed 0.17% of the shares of **Hanwha Corporation** valued at US\$5.2 million.<sup>184</sup>

On 31 December 2009, Fidelity Group owned or managed 12.03% of the shares of **Textron** valued at US\$616.4 million.<sup>185</sup>

On 31 October 2009, Fidelity Group owned or managed 0.20% of the total outstanding bonds issued by **Singapore Technologies Engineering** valued at US\$1.7 million.<sup>186</sup>

On 30 April 2009, Fidelity Group owned or managed 1.05% of the total outstanding bonds issued by **Textron** valued at US\$51.8 million.<sup>187</sup>

On 31 December 2009, Fidelity Group owned or managed 8.89% of the shares of **Alliant Techsystems** valued at US\$259 million.<sup>188</sup>

On 31 December 2009, Fidelity Group owned or managed 1.29% of the total outstanding bonds issued by **Alliant Techsystems** valued at US\$15.2 million.<sup>189</sup>

On 31 December 2009, Fidelity Group owned or managed 1.01% of the shares of **Lockheed Martin** valued at US\$287.6 million.<sup>190</sup>

On 27 October 2009, Fidelity Group owned or managed 4.05% of the shares of **Poongsan Corporation** valued at US\$23.7 million.<sup>191</sup>

## 1.2.48 Fiduciary Management (United States)

### ASSET MANAGEMENT

On 31 December 2009, Fiduciary Management owned or managed 1.03% of the shares of **Alliant Techsystems** valued at US\$31 million.<sup>192</sup>

## 1.2.49 First Eagle Investment Management (United States)

### ASSET MANAGEMENT

On 31 December 2009, First Eagle Investment Management owned or managed 6.88% of the shares of **Alliant Techsystems** valued at US\$200.5 million.<sup>193</sup>

## 1.2.50 Franklin Templeton (United States)

### ASSET MANAGEMENT

On 30 September 2009, Franklin Templeton owned or managed 0.83% of the shares of **Singapore Technologies Engineering** valued at US\$48.9 million.<sup>194</sup>

## 1.2.51 General Electric (United States)

### ASSET MANAGEMENT

On 31 December 2009, General Electric Company owned or managed 2.37% of the shares of **Alliant Techsystems** valued at US\$69 million.<sup>195</sup>

## 1.2.52 Genworth Financial (United States)

### ASSET MANAGEMENT

On 30 September 2009, Genworth Life Ins Co owned or managed 1.66% of the total outstanding bonds issued by **Lockheed Martin** valued at US\$89.8 million.<sup>196</sup>

## 1.2.53 Goldman Sachs (United States)

### LOANS

In October 2007, **Textron** secured a US\$750 million eleven-month revolving credit facility from a banking syndicate. The proceeds were used to fund the acquisition of the US aerospace and defence company, United Industrial Corporation. Goldman Sachs contributed US\$250 million to this facility.<sup>197</sup>

### INVESTMENT BANKING

In November 2007, **Textron** Inc. issued US\$350 million in ten-year bonds. The proceeds were used for general corporate purposes. Goldman Sachs, one of the 3 organisers of the 10-bank syndicate, underwrote US\$87.92 million.<sup>198</sup>

In March 2008, **Lockheed Martin** issued US\$500 million five-year bonds with a coupon rate of 4.12%. The proceeds were used for working capital and other general corporate purposes. Goldman Sachs managed the issuing syndicate.<sup>199</sup>

In April 2009, **Textron** issued shares totalling US\$217.4 million. The proceeds can be used for general corporate purposes. Goldman Sachs, one of the leaders of the 10-bank issuing syndicate, underwrote US\$77.9 million.<sup>200</sup>

In April 2009, **Textron** issued US\$540 million in four-year bonds. The proceeds can be used for general corporate purposes. Goldman Sachs, one of the leaders of the 10-bank issuing syndicate, underwrote US\$211.5 million.<sup>201</sup>

In September 2009, **Textron** issued a total amount of US\$600 million bonds in two tranches. The first tranche was for US\$350 million of five year bonds and the second tranche was for US\$250 million of ten year bonds. The proceeds were used for general corporate purposes. Goldman Sachs was one of the five bookrunners and contributed an estimated US\$75 million to the 11-bank issuing syndicate.<sup>202</sup>

In November 2009, **Lockheed Martin** issued a total amount of US\$1.5 billion bonds in two tranches. The first tranche was for US\$900 million of ten year bonds and the second tranche was for US\$600 million of thirty year bonds. The proceeds were used for general corporate purposes. Goldman Sachs contributed an estimated US\$62.5 million to the 12-bank issuing syndicate.<sup>203</sup>

#### ASSET MANAGEMENT

On 31 December 2009, Goldman Sachs owned or managed 2.37% of the shares of **Alliant Techsystems** valued at US\$69.1 million.<sup>204</sup>

On 31 December 2009, Goldman Sachs owned or managed 1.05% of the total outstanding bonds issued by **Textron** valued at US\$51.9 million.<sup>205</sup>

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

#### ASSET MANAGEMENT

On 30 November 2009, Grantham, Mayo, Van Otterloo & Co. owned or managed 0.16% of the shares of **Singapore Technologies Engineering** valued at US\$10.3 million.<sup>206</sup>

On 30 November 2009, Grantham, Mayo, Van Otterloo & Co. owned or managed 0.75% of the shares of **Hanwha Corporation** valued at US\$20.7 million.<sup>207</sup>

### 1.2.55 Hanwha Securities (South Korea)

#### INVESTMENT BANKING

In March 2008, **Hanwha Corp.** issued three-year bonds worth 120 billion Korean Won (US\$118.44 million). The proceeds were used for general corporate purposes. Hanwha Securities, part of the issuing syndicate, underwrote US\$13.2 million.<sup>208</sup>

In June 2008, **Hanwha Corp.** issued three-year bonds worth 170 billion Korean Won (US\$163.54 million). The proceeds were used for general corporate purposes. Hanwha Securities, part of the issuing syndicate, underwrote US\$13.2 million.<sup>209</sup>

In February 2009, **Hanwha** Corp. issued bonds worth 260 billion Korean Won (US\$175.5 million). The issue was split into three tranches: three-year bonds worth 70 billion Korean Won, two-and-a-half-year bonds worth 140 billion Korean Won and one-year bonds worth 50 billion Korean Won. The proceeds were used for general corporate purposes. Hanwha Securities, part of the issuing syndicate, underwrote US\$27 million.<sup>210</sup>

### 1.2.56 Henderson Global Investors (United Kingdom)

#### ASSET MANAGEMENT

On 31 October 2009, Henderson Global Investors owned or managed 0.24% of the shares of **Singapore Technologies Engineering** valued at US\$14.8 million.<sup>211</sup>

### 1.2.57 HMC Investment Bank (South Korea)

#### INVESTMENT BANKING

In June 2008, **Hanwha** Corp. issued three-year bonds worth 170 billion Korean Won (US\$163.54 million). The proceeds were used for general corporate purposes. HMC Investment Bank, part of the issuing syndicate, underwrote US\$16.35 million.<sup>212</sup>

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

#### ASSET MANAGEMENT

On 31 December 2009, Hotchkis and Wiley Capital Management owned or managed 1.08% of the shares of **Lockheed Martin** valued at US\$306.1 million.<sup>213</sup>

### 1.2.59 HSBC (United Kingdom)

#### LOANS

In October 2009, **L-3 Communications** renewed its current US\$1 billion three-year revolving credit facility and extended it to October 2012. HSBC contributed an estimated US\$42 million to the 17-bank syndicate.<sup>214</sup>

#### INVESTMENT BANKING

In May 2007, **Textron** Financial, a wholly owned subsidiary of Textron, issued US\$50 million in three-year bonds. HSBC was the sole underwriter of this issue.<sup>215</sup>

In September 2007, **Textron** Financial, a wholly owned subsidiary of Textron, issued US\$275 million in one-year bonds. HSBC was the sole underwriter of this issue.<sup>216</sup>

In April 2008, **Textron** Financial, a wholly owned subsidiary of Textron, issued US\$300 million in five-year bonds. HSBC underwrote this issue for about US\$100 million.<sup>217</sup>

In April 2009, **Textron** issued shares for a total of US\$217.4 million. The proceeds can be used for general corporate purposes. HSBC, part of the 10-bank syndicate, underwrote US\$7.7 million.<sup>218</sup>

In April 2009, **Textron** issued US\$540 million in four-year bonds. The proceeds can be used for general corporate purposes. HSBC, part of the 10-bank syndicate, underwrote US\$14.625 million.<sup>219</sup>

### 1.2.60 Institutional Capital Management (United States)

#### ASSET MANAGEMENT

On 31 December 2009, Institutional Capital Management owned or managed 1.8% of the shares of **Textron** valued at US\$92.5 million.<sup>220</sup>

### 1.2.61 Intesa Sanpaolo (Italy)

#### LOANS

In July 2007, **Lockheed Martin** renewed its current US\$1.5 billion five-year revolving credit facility and extended it to end June 2012. Intesa Sanpaolo contributed US\$52.5 million to the 31-bank syndicate.<sup>221</sup>

### 1.2.62 Invesco (United Kingdom)

#### ASSET MANAGEMENT

On 31 December 2009, Invesco owned or managed 0.77% of the shares of **Singapore Technologies Engineering** valued at US\$53.5 million.<sup>222</sup>

### 1.2.63 Jackson National Life (United States)

#### ASSET MANAGEMENT

On 30 September 2009, Jackson National Life owned or managed 1.02% of the total outstanding bonds issued by **L-3 Communications** valued at US\$42.4 million.<sup>223</sup>

### 1.2.64 Janus Capital Group (United States)

#### ASSET MANAGEMENT

On 31 December 2009, Janus Capital Management owned or managed 1.27% of the shares of **Alliant Techsystems** valued at US\$37 million.<sup>224</sup>

On 31 December 2009, Janus Capital owned or managed 3.28% of the total outstanding bonds issued by **L-3 Communications** valued at US\$135.9 million.<sup>225</sup>

### 1.2.65 JP Morgan Chase (United States)

#### LOANS

In July 2007, **Lockheed Martin** renewed its current US\$1.5 billion five-year revolving credit facility and extended it to end June 2012. JP Morgan Chase, one of the two organisers of the 31-bank syndicate,

contributed US\$86.25 million. Bear Sterns, which is now owned by JP Morgan Chase, contributed US\$37.5 million to the 31-bank syndicate.<sup>226</sup>

## INVESTMENT BANKING

In November 2007, **Textron** Inc. issued US\$350 million in ten-year bonds. The proceeds were used for general corporate purposes. JP Morgan Chase, part of the 10-bank syndicate underwriting the issue, underwrote US\$12.32 million.<sup>227</sup>

In March 2008, **Lockheed Martin** issued US\$500 million in five-year bonds with a coupon rate of 4.12%. The proceeds were used for working capital and other general corporate purposes. JP Morgan Chase was part of the issuing syndicate.<sup>228</sup>

In March 2008, **Textron** Financial, a wholly owned subsidiary of Textron, issued US\$50 million in two-year bonds. JP Morgan Chase, one of two banks underwriting this issue, contributed about US\$25 million.<sup>229</sup>

In May 2008, **Textron** Financial, a wholly owned subsidiary of Textron, issued US\$25 million in fifteen-month bonds. JP Morgan Chase was the sole underwriter of this issue.<sup>230</sup>

In April 2009, **Textron** issued shares for a total of US\$217.4 million. The proceeds can be used for general corporate purposes. JP Morgan Chase, a leader of the 10-bank issuing syndicate, underwrote US\$77.9 million.<sup>231</sup>

In April 2009, **Textron** issued US\$540 million in four-year bonds. The proceeds can be used for general corporate purposes. JP Morgan Chase, a leader of the 10-bank issuing syndicate, underwrote US\$211.5 million.<sup>232</sup>

In September 2009, **Textron** issued a total amount of US\$600 million bonds in two tranches. The first tranche was for US\$350 million of five year bonds and the second tranche was for US\$250 million of ten year bonds. The proceeds were used for general corporate purposes. JP Morgan was one of the five bookrunners and contributed an estimated US\$75 million to the 11-bank issuing syndicate.<sup>233</sup>

In November 2009, **Lockheed Martin** issued a total amount of US\$1.5 billion bonds in two tranches. The first tranche was for US\$900 million of ten year bonds and the second tranche was for US\$600 million of thirty year bonds. The proceeds were used for general corporate purposes. JPMorgan Chase was one of the four bookrunners and contributed an estimated US\$250 million to the 12-bank issuing syndicate.<sup>234</sup>

## ASSET MANAGEMENT

On 31 December 2009, JPMorgan owned or managed 6.54% of the total outstanding bonds issued by **Alliant Techsystems** valued at US\$65.3 million.<sup>235</sup>

On 31 December 2009, JP Morgan owned or managed 3.01% of the shares of **Alliant Techsystems** valued at US\$87.6 million.<sup>236</sup>

On 31 December 2009, JPMorgan owned or managed 1.3% of the shares of **L-3 Communications** valued at US\$131.8 million.<sup>237</sup>

On 31 December 2009, JPMorgan owned or managed 1.36% of the shares of **Textron** valued at US\$70 million.<sup>238</sup>

## 1.2.66 Kookmin Bank (South Korea)

### INVESTMENT BANKING

In July 2007, **Hanwha** Corp. issued three-year bonds worth 20 billion Korean Won (US\$130.56 million). The proceeds were used for general corporate purposes. Hannuri Investment & Securities, now part of Kookmin Bank, underwrote US\$10.9 million of the issue.<sup>239</sup>

In March 2008, **Hanwha** Corp. issued three-year bonds worth 120 billion Korean Won (US\$118.44 million). The proceeds were used for general corporate purposes. Kookmin Bank, one of two leaders of the issuing syndicate, underwrote US\$26.3 million.<sup>240</sup>

In June 2008, **Hanwha** Corp. issued US\$30 million in three-year bonds. The proceeds were used for general corporate purposes. Kookmin Bank, one of two leaders of the issuing syndicate, underwrote US\$3 million.<sup>241</sup>

In June 2008, **Hanwha** Corp. issued three-year bonds worth 170 billion Korean Won (US\$163.54 million). The proceeds were used for general corporate purposes. Kookmin Bank, one of two leaders of the issuing syndicate, underwrote US\$32.7 million.<sup>242</sup>

In February 2009, **Hanwha** Corp. issued bonds worth 260 billion Korean Won (US\$175.5 million). The issue was split into three tranches: three-year bonds worth 70 billion Korean Won, two-and-a-half-year bonds worth 140 billion Korean Won and one-year bonds worth 50 billion Korean Won. The proceeds were used for general corporate purposes. Kookmin Bank, part of the issuing syndicate, underwrote US\$6.75 million.<sup>243</sup>

## 1.2.67 Korea Development Bank (South Korea)

### INVESTMENT BANKING

In May 2007, **Hanwha** Corp. issued US\$30 million in three-year bonds. The proceeds were used for working capital. Korea Development Bank, leader of the issuing syndicate, underwrote US\$17 million.<sup>244</sup>

In July 2007, **Hanwha** Corp. issued 120 billion Korean Won (US\$130.56 million) three-year bonds. The proceeds were used for general corporate purposes. Korea Development Bank underwrote US\$54.4 million of the issue.<sup>245</sup>

In March 2008, **Hanwha** Corp. issued three-year bonds worth 120 billion Korean Won (US\$118.44 million). The proceeds were used for general corporate purposes. Korea Development Bank, one of two leaders of the issuing syndicate, underwrote US\$26.3 million.<sup>246</sup>

In June 2008, **Hanwha** Corp. issued US\$30 million in three-year bonds. The proceeds were used for general corporate purposes. Korea Development Bank was one of the two leaders of the issuing syndicate and underwrote US\$7 million.<sup>247</sup>

In June 2008, **Hanwha** Corp. issued three-year bonds worth 170 billion Korean Won (US\$163.54 million). The proceeds were used for general corporate purposes. Korea Development Bank, one of three leaders of the issuing syndicate, underwrote US\$32.7 million.<sup>248</sup>

In October 2008, **Poongsan** Corp. issued three-year bonds worth 40 billion Korean Won (US\$31.6 million). Korea Development Bank was one of the two leaders of the issuing syndicate.<sup>249</sup>

In February 2009, **Hanwha** Corp. issued bonds worth 260 billion Korean Won (US\$175.5 million). The issue was split into three tranches: three-year bonds worth 70 billion Korean Won, two-and-a-half-year bonds

worth 140 billion Korean Won and one-year bonds worth 50 billion Korean Won. The proceeds were used for general corporate purposes. Korea Development Bank, one of the two leaders of the issuing syndicate, underwrote US\$27 million.<sup>250</sup>

In October 2009, **Poongsan** issued three-year bonds worth Korean Won 50 billion (US\$42.2 million). The proceeds were used for general corporate purposes. Korea Development Bank was one of the three banks in the issue syndicate underwriting an estimated US\$8.6 million.<sup>251</sup>

## 1.2.68 Korea Investment & Securities (South Korea)

### INVESTMENT BANKING

In July 2007, **Hanwha** Corp. issued three-year bonds worth 120 billion Korean Won (US\$130.56 million). The proceeds were used for general corporate purposes. Korea Investments & Securities underwrote US\$21.8 million of the issue.<sup>252</sup>

In March 2008, **Hanwha** Corp. issued three-year bonds worth 120 billion Korean Won (US\$118.44 million). The proceeds were used for general corporate purposes. Korea Investment & Securities, part of the issuing syndicate, underwrote US\$21.8 million.<sup>253</sup>

In June 2008, **Hanwha** Corp. issued three-year bonds worth 170 billion Korean Won (US\$163.54 million). The proceeds were used for general corporate purposes. Korea Investment & Securities, one of three leaders of the issuing syndicate, underwrote US\$32.7 million.<sup>254</sup>

In February 2009, **Hanwha** Corp. issued bonds worth 260 billion Korean Won (US\$175.5 million). The issue was split into three tranches: three-year bonds worth 70 billion Korean Won, two-and-a-half-year bonds worth 140 billion Korean Won and one-year bonds worth 50 billion Korean Won. The proceeds were used for general corporate purposes. Korea Investment & Securities, one of two leaders of the issuing syndicate, underwrote US\$60.75 million.<sup>255</sup>

## 1.2.69 Kuntien Eläkevakuutus (Finland)

### ASSET MANAGEMENT

On 31 December 2008, Kuntien Eläkevakuutus (Finland Government Pension) owned or managed 0.27% of the shares of **Singapore Technologies Engineering** valued at US\$13.5 million.<sup>256</sup>

## 1.2.70 Lazard Capital Markets (United States)

### INVESTMENT BANKING

In November 2007, **Textron** Inc. issued US\$350 million in ten-year bonds. The proceeds were used for general corporate purposes. Lazard Capital Markets, part of the 10-bank underwriting syndicate, underwrote US\$12.32 million.<sup>257</sup>



### 1.2.71 Legg Mason (United States)

#### ASSET MANAGEMENT

On 31 December 2009, ClearBridge Advisors (part of Legg Mason) owned or managed 5.75% of the shares of **L-3 Communications** valued at US\$578.1 million.<sup>258</sup>

### 1.2.72 Lloyds Banking (United Kingdom)

#### LOANS

In July 2007, **Lockheed Martin** renewed its current US\$1.5 billion five-year revolving credit facility and extended it to end June 2012. Lloyds TSB Bank, now Lloyds Banking, contributed US\$48.75 million to the 31-bank syndicate.<sup>259</sup>

#### INVESTMENT BANKING

In November 2009, **Lockheed Martin** issued a total amount of US\$1.5 billion bonds in two tranches. The first tranche was for US\$900 million of ten year bonds and the second tranche was for US\$600 million of thirty year bonds. The proceeds were used for general corporate purposes. Lloyds TSB Bank contributed an estimated US\$62.5 million to the 12-bank issuing syndicate.<sup>260</sup>

### 1.2.73 Longview Partners (United Kingdom)

#### ASSET MANAGEMENT

On 31 December 2009, Longview Partners owned or managed 1.55% of the shares of **L-3 Communications** valued at US\$155.7 million.<sup>261</sup>

### 1.2.74 Lord, Abbett & Co. (United States)

#### ASSET MANAGEMENT

On 31 December 2009, Lord, Abbett & Co. owned or managed 1.80% of the total outstanding bonds issued by **Alliant Techsystems** valued at US\$21.3 million.<sup>262</sup>

On 31 December 2009, Lord, Abbett & Co. owned or managed 1.86% of the total outstanding bonds issued by **L-3 Communications** valued at US\$77.3 million.<sup>263</sup>

### 1.2.75 LSV Asset Management (United States)

#### ASSET MANAGEMENT

On 31 December 2009, LSV Asset Management owned or managed 2.47% of the shares of **L-3 Communications** valued at US\$248.1 million.<sup>264</sup>

### 1.2.76 Manulife Financial (Canada)

#### ASSET MANAGEMENT

On 31 December 2009, MFC Global Investment Management (part of Manulife Financial) owned or managed 1.36% of the shares of **Alliant Techsystems** valued at US\$39.7 million.<sup>265</sup>

### 1.2.77 Martin Currie Investment Management (United Kingdom)

#### ASSET MANAGEMENT

On 30 September 2009, Martin Currie Investment Management owned or managed 0.12% of the shares of **Singapore Technologies Engineering** valued at US\$7.4 million.<sup>266</sup>

### 1.2.78 Massachusetts Mutual (United States)

#### ASSET MANAGEMENT

On 30 September 2009, Massachusetts Mutual owned or managed 1.12% of the total outstanding bonds issued by **Textron** valued at US\$55.4 million.<sup>267</sup>

### 1.2.79 Matthews International Capital Management (United States)

#### ASSET MANAGEMENT

On 31 December 2009, Matthews International Capital Management owned or managed 0.78% of the shares of **Singapore Technologies Engineering** valued at US\$52.1 million.<sup>268</sup>

On 30 December 2009, Matthews International Capital Management owned or managed 0.53% of the total outstanding bonds issued by **Singapore Technologies Engineering** valued at US\$4.5 million.<sup>269</sup>

### 1.2.80 Mega International Commercial Bank (Taiwan)

#### LOANS

In October 2009, **L-3 Communications** renewed its current US\$1 billion three-year revolving credit facility and extended it to October 2012. Mega International Commercial Bank contributed an estimated US\$42 million to the 17-bank syndicate.<sup>270</sup>

### 1.2.81 Mellon Capital Management (United States)

#### ASSET MANAGEMENT

On 31 December 2009, Mellon Capital Management Corporation owned or managed 1.21% of the shares of **Textron** valued at US\$61.8 million.<sup>271</sup>

## 1.2.82 Meritz Securities (South Korea)

### INVESTMENT BANKING

In February 2009, **Hanwha** Corp. issued bonds worth 260 billion Korean Won (US\$175.5 million). The issue was split into three tranches: three-year bonds worth 70 billion Korean Won, two-and-a-half-year bonds worth 140 billion Korean Won and one-year bonds worth 50 billion Korean Won. The proceeds were used for general corporate purposes. Meritz Securities, part of the issuing syndicate, underwrote US\$13.5 million.<sup>272</sup>

## 1.2.83 Metropolitan Life Insurance (United States)

### ASSET MANAGEMENT

On 30 September 2009, Metropolitan Life Insurance owned or managed 1.82% of the total outstanding bonds issued by **Alliant Techsystems** valued at US\$21.4 million.<sup>273</sup>

On 30 September 2009, Metropolitan Life Insurance owned or managed 3.28% of the total outstanding bonds issued by **Lockheed Martin** valued at US\$177.2 million.<sup>274</sup>

On 30 September 2009, Metropolitan Life Insurance owned or managed 1.03% of the total outstanding bonds issued by **L-3 Communications** valued at US\$42.9 million.<sup>275</sup>

## 1.2.84 MFS Investment Management (United States)

### ASSET MANAGEMENT

On 31 December 2009, MFS Investment Management owned or managed 5.03% of the shares of **Lockheed Martin** valued at US\$1,424.1 million.<sup>276</sup>

On 31 December 2009, MFS Investment Management owned or managed 1.06% of the total outstanding bonds issued by **L-3 Communications** valued at US\$43.9 million.<sup>277</sup>

## 1.2.85 Mirae Asset Securities (South Korea)

### INVESTMENT BANKING

In February 2009, **Hanwha** Corp. issued bonds worth 260 billion Korean Won (US\$175.5 million). The issue was split into three tranches: three-year bonds worth 70 billion Korean Won, two-and-a-half-year bonds worth 140 billion Korean Won and one-year bonds worth 50 billion Korean Won. The proceeds were used for general corporate purposes. Mirae Asset Securities, part of the issuing syndicate, underwrote US\$6.75 million.<sup>278</sup>

In July 2007, **Hanwha** Corp. issued three-year bonds worth 120 billion Korean Won (US\$130.56 million). The proceeds were used for general corporate purposes. Mirae Asset Securities underwrote the issue for US\$10.9 million.<sup>279</sup>

## 1.2.86 Mizuho Bank (Japan)

### LOANS

In July 2007, **Lockheed Martin** renewed its current US\$1.5 billion five-year revolving credit facility and extended it to end June 2012. Mizuho Bank contributed US\$71.25 million to the 31-bank syndicate.<sup>280</sup>

### INVESTMENT BANKING

In November 2009, **Lockheed Martin** issued a total amount of US\$1.5 billion bonds in two tranches. The first tranche was for US\$900 million of ten year bonds and the second tranche was for US\$600 million of thirty year bonds. The proceeds were used for general corporate purposes. Mizuho Bank contributed an estimated US\$62.5 million to the 12-bank issuing syndicate.<sup>281</sup>

## 1.2.87 Mondrian Investment Partners (United Kingdom)

### ASSET MANAGEMENT

On 30 September 2009, Mondrian Investment Partners owned or managed 0.13% of the shares of **Singapore Technologies Engineering** valued at US\$7.8 million.<sup>282</sup>

## 1.2.88 Morgan Stanley (United States)

### LOANS

In July 2007, **Lockheed Martin** renewed its current US\$1.5 billion five-year revolving credit facility and extended it to end June 2012. Morgan Stanley contributed US\$51.25 million to the 31-bank syndicate.<sup>283</sup>

### INVESTMENT BANKING

In November 2007, **Textron** Inc. issued US\$350 million in ten-year bonds. The proceeds were used for general corporate purposes. Morgan Stanley, part of the 10-bank syndicate, underwrote US\$12.32 million.<sup>284</sup>

In July 2009, **Singapore Technologies Engineering** issued 10-year bonds with an interest rate of 4.80% for a total value of US\$500 million on the international capital markets. The issue was the first under the US\$1.2 billion medium-term note programme that the company set up in early July 2009. Singaporean investors took just under 45% of the issue, with Hong Kong buyers taking about 37% and most of the remainder allocated to UK accounts. Morgan Stanley is one of two banks arranging the medium-term note programme and managing the first issue.<sup>285</sup>

In November 2009, **Lockheed Martin** issued a total amount of US\$1.5 billion bonds in two tranches. The first tranche was for US\$900 million of ten year bonds and the second tranche was for US\$600 million of thirty year bonds. The proceeds were used for general corporate purposes. Morgan Stanley was one of the four bookrunners and contributed an estimated US\$250 million to the 12-bank issuing syndicate.<sup>286</sup>

### ASSET MANAGEMENT

On 31 December 2009, Morgan Stanley owned or managed 1.31% of the shares of **L-3 Communications** valued at US\$130.9 million.<sup>287</sup>

On 31 December 2009, Morgan Stanley owned or managed 1.38% of the total outstanding bonds issued by **L-3 Communications** valued at US\$57.1 million.<sup>288</sup>

On 31 December 2009, Morgan Stanley owned or managed 1.38% of the shares of **Textron** valued at US\$70.4 million.<sup>289</sup>

### 1.2.89 National Pension Service (South Korea)

ASSET MANAGEMENT

On 17 August 2009, National Pension Service owned or managed 7.14% of the shares of **Hanwha Corporation** with a value of US\$187.8 million.<sup>290</sup>

### 1.2.90 Natixis (France)

ASSET MANAGEMENT

On 31 January 2010, Natixis Asset Management (including Loomis Sayles) owned or managed 6.38% of the total outstanding bonds issued by **Textron** valued at US\$314.9 million.<sup>291</sup>

On 31 December 2009, Harris Associates (a subsidiary of Natixis) owned or managed 3.74% of the shares of **L-3 Communications** valued at US\$376.1 million.<sup>292</sup>

On 31 December 2009, Harris Associates (a subsidiary of Natixis) owned or managed 5.00% of the shares of **Alliant Techsystems** valued at US\$145.8 million.<sup>293</sup>

### 1.2.91 Neuberger Berman (United States)

ASSET MANAGEMENT

On 31 December 2009, Neuberger Berman owned or managed 5.80% of the shares of **Alliant Techsystems** valued at US\$168.9 million.<sup>294</sup>

### 1.2.92 New Jersey Division of Investment (United States)

ASSET MANAGEMENT

On 30 September 2009, New Jersey Division owned or managed 1.52% of the total outstanding bonds issued by **Lockheed Martin** valued at US\$82 million.<sup>295</sup>

### 1.2.93 New York Life (United States)

ASSET MANAGEMENT

On 30 September 2009, New York Life owned or managed 2.20% of the total outstanding bonds issued by **Lockheed Martin** valued at US\$118.8 million.<sup>296</sup>

## 1.2.94 Newton Investment Management (United Kingdom)

### ASSET MANAGEMENT

On 31 October 2009, Newton Investment Management Ltd. owned or managed 0.84% of the shares of **Singapore Technologies Engineering** valued at US\$52.1 million.<sup>297</sup>

On 31 December 2009, Newton Investment Management owned or managed 1.92% of the shares of **L-3 Communications** valued at US\$192.6 million.<sup>298</sup>

## 1.2.95 Northern Trust (United States)

### LOANS

In July 2007, **Lockheed Martin** renewed its current US\$1.5 billion five-year revolving credit facility and extended it to end June 2012. Northern Trust Company contributed US\$37.5 million to the 31-bank syndicate.<sup>299</sup>

### ASSET MANAGEMENT

On 31 December 2009, Northern Trust owned or managed 1.15% of the shares of **L-3 Communications** valued at US\$115.9 million.<sup>300</sup>

On 31 December 2009, Northern Trust owned or managed 1.13% of the shares of **Lockheed Martin** valued at US\$321.7 million.<sup>301</sup>

## 1.2.96 Northwestern Mutual (United States)

### ASSET MANAGEMENT

On 30 September 2009, Northwestern Mutual owned or managed 2.55% of the total outstanding bonds issued by **L-3 Communications** valued at US\$105.9 million.<sup>302</sup>

On 30 September 2009, Northwestern Mutual owned or managed 2.47% of the total outstanding bonds issued by **Lockheed Martin** valued at US\$133.2 million.<sup>303</sup>

## 1.2.97 Nuveen Investments (United States)

### ASSET MANAGEMENT

On 31 December 2009, Nuveen Investments owned or managed 1.64% of the shares of **Lockheed Martin** valued at US\$464.2 million.<sup>304</sup>

## 1.2.98 Oaktree Capital Management (United States)

### ASSET MANAGEMENT

On 31 December 2009, Oaktree Capital Management owned or managed 1.27% of the total outstanding bonds issued by **Alliant Techsystems** valued at US\$15 million.<sup>305</sup>

On 31 December 2009, Oaktree Capital Management owned or managed 1.65% of the total outstanding bonds issued by **L-3 Communications** valued at US\$68.6 million.<sup>306</sup>

### 1.2.99 OppenheimerFunds (United States)

ASSET MANAGEMENT

On 31 December 2009, OppenheimerFunds owned or managed 1.12% of the shares of **Lockheed Martin** valued at US\$316 million.<sup>307</sup>

### 1.2.100 PPM America (United States)

ASSET MANAGEMENT

On 31 December 2009, PPM America owned or managed 1.22% of the shares of **Textron** valued at US\$62.7 million.<sup>308</sup>

### 1.2.101 Principal Financial Group (United States)

ASSET MANAGEMENT

On 31 December 2009, Principal Global Investors owned or managed 1.7% of the shares of **Alliant Techsystems** valued at US\$49.4 million.<sup>309</sup>

### 1.2.102 Prudential (United Kingdom)

ASSET MANAGEMENT

On 30 September 2009, Prudential Asset Management owned or managed 0.13% of the total outstanding bonds issued by **Hanwha Corporation** valued at US\$2.2 million.<sup>310</sup>

### 1.2.103 Prudential Insurance (United States)

ASSET MANAGEMENT

On 30 September 2009, Prudential Insurance owned or managed 2.62% of the total outstanding bonds issued by **Lockheed Martin** valued at US\$141.4 million.<sup>311</sup>

On 30 September 2009, Prudential Insurance owned or managed 1.80% of the total outstanding bonds issued by **Textron** valued at US\$89 million.<sup>312</sup>

On 30 September 2009, Prudential Insurance owned or managed 1.18% of the total outstanding bonds issued by **Alliant Techsystems** valued at US\$13.9 million.<sup>313</sup>

#### 1.2.104 Putnam Investment Management (United States)

On 31 December 2009, Putnam Investment Management owned or managed 1.06% of the shares of **L-3 Communications** valued at US\$106.5 million.<sup>314</sup>

#### 1.2.105 Pzena Investment Management (United States)

ASSET MANAGEMENT

On 31 December 2009, Pzena Investment Management owned or managed 2.51% of the shares of **L-3 Communications** valued at US\$252.1 million.<sup>315</sup>

#### 1.2.106 Quantitative Management Associates (United States)

ASSET MANAGEMENT

On 31 December 2009, Quantitative Management Associates owned or managed 1.4% of the shares of **Alliant Techsystems** valued at US\$40.8 million.<sup>316</sup>

#### 1.2.107 Riversource Investments (United States)

ASSET MANAGEMENT

On 30 September 2009, Riversource Investments owned or managed 1.18% of the total outstanding bonds issued by **L-3 Communications** valued at US\$49.1 million.<sup>317</sup>

#### 1.2.108 Riyadh Bank (Saudi Arabia)

LOANS

In July 2007, **Lockheed Martin** renewed its current US\$1.5 billion five-year revolving credit facility and extended it to end June 2012. Riyadh Bank contributed US\$37.5 million to the 31-bank syndicate.<sup>318</sup>

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

LOANS

In July 2007, **Lockheed Martin** renewed its current US\$1.5 billion five-year revolving credit facility and extended it to end June 2012. Royal Bank of Scotland contributed US\$64.38 million to the 31-bank syndicate.<sup>319</sup>

In October 2009, **L-3 Communications** renewed its current US\$1 billion three-year revolving credit facility and extended it to October 2012. Royal Bank of Scotland contributed an estimated US\$42 million to the 17-bank syndicate.<sup>320</sup>



## INVESTMENT BANKING

In September 2009, **L-3 Communications** issued US\$1 billion ten-year bonds. The proceeds were used for general corporate purposes. Royal Bank of Scotland contributed an estimated US\$57 million to the 12-bank issuing syndicate.<sup>321</sup>

In November 2009, **Lockheed Martin** issued a total amount of US\$1.5 billion bonds in two tranches. The first tranche was for US\$900 million of ten year bonds and the second tranche was for US\$600 million of thirty year bonds. The proceeds were used for general corporate purposes. Royal Bank of Scotland contributed an estimated US\$62.5 million to the 12-bank issuing syndicate.<sup>322</sup>

### 1.2.110 Schroder Investment Management (United Kingdom)

#### ASSET MANAGEMENT

On 31 December 2009, Schroder Investment owned or managed 0.13% of the total outstanding bonds issued by **Singapore Technologies Engineering** valued at US\$1.1 million.<sup>323</sup>

### 1.2.111 Scotiabank (Bank of Nova Scotia) (Canada)

#### LOANS

In July 2007, **Lockheed Martin** renewed its current US\$1.5 billion five-year revolving credit facility and extended it to end June 2012. Scotiabank contributed US\$37.5 million to the 31-bank syndicate.<sup>324</sup>

In October 2009, **L-3 Communications** renewed its current US\$1 billion three-year revolving credit facility and extended it to October 2012. Scotiabank contributed an estimated US\$100 million to the 17-bank syndicate.<sup>325</sup>

## INVESTMENT BANKING

In September 2009, **L-3 Communications** issued US\$1 billion ten-year bonds. The proceeds were used for general corporate purposes. Scotiabank contributed an estimated US\$57 million to the 12-bank issuing syndicate.<sup>326</sup>

### 1.2.112 Shin Heung Securities (South Korea)

#### INVESTMENT BANKING

In July 2007, **Hanwha** Corp. issued three-year bonds worth 120 billion Korean Won (US\$130.56 million). The proceeds were used for general corporate purposes. Shin Heung Securities underwrote the issue for US\$10.9 million.<sup>327</sup>

### 1.2.113 Shinhan Bank (South Korea)

#### INVESTMENT BANKING

In May 2007, **Hanwha** Corp. issued US\$30 million in three-year bonds. The proceeds were used for working capital. Shinhan Bank participated in the issuing syndicate and underwrote US\$10 million.<sup>328</sup>

In March 2008, **Hanwha** Corp. issued three-year bonds worth 120 billion Korean Won (US\$118.44 million). The proceeds were used for general corporate purposes. Shinhan Bank participated in the issuing syndicate and underwrote US\$13.2 million.<sup>329</sup>

In February 2009, **Hanwha** Corp. issued bonds worth 260 billion Korean Won (US\$175.5 million). The issue was split into three tranches: three-year bonds worth 70 billion Korean Won, two-and-a-half-year bonds worth 140 billion Korean Won and one-year bonds worth 50 billion Korean Won. The proceeds were used for general corporate purposes. Shinhan Bank participated in the issuing syndicate and underwrote US\$6.75 million.<sup>330</sup>

### 1.2.114 SK Securities (South Korea)

#### INVESTMENT BANKING

In April 2007, **Poongsan** Corp. issued three-year bonds worth 50 billion Korean Won (US\$54.1 million). SK Securities led the issuing syndicate.<sup>331</sup>

In October 2008, **Poongsan** Corp. issued three-year bonds worth 40 billion Korean Won (US\$31.6 million). SK Securities was one of the two leaders of the issuing syndicate.<sup>332</sup>

In October 2009, **Poongsan** issued three year bonds worth Korean Won 50 billion (US\$42.2 million). The proceeds were used for general corporate purposes. SK Securities led the issuing syndicate, underwriting an estimated US\$25 million.<sup>333</sup>

### 1.2.115 Société Générale (France)

#### LOANS

In October 2009, **L-3 Communications** renewed its current US\$1 billion three-year revolving credit facility and extended it to October 2012. Société Générale contributed an estimated US\$100 million to the 17-bank syndicate.<sup>334</sup>

#### INVESTMENT BANKING

In September 2009, **L-3 Communications** issued US\$1 billion ten-year bonds. The proceeds were used for general corporate purposes. Société Générale contributed an estimated US\$57 million to the 12-bank issuing syndicate.<sup>335</sup>

In September 2009, **Textron** issued a total amount of US\$600 million bonds in two tranches. The first tranche was for US\$350 million of five year bonds and the second tranche was for US\$250 million of ten year bonds. The proceeds were used for general corporate purposes. Société Générale contributed an estimated US\$37.5 million to the 11-bank issuing syndicate.<sup>336</sup>

### 1.2.116 Standard Life (United Kingdom)

#### ASSET MANAGEMENT

On 31 December 2009, Standard Life owned or managed 1.11% of the shares of **Alliant Techsystems** valued at US\$32 million.<sup>337</sup>

## 1.2.117 State Street (United States)

### LOANS

In July 2007, **Lockheed Martin** renewed its current US\$1.5 billion five-year revolving credit facility and extended it to end June 2012. State Street Bank contributed US\$37.5 million to the 31-bank syndicate.<sup>338</sup>

### ASSET MANAGEMENT

On 31 December 2009, State Street owned or managed 3.51% of the shares of **Textron** valued at US\$180.2 million.<sup>339</sup>

On 31 January 2010, State Street owned or managed 0.13% of the shares of **Hanwha Corporation** valued at US\$4 million.<sup>340</sup>

On 31 December 2009, State Street owned or managed 20.33% of the shares of **Lockheed Martin** valued at US\$5,754.7 million.<sup>341</sup>

On 31 January 2010, State Street owned or managed 0.33% of the shares of **Poongsan Corporation** valued at US\$1.6 million.<sup>342</sup>

On 30 June 2009, State Street owned or managed 0.21% of the shares of **Singapore Technologies Engineering** valued at US\$11.4 million.<sup>343</sup>

On 31 December 2009, State Street owned or managed 2.44% of the shares of **Alliant Techsystems** valued at US\$80 million.<sup>344</sup>

On 31 December 2009, State Street owned or managed 3.65% of the shares of **L-3 Communications** valued at US\$366.8 million.<sup>345</sup>

## 1.2.118 Sumitomo Mitsui Banking Corporation (Japan)

### LOANS

In July 2007, **Lockheed Martin** renewed its current US\$1.5 billion five-year revolving credit facility and extended it to end June 2012. Sumitomo Mitsui Banking Corporation contributed US\$37.5 million to the 31-bank syndicate.<sup>346</sup>

In October 2009, **L-3 Communications** renewed its current US\$1 billion three-year revolving credit facility and extended it to October 2012. Sumitomo Mitsubishi Banking Corporation contributed an estimated US\$42 million to the 17-bank syndicate.<sup>347</sup>

## 1.2.119 SunTrust Bank (United States)

### LOANS

In July 2007, **Lockheed Martin** renewed its current US\$1.5 billion five-year revolving credit facility and extended it to end June 2012. SunTrust Bank contributed US\$37.5 million to the 31-bank syndicate.<sup>348</sup>

In October 2009, **L-3 Communications** renewed its current US\$1 billion three-year revolving credit facility and extended it to October 2012. Sun Trust Bank contributed an estimated US\$42 million to the 17-bank syndicate.<sup>349</sup>

## INVESTMENT BANKING

In September 2009, **L-3 Communications** issued US\$1 billion ten-year bonds. The proceeds were used for general corporate purposes. Sun Trust Bank was one of the joint bookrunners and contributed an estimated US\$120 million to the 12-bank issuing syndicate.<sup>350</sup>

### 1.2.120 Susquehanna International Group (United States)

#### ASSET MANAGEMENT

On 31 December 2009, Susquehanna International owned or managed 3.20% of the total outstanding bonds issued by **Alliant Techsystems** valued at US\$37.7 million.<sup>351</sup>

### 1.2.121 Symetra Life Insurance (United States)

#### ASSET MANAGEMENT

On 30 September 2009, Symetra Life Insurance owned or managed 1.32% of the total outstanding bonds issued by **Lockheed Martin** valued at US\$71.2 million.<sup>352</sup>

### 1.2.122 Systemic Financial Management (United States)

#### ASSET MANAGEMENT

On 31 December 2009, Systemic Financial Management owned or managed 1.29% of the shares of **Textron** valued at US\$66.2 million.<sup>353</sup>

### 1.2.123 T. Rowe Price Group (United States)

#### ASSET MANAGEMENT

On 31 December 2009, T. Rowe Price owned or managed 3.56% of the shares of **Alliant Techsystems** valued at US\$103.8 million.<sup>354</sup>

On 31 December 2009, T. Rowe Price owned or managed 1.50% of the shares of **Lockheed Martin** valued at US\$424.5 million.<sup>355</sup>

On 31 December 2009, T. Rowe Price owned or managed 1.37% of the shares of **Textron** valued at US\$70.2 million.<sup>356</sup>

### 1.2.124 Tamalpais Asset Management (United States)

#### ASSET MANAGEMENT

On 31 December 2009, Tamalpais Asset Management owned or managed 1.02% of the total outstanding bonds issued by **Alliant Techsystems** valued at US\$12 million.<sup>357</sup>

### 1.2.125 Teachers Insurance & Annuity Association (TIAA-CREF) (United States)

#### ASSET MANAGEMENT

On 30 September 2009, TIAA-CREF owned or managed 0.22% of the shares of **Hanwha Corporation** valued at US\$6 million.<sup>358</sup>

On 31 December 2009, TIAA-CREF owned or managed 1.75% of the shares of **Textron** valued at US\$89.8 million.<sup>359</sup>

On 30 September 2009, TIAA-CREF owned or managed 1.73% of the total outstanding bonds issued by **L-3 Communications** valued at US\$72 million.<sup>360</sup>

On 30 September 2009, TIAA-CREF owned or managed 1.87% of the total outstanding bonds issued by **Lockheed Martin** valued at US\$100.9 million.<sup>361</sup>

### 1.2.126 Temasek Holdings (Singapore)

#### ASSET MANAGEMENT

On 16 February 2009, Temasek Holdings owned or managed 50.31% of the shares of **Singapore Technologies Engineering** valued at US\$2,269.6 million.<sup>362</sup>

### 1.2.127 Thrivent Financial (United States)

#### ASSET MANAGEMENT

On 31 December 2009, Thrivent Financial owned or managed 1.26% of the total outstanding bonds issued by **Alliant Techsystems** valued at US\$14.8 million.<sup>363</sup>

### 1.2.128 Tong Yang Securities (South Korea)

#### INVESTMENT BANKING

In February 2010, **Hanwha Corp.** issued three-year bonds worth 100 billion Korean Won (US\$86.1 million). The proceeds were used for general corporate purposes. Tong Yang Securities was the sole bookrunner and underwrote the issue for US\$86.1 million.<sup>364</sup>

#### ASSET MANAGEMENT

On 30 September 2009, Tong Yang Investment owned or managed 0.80% of the total outstanding bonds issued by **Hanwha Corporation** valued at US\$13.7 million.<sup>365</sup>

### 1.2.129 UBS (Switzerland)

#### LOANS

In July 2007, **Lockheed Martin** renewed its current US\$1.5 billion five-year revolving credit facility and extended it to end June 2012. UBS Bank contributed US\$37.5 million to the 31-bank syndicate.<sup>366</sup>

## INVESTMENT BANKING

In November 2007, **Textron Financial**, a wholly owned subsidiary of Textron, issued US\$400 million in three-year bonds. UBS underwrote this issue for about US\$133 million.<sup>367</sup>

In April 2009, **Textron** issued shares for a total of US\$217.4 million. The proceeds can be used for general corporate purposes. UBS, part of the 10-bank syndicate, underwrote US\$7.7 million.<sup>368</sup>

In April 2009, **Textron** issued US\$540 million in four-year bonds. The proceeds can be used for general corporate purposes. UBS, part of the 10-bank syndicate, underwrote US\$14.625 million.<sup>369</sup>

In November 2009, **Lockheed Martin** issued a total amount of US\$1.5 billion bonds in two tranches. The first tranche was for US\$900 million of ten year bonds and the second tranche was for US\$600 million of thirty year bonds. The proceeds were used for general corporate purposes. UBS contributed an estimated US\$62.5 million to the 12-bank issuing syndicate.<sup>370</sup>

## ASSET MANAGEMENT

On 24 November 2009, UBS owned or managed 6.53% of the shares of **Poongsan Corporation** valued at US\$36.8 million.<sup>371</sup>

On 31 May 2009, UBS owned or managed 0.21% of the shares of **Singapore Technologies Engineering** valued at US\$10.2 million.<sup>372</sup>

On 31 December 2009, UBS owned or managed 2.21% of the shares of **Textron** valued at US\$112.8 million.<sup>373</sup>

### 1.2.130 Universal Investment (Germany)

#### ASSET MANAGEMENT

On 31 July 2009, Universal Investment owned or managed 0.18% of the shares of **Singapore Technologies Engineering** valued at US\$9.9 million.<sup>374</sup>

### 1.2.131 Unum Life Insurance (United States)

#### ASSET MANAGEMENT

On 30 September 2009, Unum Life Insurance owned or managed 1.02% of the total outstanding bonds issued by **Alliant Techsystems** valued at US\$12 million.<sup>375</sup>

### 1.2.132 US Bank (United States)

#### LOANS

In July 2007, **Lockheed Martin** renewed its current US\$1.5 billion five-year revolving credit facility and extended it to end June 2012. US Bank contributed US\$71.25 million to the 31-bank syndicate.<sup>376</sup>

In October 2009, **L-3 Communications** renewed its current US\$1 billion three-year revolving credit facility and extended it to October 2012. US Bank contributed an estimated US\$42 million to the 17-bank syndicate.<sup>377</sup>

### 1.2.133 Vanguard Group (United States)

#### ASSET MANAGEMENT

On 31 December 2009, Vanguard Group owned or managed 2.55% of the total outstanding bonds issued by **Alliant Techsystems** valued at US\$30 million.<sup>378</sup>

On 31 October 2009, Vanguard Group owned or managed 0.64% of the shares of **Hanwha Corporation** valued at US\$15.7 million.<sup>379</sup>

On 31 December 2009, Vanguard Group owned or managed 4.49% of the shares of **Textron** valued at US\$257.5 million.<sup>380</sup>

On 31 October 2009, Vanguard Group owned or managed 0.15% of the shares of **Singapore Technologies Engineering** valued at US\$9 million.<sup>381</sup>

On 31 October 2009, Vanguard Group owned or managed 0.1% of the shares of **Poongsan Holding** valued at US\$0.1 million.<sup>382</sup>

On 31 December 2009, Vanguard Group owned or managed 4.05% of the shares of **Alliant Techsystems** valued at US\$108.2 million.<sup>383</sup>

On 31 December 2009, Vanguard Group owned or managed 3.44% of the shares of **L-3 Communications** valued at US\$367.5 million.<sup>384</sup>

On 30 September 2009, Vanguard Group owned or managed 1.69% of the total outstanding bonds issued by **L-3 Communications** valued at US\$70.3 million.<sup>385</sup>

On 31 December 2009, Vanguard Group owned or managed 3.01% of the shares of **Lockheed Martin** valued at US\$896.4 million.<sup>386</sup>

### 1.2.134 Veritas Asset Management (United Kingdom)

#### ASSET MANAGEMENT

On 30 September 2009, Veritas Asset Management owned or managed 0.23% of the shares of **Singapore Technologies Engineering** valued at US\$13.2 million.<sup>387</sup>

### 1.2.135 Vontobel Group (Switzerland)

#### ASSET MANAGEMENT

On 30 September 2009, Vontobel Group owned or managed 0.1% of the shares of **Singapore Technologies Engineering** valued at US\$5.9 million.<sup>388</sup>

### 1.2.136 Wachovia Bank (United States)

#### LOANS

In July 2007, **Lockheed Martin** renewed its current US\$1.5 billion five-year revolving credit facility and extended it to end June 2012. Wachovia Bank contributed US\$53.75 million to the 31-bank syndicate.<sup>389</sup>

#### INVESTMENT BANKING

In February 2007, **Textron** Financial, a wholly owned subsidiary of Textron, issued US\$300 million sixty-year bonds. Wachovia Bank underwrote this issue for about US\$60 million.<sup>390</sup>

In November 2007, **Textron** Inc. issued US\$350 million in ten-year bonds. The proceeds were used for general corporate purposes. Among the ten banks underwriting the issue was Wachovia Bank, who underwrote US\$12.32 million.<sup>391</sup>

### 1.2.137 Waddell & Reed (United States)

#### ASSET MANAGEMENT

On 31 December 2009, Waddell & Reed owned or managed 3% of the shares of **Textron** valued at US\$154 million.<sup>392</sup>

### 1.2.138 Wedge Capital Management (United States)

#### ASSET MANAGEMENT

On 31 December 2009, Wedge Capital Management owned or managed 1.41% of the shares of **Alliant Techsystems** valued at US\$41.2 million.<sup>393</sup>

### 1.2.139 Wellington Management Company (United States)

#### ASSET MANAGEMENT

On 31 December 2009, Wellington Management Company owned or managed 4.33% of the shares of **Textron** valued at US\$222.3 million.<sup>394</sup>

On 31 December 2009, Wellington Management Company owned or managed 2.28% of the shares of **Lockheed Martin** valued at US\$645.8 million.<sup>395</sup>

### 1.2.140 Wells Fargo Bank (United States)

#### LOANS

In July 2007, **Lockheed Martin** renewed its current US\$1.5 billion five-year revolving credit facility and extended it to end June 2012. Wells Fargo Bank contributed US\$37.5 million to the 31-bank syndicate.<sup>396</sup>

In October 2009, **L-3 Communications** renewed its current US\$1 billion three-year revolving credit facility and extended it to October 2012. Wells Fargo Bank contributed an estimated US\$42 million to the 17-bank syndicate.<sup>397</sup>



## INVESTMENT BANKING

In September 2009, **L-3 Communications** issued US\$1 billion ten-year bonds. The proceeds were used for general corporate purposes. Wells Fargo was one of the joint bookrunners and contributed an estimated US\$120 million to the 12-bank issuing syndicate.<sup>398</sup>

In September 2009, **Textron** issued a total amount of US\$600 million bonds in two tranches. The first tranche was for US\$350 million of five year bonds and the second tranche was for US\$250 million of ten year bonds. The proceeds were used for general corporate purposes. Wells Fargo contributed an estimated US\$37.5 million to the 11-bank issuing syndicate.<sup>399</sup>

In November 2009, **Lockheed Martin** issued a total amount of US\$1.5 billion bonds in two tranches. The first tranche was for US\$900 million of ten year bonds and the second tranche was for US\$600 million of thirty year bonds. The proceeds were used for general corporate purposes. Wells Fargo contributed an estimated US\$62.5 million to the 12-bank issuing syndicate.<sup>400</sup>

## ASSET MANAGEMENT

On 31 December 2009, Wells Fargo owned or managed 2.39% of the total outstanding bonds issued by **Alliant Techsystems** valued at US\$28.2 million.<sup>401</sup>

On 31 December 2009, Evergreen Investment Management (a subsidiary of Wells Fargo) owned or managed 1.34% of the total outstanding bonds issued by **L-3 Communications** valued at US\$55.7 million.<sup>402</sup>

### 1.2.141 WestLB (Germany)

#### LOANS

In July 2007, **Lockheed Martin** renewed its current US\$1.5 billion five-year revolving credit facility and extended it to end June 2012. WestLB contributed US\$37.5 million to the 31-bank syndicate.<sup>403</sup>

### 1.2.142 Westwood Holdings Group (United States)

#### ASSET MANAGEMENT

On 31 December 2009, Westwood owned or managed 1.78% of the shares of **Alliant Techsystems** valued at US\$51.9 million.<sup>404</sup>

### 1.2.143 William Street Commitment Corporation (United States)

#### LOANS

In July 2007, **Lockheed Martin** renewed its current US\$1.5 billion five-year revolving credit facility and extended it to end June 2012. William Street Commitment Corporation contributed US\$50 million to the 31-bank syndicate.<sup>405</sup>

## 1.2.144 Woori Investment & Securities (South Korea)

### INVESTMENT BANKING

In March 2008, **Hanwha** Corp. issued three-year bonds worth 120 billion Korean Won (US\$118.44 million). The proceeds were used for general corporate purposes. Woori Investment & Securities, part of the issuing syndicate, underwrote US\$13.2 million.<sup>406</sup>

In June 2008, **Hanwha** Corp. issued three-year bonds worth 170 billion Korean Won (US\$163.54 million). The proceeds were used for general corporate purposes. Woori Investment & Securities, part of the issuing syndicate, underwrote US\$16.35 million.<sup>407</sup>

In February 2009, **Hanwha** Corp. issued bonds worth 260 billion Korean Won (US\$175.5 million). The issue was split into three tranches: three-year bonds worth 70 billion Korean Won, two-and-a-half-year bonds worth 140 billion Korean Won and one-year bonds worth 50 billion Korean Won. The proceeds were used for general corporate purposes. Woori Investment & Securities participated in the issuing syndicate and underwrote US\$6.75 million.<sup>408</sup>

In October 2009, Poongsan issued three year bonds worth Korean Won 50 billion (US\$42.2 million). The proceeds were used for general corporate purposes. Woori Investment & Securities was one of the three banks in the issue syndicate underwriting an estimated US\$8.6 million.<sup>409</sup>

## Chapter 2

# FOCUS: Public Pension Funds and Sovereign Wealth Funds

### 2.1.0 Introduction and Methodology

Due to their growing importance, we think that sovereign wealth funds (SWFs) and public pension funds (PPFs) merit special attention.

Sovereign wealth funds have been around since at least the 1950s, but they have expanded dramatically over the past 10-15 years. According to the International Monetary Fund (IMF), sovereign funds that probably held no more than US\$500 billion in 1990 controlled an estimated US\$3 trillion in September 2007.<sup>410</sup> International Financial Services London (IFSL) estimated in March 2009 that assets under sovereign wealth funds' management grew by 18% in 2008 to reach US\$3.9 trillion. IFSL projections are that sovereign wealth funds are likely to double their current level to reach US\$8 trillion by 2015.<sup>411</sup>

Pension funds are even bigger institutional investors. In 2007, total assets of the world's 300 largest pension funds grew by over 14% to around US\$12 trillion. The size of this pool of assets has more than doubled over five years.<sup>412</sup>

They are particularly interesting because most are state owned. This becomes even more important when the sovereign wealth fund's or public pension fund's home country has ratified the Convention on Cluster Munitions.

Moreover, sovereign wealth funds and public pension funds sometimes hold a substantial stake in the capital of companies. This gives them considerable voting power at annual meetings, and sometimes even one or more seats on boards of directors.

- **Definitions**

A **sovereign wealth fund** is a state-owned investment fund composed of financial assets such as stocks, bonds, real estate, or other financial instruments funded by foreign exchange assets. Sovereign wealth funds can be funds, pools, or corporations. Some funds also invest indirectly in domestic, state-owned enterprises. They also tend to prefer returns over liquidity, which gives them risk tolerance greater than that of traditional, foreign exchange reserves.<sup>413</sup>

A **pension fund** is an independent legal entity consisting of a pool of assets bought with the contributions to a pension plan for the exclusive purpose of financing pension plan benefits.

A **public pension fund** is a pension fund regulated under public sector law.

- **Selection and research**

Our research targeted 15 sovereign wealth funds and public pension funds, chosen for their importance and country of origin (to ensure a broad geographical spread).

Many of these funds are entrusted to managers. This makes it difficult to determine in which companies they hold assets. Some funds are very transparent and publish a list with shares on their website (e.g. Alaska Permanent Fund, Ireland National Pensions Reserve Fund and CalPERS). We found information on assets for

five funds, two own or manage assets in the companies in our red flag list. We describe these five funds in what follows.

These funds are only involved through asset management, since financing and investment banking are not part of their business operations.

We have listed all the shareholdings that we could document, including those under the 1% threshold. For the rest, we apply the same research criteria as used for the financial institutions in our Hall of Shame.

### 2.1.1 Alaska Permanent Fund Corporation (United States)

State-owned Alaska Permanent Fund Corporation manages the funds of the Alaska Permanent Fund. This sovereign wealth fund was established when the Alaska Pipeline neared completion. At least 25% of the proceeds from mineral sales and royalties were placed in the fund. The principal may only be used for investment that generates income.<sup>414</sup>

#### ASSET MANAGEMENT

On 30 September 2009, APFC owned 0.07% of the shares of **Alliant Techsystems**, valued at US\$1.4 million.<sup>415</sup>

On 30 September 2009, APFC owned 0.04% of the shares of **Lockheed Martin**, valued at US\$9.9 million.<sup>416</sup>

On 30 September 2009, APFC owned 0.01% of the shares of **Singapore Technologies Engineering**, valued at US\$0.3 million.<sup>417</sup>

On 30 September 2009, APFC owned 0.05% of the shares in **Textron**, valued at US\$2.2 million.<sup>418</sup>

On 31 December 2009, APFC owned 0.06% of the shares of **L-3 Communications** valued at US\$4.6 million.<sup>419</sup>

### 2.1.2 California Public Employees' Retirement System (CalPERS) (United States)

The public pension fund CalPERS (California Public Employees' Retirement System) provides retirement and health benefits for California public employees and retirees.<sup>420</sup>

#### ASSET MANAGEMENT

On 31 December 2009, CalPERS owned 0.16% of the shares in **Alliant Techsystems**, valued at US\$4.6 million.<sup>421</sup>

On 31 December 2009, CalPERS owned 0.27% of the shares in **L-3 Communications**, valued at US\$27.1 million.<sup>422</sup>

On 31 December 2009, CalPERS owned 0.22% of the shares in **Lockheed Martin**, valued at US\$61.6 million.<sup>423</sup>

On 31 December 2009, CalPERS owned 0.23% of the shares in **Textron**, valued at US\$11.7 million.<sup>424</sup>

### 2.1.3 Ireland National Pension Reserve Fund (NPRF) (Ireland)

The Irish National Pension Reserve Fund was established to meet as much as possible of the cost of social welfare and public service pensions from 2025 onwards, when these costs are expected to rise as the population ages. It is under the management of the National Pension Reserve Fund Commission. The Minister of Finance appoints the commission's members.<sup>425</sup>

## ASSET MANAGEMENT

We found no information on shareholdings in any companies on our red flag list.

### **2.1.4 Pensioenfonds Zorg en Welzijn (PFZW) (the Netherlands)**

PFZW is the second largest pension fund in the Netherlands. It manages pension capital for current and former employees in the care and welfare sector. PFZW contracted PGGM to administer its pension scheme and manage its assets.<sup>426XII</sup>

## ASSET MANAGEMENT

We found no information on shareholdings in any companies on our red flag list.

### **2.1.5 Quebec Pension Plan (Canada)**

The Québec Pension Plan is a public insurance plan to provide persons who work in Québec (or have worked in Québec) and their families with basic financial protection in the event of retirement, death or disability. The plan is financed by contributions from Québec workers and employers. Revenu Québec collects contributions. Caisse de Dépôt et Placement du Québec manages them.<sup>427</sup>

## ASSET MANAGEMENT

We found no information on shareholdings in any companies on our red flag list.

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

## Chapter 3

# Disinvesting from Cluster Munitions Producers

This third chapter answers our second research question:

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

The chapter is divided in three parts:

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

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

### **3.1.0 Introduction and Methodology**

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

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

## • **Selection and research**

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

Since an investment policy is usually stipulated by the banking group and since this group directly or indirectly supervises its subsidiaries, we researched the group's policy. We contacted all financial institutions in this list prior to publication to verify our research findings and to be sure we understood their policies correctly.

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

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

We researched investment in red flag companies for each financial institution in our Hall of Fame. This included shareholdings under the 1% threshold. We chose to do so because any involvement at all in a cluster munitions producer, after publication of a policy excluding this, is evidence of poor implementation. When we found evidence that financial institutions listed in our Hall of Fame had financial links with cluster munitions producers, we contacted the institution to confront it with our findings. When there were no legal constraints preventing a financial institution's immediate disinvestment, we removed it from our Hall of Fame.

## • **Results**

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

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

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

## ETHICAL BANKS

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

### 3.1.1 ASN Bank (the Netherlands)

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

ASN uses absolute exclusion criteria for arms and security for all investments. This means it excludes companies engaged in or benefiting from war crimes, or the manufacture of or trade in arms. ASN Bank states that as a result of this policy it will refrain from providing any type of funding for or investment in companies that develop, manufacture, distribute or trade in arms. The term arms refers to all types of conventional weapons, ammunition, parts, supporting technologies and associated expertise. For a precise definition of arms, ASN Bank uses the Common Military List of the European Union. This list contains an extensive summary of arms, parts and chemicals as well as ICT products and services. Furthermore, ASN Bank excludes companies that manufacture products used primarily in armaments in addition to having a civil application.<sup>429</sup>

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

### 3.1.2 Banca Etica (Italy)

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

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

### 3.1.3 Triodos Bank (the Netherlands)

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

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

Triodos has a strict policy on banks. They are expected to apply zero tolerance to shareholdings in, bonds of and loans for companies involved in producing cluster bombs (the one exception is passively managed funds directly related to indexes).<sup>436</sup>



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

## TRANSPARENCY

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

- ASN Bank's annual report states its investment criteria and lists the names of the companies in which it has invested over the past year. Its website shows the investment universe for each of its investment funds; this includes a brief description for each company in the portfolio.
- Banca Etica is completely transparent about its financing operations. Its website displays a list of all loans approved during the previous year.
- Triodos Belgium, Spain and Britain are equally transparent about companies receiving credit. Triodos offers complete insight into its funds' investment universe as well.

When they select financing and investment recipients, financial institutions determine which businesses they will support. Because most other financial institutions do not make their choices public, it's impossible for clients to know what their money is being used to support. Everyone, not just customers, has the right to know about these important choices, their impact and their risks. A bank that publishes the names of the companies to which it has approved or refused financing/ investment gives observers a tool to ascertain the type of businesses with which a financial institution is involved and to verify whether the institution really does what it says it does. It allows each customer, political leader and shareholder to gather information to determine whether a financial institution assumes ethical responsibilities and keeps its promises. Finally, a published list of shareholdings is a public appreciation of the selected companies. Similarly, the publication of exclusion lists - lists of companies not selected - is a way of stating that these companies do not meet the criteria used.

## GOVERNMENT-MANAGED PENSION FUNDS

A pension fund is a pool of assets forming an independent legal entity. Pension plan contributions buy rights to pension plan benefits. National governments manage some of these pension funds. That makes national governments responsible for these funds' investment strategies and for managing their portfolio.<sup>437</sup>

### 3.1.4 National Pensions Reserve Fund (Ireland)

The Irish National Pension Reserve Fund (NPRF) was established to meet as much as possible of the cost of social welfare and public service pensions from 2025 onwards, when these costs are expected to rise as the population ages. The National Pension Reserve Fund Commission manages the fund. The Minister of Finance appoints the commission's members.<sup>438</sup>

On 3 March 2008, Ireland's NPRF announced it would withdraw €27 million from investments in six international companies linked to cluster munitions production. This announcement was made following a specific request from the government to withdraw from companies involved in the manufacture of cluster munitions. At the time, the Irish government sought to establish a legally binding convention to prohibit cluster munitions; the Convention on Cluster Munitions. The fund withdrew from all (Raytheon,

General Dynamics, Lockheed Martin, Alliant Techsystems and L-3 Communications) but one (Thales) of the companies, since the NPRF did not consider the latter a cluster munitions producer.<sup>439</sup>

On 2 December 2008, Ireland passed the 2008 Cluster Munitions and Anti-Personnel Mines Act. NPRF policy is based on this. After the act was passed, the Irish NPRF disinvested from seven companies and excluded from consideration four others in which it had not yet invested. It excluded these companies because of their involvement in manufacturing cluster munitions or anti-personnel mines.<sup>440</sup>

### **3.1.5 Norwegian Government Pension Fund – Global (Norway)**

The Norwegian Government Pension Fund – Global was set up to manage the state’s oil revenues. Large petroleum revenues resulted in substantial financial assets in the government pension fund. The fund’s purpose is to facilitate government savings needed to meet the rapid rise in public pension expenditures expected in the coming years, and to support a long-term management of petroleum revenues. The fund’s 2008 market value was NOK2,363 billion (€ 275.53 billion<sup>441</sup>).<sup>442</sup>

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

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

Relying on recommendations of the Council on Ethics for the Government Pension Fund – Global, the Ministry of Finance excluded several cluster munitions producers since the time the ethical guidelines came into force. The council’s recommendation dated 16 June 2005 explains its interpretation of the guidelines on cluster weapons. It defines cluster weapons as weapons that violate the fundamental humanitarian principle, by breaching the distinction between military and civilian goals.<sup>444</sup>

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

The Norwegian Pension Fund Global excluded the following companies from its portfolio since 2005 because they manufactured what were thought to be key components for cluster bombs: Alliant Techsystems, General Dynamics, L3 Communications, Lockheed Martin, Raytheon, Thales, Poongsan, Hanwha and Textron.<sup>446</sup> In September 2009, it reversed Thales’ exclusion because the latter no longer produced cluster munitions.<sup>447</sup>

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

### **3.1.6 New Zealand Superannuation Fund (New Zealand)**

The New Zealand Superannuation Fund accumulates and invests state contributions. It was created in 2001 to provide partial coverage for the future cost of funding New Zealand superannuation payments. Like many countries around the world, New Zealand has an ageing population, with the number of retired people expected to double by 2050. Accordingly, the cost of providing New Zealand superannuation is also expected to double in this period. Guardians appointed by the Governor General on the recommendation of the Minister of Finance manage the fund.<sup>448</sup>

The guardians established a responsible investment framework with guidelines based on international conventions, New Zealand law and Crown actions. The guardians’ website reveals a strong preference to

engage with companies as a means of improving their behaviour. Nevertheless, the guardians decided in December 2008 to disinvest from companies involved in cluster bomb production. The CCM and the New Zealand government's example, combined with the fact that it was unlikely the companies could be persuaded to stop manufacturing, convinced the guardians that it was best to exclude them. On 30 June 2007, prior to the decision to disinvest, the fund held investments totalling more than € 10 million in companies that an external screening agency has since identified as being potentially linked to cluster munitions production. In March 2008, the guardians decided to develop an engagement, disinvestment and exclusion plan related to companies involved in the manufacture of cluster munitions.<sup>449</sup> The guardians decided to exclude these companies following New Zealand's signing of the Convention on Cluster Munitions on 3 December 2008.<sup>450</sup>

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

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

AP 1 – 4 are four of the seven state-owned pension funds in Sweden. Sweden's pension system has two tiers: five buffer funds and a premium pension system. The five buffer funds (AP 1 – 4 and AP 6) work on a pay-as-you-go system in which current pension contributions pay current income pension benefits. These buffer funds should provide spare capital for when state pension funds payments exceed tax revenues as ageing baby-boomers increase demands on the pension system.<sup>452</sup>

On 1 January 2007, a joint ethical committee, called the Ethical Council, was established for the National Swedish Pension Funds. This committee monitors and analyses the portfolio holdings of the first to fourth AP Funds to ensure that portfolio companies are not a party to crimes against international conventions to which Sweden is a signatory.<sup>453</sup>

In response to the Oslo treaty, the ethical council ordered a screening in 2008 of companies suspected of links with cluster munitions. It identified nine companies that produce or market cluster munitions or their components. The council recommended that these companies be excluded from the four funds' investment universe. All four funds later shed these holdings. Aside from the nine excluded companies, the council has seven others under observation.<sup>454</sup>

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

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

AP7 is one of seven state-owned pension funds in Sweden. As stated above, Sweden's pension system has two tiers: a pay-as-you-go component and a premium pension system in which pension disbursements are based on individual savings invested in funds managed by the Premium Pension Authority (PPM). The employees may choose the PPM fund they want to manage their pension capital and the way it is to be done. The Seventh AP Fund manages the pension capital of those with no preference.<sup>456</sup>

In June 2008, AP7 announced that it would disinvest from companies involved in cluster munitions and nuclear weapons.<sup>457</sup> There will be no direct investments in companies thought to develop or produce cluster munitions.

AP7 listed the excluded companies in its annual report. It excluded these companies because of their

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

### **GOVERNMENT-MANAGED FINANCIAL INSTITUTIONS**

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

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

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

### **3.1.9 ABP (the Netherlands)**

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

In March 2007, after a documentary entitled 'The Cluster Bomb Feeling' drew attention to the fact that several major pension funds had invested in companies involved in the production of antipersonnel landmines and cluster bombs, ABP decided to exclude such companies from its portfolio.<sup>460</sup> It sold all shares and bonds in them within a month of this decision.

Its 2007 responsible investment policy review explained this commitment: "ABP does not invest in companies that are directly involved in the production of antipersonnel landmines, cluster bombs, and chemical or biological weapons. Direct involvement covers companies which produce a complete weapon or the greater part of it or produce munitions-related key components of the weapon, such as sub-munitions, fuzes and warheads."<sup>461</sup>

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

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

### 3.1.10 ATP (Denmark)

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

ATP's policy of social responsibility in investments incorporated the Convention on Cluster Munitions when it adopted the governing principle that companies must respect international conventions and agreements endorsed by Denmark. Denmark signed the Convention on Cluster Munitions in December 2008, and ratified it on 12 February 2010.<sup>464</sup>

Consistent with the Danish government's support of the Oslo process to ban cluster munitions, ATP, in 2006, disinvested from companies engaged in cluster munitions production.<sup>465</sup>

ATP maintains an exclusion list. Each year it publishes all new exclusions in its annual report. Since it excluded all cluster munitions producers already in 2006, and since it only started publishing the new exclusions in its 2007 annual report, the complete exclusion list for cluster munitions producers is not publicly available at this time. ATP plans to publish the exclusion list on its website starting in mid 2010.<sup>466</sup>

### 3.1.11 BPF Bouw (the Netherlands)

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

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

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

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

### 3.1.12 DnB NOR (Norway)

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

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

The group policy applies to all funds managed by or sold through its asset management and/or life insurance and pensions activities. It maintains an internal blacklist of companies. For its credit activities, it defines cluster munitions producers as high-risk customers that it will not finance. It plans to revise and reinforce its screening procedure in 2010.<sup>472</sup>

### 3.1.13 Ethias (Belgium)

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

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

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

### 3.1.14 KLP (Norway)

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

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

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

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

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

### 3.1.15 KPA (Sweden)

KPA Pension is a Swedish pension fund offering customised pension and insurance solutions to the public sector. KPA Pension combines secure pension plans with social responsibility. Folksam owns 60% of KPA and the Swedish Association of Local Authorities and Regions owns 40%. In 2008, KPA held SEK 43.8 billion (€4 billion) in invested assets.<sup>480</sup>

KPA Pension does not invest in companies or groups that produce weapons. KPA uses a clear and comprehensive definition of weapons. This definition includes cluster munitions as well as platforms for weapons (e.g. aircraft or vehicles used to launch weapons) and strategic products (e.g. electronics for ammunition, which are essential to ensure that weapon systems work).<sup>481</sup>

### 3.1.16 PGGM (the Netherlands)

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

PGGM applies a responsible investment policy that excludes controversial weapons. PGGM's exclusion policy states that it will not invest on behalf of their clients in companies that have a substantial involvement in the production of or trade in cluster munitions or other controversial weaponry. Substantial involvement means that a company produces or trades in end products or components essential for the weapons' operation. PGGM adopted the Convention on Cluster Munitions' definition of cluster bombs when the convention took effect. Before that, it relied on the Red Cross' guidelines.<sup>483</sup>

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

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

### 3.1.17 Philips Pension Fund (the Netherlands)

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

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

### 3.1.18 PME (the Netherlands)

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

In 2007, PME has strengthened its own guidelines for responsible investments and set up the investment guidelines. It established "10 PME Principles for Responsible Investing". One of them states that PME will not invest in companies or other investment products involved in products that breach international agreements signed by the Dutch government.<sup>490</sup> After establishing this guideline, PME disinvested from antipersonnel mines and cluster munitions producers.<sup>491</sup>

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

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

### 3.1.19 PNO Media (the Netherlands)

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

PNO Media's sustainable investment code states that it does not wish to be involved in the production of weapons or weapon systems (including essential components) that are prohibited under international law or in breach of fundamental humanitarian principles. PNO Media lists the principles of proportionality and distinction. Its investment policy excludes investment in cluster munitions.<sup>494</sup>

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

### 3.1.20 Spoorwegpensioenfond (the Netherlands)

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

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

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

### 3.1.21 Storebrand Group (Norway)

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

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

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

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

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



## **Blacklists**

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

Having a blacklist makes it easier for a financial institution to implement its policy. Its publication is an indictment against companies producing indiscriminate weapons and an inducement for them to stop production furthermore.

## **3.2 Runners-up Financial Institutions**

### **3.2.0 Introduction and Methodology**

The second part of this chapter contains a list of runners-up financial institutions. They, too, have made significant efforts to ban cluster munitions from their investment portfolios. Still, their policies are not yet comprehensive enough for our Hall of Fame. They have policies, but loopholes in these still permit them to finance cluster munitions. The runners-up category, we should note, is very diversified; the policies' scope differs widely. In some cases, a policy does not apply to all a company's activities, or does not cover all a financial institutions' services. Other financial institutions may have a more extensive policy, yet be weak on implementation. These financial institutions still have financial links with cluster munitions producers, even though this runs contrary to their stated principles. The runners-up category is far from comprehensive. We believe that the financial institutions listed are only the tip of the iceberg. It is impossible to research the policies of every financial institution worldwide. The runners-up category can be seen as an invitation to financial institutions that have comprehensive policies prohibiting investment in cluster munitions to provide us with their policy and to publish it on their websites. We are eager to include them as runners-up or members of our Hall of Fame.

We commend the financial institutions in the runners-up category for their policies, but take the liberty of pointing out a few shortcomings.

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

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

- **Research**

Financial institutions have to meet the following criteria to be considered a runner-up:

- An investor must be transparent and accountable on its cluster munitions policy. This means that the investor has published its policy and/or a summary of it.
- Its policy must exclude investment in cluster munitions producers (recalling past investment and resolving to avoid further investment).

The runners-up category lists financial institutions which meet the two foregoing criteria. They differ from those in our Hall of Fame in that they do not yet meet the following criteria:

- The policy must have an 'all-in' comprehensive scope:
  - no exceptions for any types of cluster munitions producers
  - no exceptions for any types of activities by cluster munitions producers
  - no exceptions for any type of financing or investment
  - no breaches of this all-in comprehensive policy following upon its publication or implementation date.

- **Results**

To identify financial institutions with a policy on cluster munitions, we researched a variety of sources such as NGO reports, screening agency information, financial institutions' reports and websites, worldwide campaigns and other public sources. We worked within the limits imposed by language (English and Dutch) and accessibility. This following list is therefore by no mean exhaustive. We welcome additions from those able to provide them.

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

In what follows you find the results of our search for financial institutions with a policy to exclude cluster munitions producers. However, either this policy is insufficiently comprehensive or else it is not fully implemented. For this reason, we have not yet enshrined these institutions in our Hall of Fame.

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

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

Next, we explain what still needs to be done for the financial institution to be included in the Hall of Fame. In other words, we point out the shortcomings of the institution's policy in a positive way, indicating how it can adjust its policy to make this policy more effective and far-reaching.

The financial institutions are listed in alphabetical order.

The following financial institutions all have policies with certain shortcomings. The policy is there, but its scope is too limited. The most common flaws are:

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

Several banks have policies that look only at their own involvement, meaning how the institution invests its own funds. Their policies do not extend to the funds invested for their clients. This is a major flaw because most of the money that a financial institution invests belongs to third parties. Banks argue that they do not want to impose ethical choices on their clients. This is a weak argument, considering that few banks are transparent about their investments. When a bank does not detail its investments, its current and potential customers cannot make informed choices. Moreover, it is inconsistent for a financial institution to profit from selling investments in cluster munitions producers to others, while not wanting to invest its own funds in them.

**Exempting project finance for civil purpose**

There is no way to prevent a company from legally reallocating capital within a group. Adding stipulations to a general corporate loan prohibiting the company from using borrowed funds for producing cluster munitions, or restricting the financing to a company's civilian projects do not prevent this money from freeing other funds for cluster munitions production.

**Exempting funds following an index**

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

### 3.2.1 ABN Amro (the Netherlands)

ABN Amro, a Dutch private bank, was rescheduled in the last two years. At the end of March 2010, ABN Amro moved from being part of ABN Amro Holding to being an independent bank under the supervision of the Dutch central bank. Its total assets at the end of the third quarter of 2009 came to €203 billion. Looking ahead, ABN Amro will merge with Fortis Bank Netherlands, formerly part of the Dutch-Belgian Fortis group.<sup>502</sup>

ABN Amro was one of the first mainstream banks in Europe to tackle the cluster munitions issue. In 2004, it issued a policy guideline on cluster munitions that said, "We do not invest in or finance controversial weapons like anti-personnel mines, cluster munitions, nuclear weapons or components for these weapons."<sup>503</sup>

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

### **How to gain a place in the Hall of Fame?**

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

### **3.2.2 AXA (France)**

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

In July 2007, AXA decided to begin withdrawing its own investment funds from companies that produce cluster munitions. This included investment by the group's general account insurance assets. AXA Investment Managers (AXA's wholly owned asset management subsidiary) decided to disinvest from holdings in companies that produce or sell cluster munitions from the retail mutual funds (non-index based) it manages.

AXA maintains an unpublished list of cluster munitions producers to implement the disinvestment policy.<sup>507</sup>

### **How to gain a place in the Hall of Fame?**

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

To be listed in the Hall of Fame, AXA would have to extend its policy to all its products, meaning the assets that other AXA group asset managers manage on behalf of third parties, index funds, and the funds that AXA group investment managers manage for institutional investors. Right now, it covers only the investment of AXA Group's general account insurance assets and retail (non-index-based) mutual funds that AXA Investment managers manage.

### **3.2.3 BNP Paribas (France)**

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

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

### **How to gain a place in the Hall of Fame?**

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

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

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

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

### 3.2.4 Co-operative Financial Services (United Kingdom)

Co-operative Financial Services is part of the Co-operative Group, the UK's largest consumer cooperative. Co-operative Financial Services is a group of businesses that includes Co-operative Insurance, Co-operative Bank and Co-operative Investments. Co-operative Bank offers a range of financial products, from current accounts over savings accounts to credit cards and loans. Co-operative Insurance offers a variety of insurance products and Co-operative Investments products include unit trusts, investment bonds and pensions.<sup>511</sup>

Co-operative Bank has an ethical policy which it updates regularly to reflect its customers' view. It was last revised in 2009. One of the additions was a statement on cluster munitions that said "We will not finance the manufacture or transfer of indiscriminate weapons, e.g. cluster bombs and depleted uranium munitions."<sup>512</sup> Specifically, it means the group will not finance any company that manufactures, sells or directly exports cluster munitions or that exports strategic parts or services for cluster munitions.<sup>513</sup>

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

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

#### **How to gain a place in the Hall of Fame?**

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

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

### 3.2.5 Crédit Agricole (France)

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

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

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

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

### **How to gain a place in the Hall of Fame?**

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

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

### **3.2.6 Danske Bank (Denmark)**

Measured by total assets, the Danske Bank Group is the largest financial enterprise in Denmark and one of the largest in the Nordic region. The group offers banking, insurance, mortgage finance and asset management services to Danish and international customers.<sup>519</sup>

Danske Bank adopted a SRI (socially responsible investment) policy for investing customer funds and the group's own strategic portfolio. The SRI policy is based on several internationally recognised norms, one of them being the Convention on Cluster Munitions. There are three steps in the investment procedure. First, the investment portfolio is screened against internationally recognised norms and principles. Swedish company Ethix SRI Advisors screens the portfolios regularly. Second, if a company violates the norm, Danske Bank engages in a dialogue with the company to determine whether the company intends to change its behaviour. Depending on the result, the third step is to sell or retain the investment.<sup>520</sup>

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

### **How to gain a place in the Hall of Fame?**

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

- To be listed in the Hall of Fame, Danske Bank would have to extend its policy to all the bank's financial products. It currently covers only asset management, not the credit activities of the bank. Moreover, there are several exceptions within asset management: the policy does not cover funds-of-funds, structured products, individual securities or derivatives. This makes the policy much lighter than it could be.

### **3.2.7 Dexia Bank (Belgium)**

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

Since the Belgian Act of 20 March 2007 forbidding investment in cluster munitions producers, Dexia has based its policy on the conditions stipulated in the Act. Dexia bars companies with certain and known involvement in the sale, manufacture, use or possession of cluster munitions from all its banking and insurance activities.<sup>523</sup>

### **How to gain a place in the Hall of Fame?**

Because Dexia's policy is based on the Belgian law of 20 March 2007, we find in it the same two exceptions contained in the law. Eliminating those exemptions would merit Dexia a place in our Hall of Fame.

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

### 3.2.8 Folksam (Sweden)

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

In 2008, Folksam responded to the CCM by selling its interest in companies that produce or sell cluster munitions. Folksam's policy applies to all in-house products.<sup>525</sup>

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

On 31 October 2009 Folksam owned or managed 158 shares (0.00%) in **Textron Corporation** valued at SEK 21,000.<sup>526</sup>

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

#### **How to gain a place in the Hall of Fame?**

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

### 3.2.9 Fortis Bank Nederland (the Netherlands)

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

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

#### **How to gain a place in the Hall of Fame?**

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

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

### 3.2.10 HSBC (United Kingdom)

HSBC, headquartered in London (United Kingdom), is one of the largest private financial institutions in the world. It operates in 88 countries. HSBC earned profits of US\$6.7 billion in 2009.<sup>530</sup>

In February 2010, HSBC published a new Defence Equipment Sector Policy. The part addressing cluster munitions states, "HSBC does not provide financial services to customers – including holding companies – which manufacture or sell anti-personnel mines or cluster bombs. We do not provide financial services for transactions involving such weapons."<sup>531</sup>

All HSBC's loans and investment banking services to cluster munitions producers, as published in our Hall of Shame section of this report, pre-date the new HSBC policy. HSBC will terminate these relations at the earliest opportunity. Where HSBC has agreed long-term loans that pre-date the policy or has inherited such loans through an acquisition, it claims to be contractually obliged to continue respect that loan up to the agreed maturity date. Renewal of such loans after publication of the policy would cause HSBC's removal from this runners-up category.<sup>532</sup>

#### **How to gain a place in the Hall of Fame?**

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

### **3.2.11 ING (the Netherlands)**

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

On 9 September 2009, ING adopted a new, more comprehensive, policy on controversial weapons. ING's policy on cluster munitions states that it will in no way engage in companies directly involved in cluster munitions. This means that, as of 9 September 2009, any involvement by a company in these kinds of weapons results in exclusion. The policy applies to all ING business activities, among which its commercial banking services, proprietary assets and own funds, investment products and services. By the end of 2009, all ING managed funds worldwide should be clean of cluster munitions producers.<sup>535</sup> Currently, 20 companies have been excluded for involvement in cluster munitions.<sup>536</sup>

#### **How to gain a place in the Hall of Fame?**

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

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

### **3.2.12 KBC (Belgium)**

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

KBC's policy on investment in the weapons industry dates from 2004. KBC refuses to invest in any company involved in developing, manufacturing or trading in controversial weapons systems or their essential components. Weapons are considered controversial when there is broad public support for banning them. This refers specifically to biological weapons, anti-personnel mines, cluster bombs and munitions and weapons containing depleted uranium.<sup>538</sup>

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



Technologies Engineering, Textron, Thales and Zodiac.<sup>539</sup>

KBC's list is remarkable in that it bans all companies that ever produced cluster munitions, except for those that have publicly announced that they have ceased producing cluster munitions and that they will abstain from doing so in the future. KBC writes the companies in confidence to ascertain this.<sup>540</sup>

### **How to gain a place in the Hall of Fame?**

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

### **3.2.13 Nordea (Sweden)**

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

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

### **How to gain a place in the Hall of Fame?**

Nordea should extend its exclusion policy to all of its products, e.g. its financing activities. It currently covers all assets managed by Nordea Asset Management, but it exempts capital market and savings products.

### **3.2.14 Rabobank (the Netherlands)**

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

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

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

### **How to gain a place in the Hall of Fame?**

The bank should extend its more stringent policy to all its products, including all investments on behalf of third parties.

### 3.2.15 Royal Bank of Canada (Canada)

Royal Bank of Canada (RBC) offers personal and commercial banking, insurance, corporate, investment banking and other financial services around the globe. The bank operates in 55 countries, serving over 18 million clients. It is the 11th largest player in the world.<sup>546</sup>

At the end of 2009, RBC revised its policy on cluster munitions and other issues. Previously, its policy stated that RBC would not be involved in directly financing companies producing material for cluster bombs. The revised version includes avoiding providing implicit or indirect financing of transactions entailing producing or trading in equipment or material for cluster munitions. RBC did not clarify sufficiently the scope of this policy revision to Mines Actions Canada.<sup>547</sup>

#### **How to gain a place in the Hall of Fame?**

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

### 3.2.16 Syntrus Achmea (the Netherlands)

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

Since January 2008, Syntrus Achmea Asset Management has applied an exclusion policy to companies dealing in controversial weapons. Companies involved in the development, production and or maintenance of cluster munitions or companies with a significant stake in those companies are excluded from all Syntrus Achmea funds and from one external managed fund. Syntrus Achmea maintains a list of these companies which it does not make public.<sup>549</sup>

#### **How to gain a place in the Hall of Fame?**

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

### 3.2.17 Unicredit Group (Italy)

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

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

#### **How to gain a place in the Hall of Fame?**

- Unicredit should apply its policy to bar investment in cluster munitions producers to all its products. Unicredit's responses to Netwerk Vlaanderen's questions left no doubt that there are still loopholes in its policy. " ... in the case of any conflict between the Policy and local applicable law, the latter shall prevail." This a familiar loophole used to exempt investment funds from policy application.<sup>552</sup>
- Unicredit should explain whether and how it applies its policy to holdings or company groups. Is it applied to a company when one of its subsidiaries is connected with cluster munitions?

## **The policy only covers project financing for cluster munitions**

The following five financial institutions apply their policy only to project finance for the production of cluster munitions. This means their policies do not affect money supplied for general corporate purposes. This is a major flaw in the policy, because no financial institution can guarantee that the funds it lends to, or invests in, a cluster munitions producer will not be used to produce cluster munitions. It is common for weapon producers to finance their cluster munitions facilities from their general corporate capital. So far, we have never come across a project intended specifically to finance cluster munitions facilities. That means these banks really do no more than exclude cluster munitions producers from financial support they never . This policy allows them to finance cluster munitions producers as they had in the past.

There is no way to prevent a company from legally reallocating capital within a group. Adding stipulations to a general corporate loan prohibiting the company from using borrowed funds for producing cluster munitions, or restricting the financing to a company's civilian projects do not prevent this money from freeing other funds for cluster munitions production.

These financial institutions are not listed as runners-up because they only prohibit project-level investment and do not proscribe dealing with the producers. Hence, they fail to meet the second requirement for obtaining a place in the runners-up category. We put them in this special section of the report, to draw attention to what needs to be done to their policy to make them eligible for the runners-up list or even our Hall of Fame.

### **ANZ (Australia / New Zealand)**

The Australian / New Zealand ANZ Banking Group operates in 32 markets, mostly in Australia, New Zealand and Asia and the Pacific. It has assets of AU\$ 476.99 billion ( 297.2 billion).<sup>553</sup>

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

### **How to gain a place in the Hall of Fame?**

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

## **BBVA (Spain)**

BBVA is an international financing group, offering retail banking, business banking, and investment banking operations. The bank operates in Spain, Latin America and Mexico; its assets make it one of the 25 largest banks in the USA.

Since 2005, BBVA Group has had a rule governing defence industry financing. A 2008 revision of its “Principles, Criteria and Rules of Procedure for Defence Industry Lending Proposals” banned the group’s involvement in transactions linked to cluster munitions. Specifically, BBVA Group will play no part in financing companies domiciled in a country or territory fitting a list of criteria (e.g. when a company is located in a country appearing on the UN/EU list of countries that violate human rights). Moreover, BBVA Group will have no part in operations to finance cluster bombs.

### **How to gain a place in the Hall of Fame?**

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

## **Intesa Sanpaolo (Italy)**

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

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

### **How to gain a place in the Hall of Fame?**

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

### **Standard Chartered (United Kingdom)**

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

The group's policy on defence equipment and armaments states that Standard Chartered will not, under any circumstances, support the manufacture or distribution of any weapons or munitions. This specific policy applies to lending money to fund defence equipment contracts.

#### **How to gain a place in the Hall of Fame?**

- Standard Chartered would have to extend its policy to all its products, e.g. investment banking and asset management.
- The bank would have to exclude all a company's activities, not just those related to the production or distribution of cluster munitions.

### **Toronto Dominion Bank (Canada)**

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

In 2009, TD Bank developed a policy specifically related to cluster munitions. The bank's 2009 corporate social responsibility report noted that "We do not lend money for transactions that are directly related to the trade in or manufacturing of material for nuclear, chemical or biological weapons, or for landmines or cluster bombs."<sup>556</sup>

#### **How to gain a place in the Hall of Fame?**

- TD Bank would have to extend its policy to all its products, e.g. investment banking and asset management.
- The bank would have to exclude all a company's activities, not just those related to the production or distribution of cluster munitions.

## 3.3 Countries' Best Practices

### 3.3.0 Introduction and Methodology

Based on the results of research in this report, and the research and experience drawn from Netwerk Vlaanderen and other NGOs, we can conclude that self-regulation in the financial industry does not necessarily lead to strong results. Even though a growing group of financial institutions has decided to disinvest from cluster munitions producers, the effects of their decisions are far from even. Many financial institutions do not appear to feel a great need to shoulder moral responsibility.

While investment in arms and cluster munitions may have become an important topic in international banks' social responsibility divisions, cluster munitions production has yet to suffer from underfunding. Stringent international regulation and legislation will be needed to stem the flow of capital to cluster munitions production.

Unfortunately, there seems to be no tradition of legislated restrictions on investment. On the contrary, economic deregulation and the globalisation in the financial sector have dramatically loosened governments' grip on the allocation of financial resources. While banks often argue that governments, not banks, should decide whether investments in certain sectors should be forbidden, governments argue that banks will have to set their own standards for socially responsible investment.

Governments can, of course, lead the way by providing good examples. The ethical guidelines that Norway gave its pension fund and the resulting investment decisions are one such. Governments cannot afford to maintain double standards by opposing the use of cluster munitions, while continuing to invest in cluster munitions production. Any governmental effort to oppose the misery that cluster munitions cause should include efforts to dry up the supply capital that funds cluster munitions production.

Recent years have witnessed legislative proposals to ban investment in cluster munitions. Some countries took action even before the Convention on Cluster Munitions took effect; others addressed the investment issue as part of the Convention on Cluster Munitions.

- **Research**

To be considered as a country banning investments in cluster munitions, a country must either have stated officially that it considers investment to be part of the Convention on Cluster Munitions, or have proposed or passed legislation banning investments. Legislative proposals need not be comprehensive, but they should meet the following criteria:

- The proposed law should be discussed in Parliament or another body with power to issue legislation.
- The proposed law should contain an explicit ban on investment in cluster munitions.

We had to work within the limits imposed by language (English and Dutch). We welcome additions from those able to provide them.

# DISINVESTMENT AS PART OF THE CONVENTION ON CLUSTER MUNITIONS

In December 2008, 94 countries signed the Convention on Cluster Munitions in Oslo. This convention provides an ethical argument against cluster munitions with a strong legal background. In February 2010, the Republic of Moldova and Burkina Faso were the 29th and 30th of the 104 signatory countries to ratify the convention. The convention was set to take effect 6 months after the 30th ratification. That means that the convention will enter into force on 1 August 2010 and become binding international law.

Article 1c of the CCM states, “Each State Party undertakes never under any circumstances to assist, encourage or induce anyone to engage in any activity prohibited to a State Party under this Convention.” As the Cluster Munition Coalition (CMC) explains in one of its policy papers, it regards prohibiting assistance as including prohibiting investment in cluster munitions.<sup>557</sup> Several countries have confirmed this; Ireland, Lebanon, Mexico, New Zealand, Norway and Rwanda have defined investment as one the prohibited types of assistance.<sup>558</sup>

Of the countries mentioned, Ireland, Luxembourg, New Zealand and Norway have proposed or enacted legislation. We will offer a brief description of and commentary on this legislation below.

Lebanon and Rwanda have not yet ratified the Convention, but have stated that they consider investment to be among the prohibited types of assistance. Mexico ratified the Convention on 6 May 2009. Since these three countries have as yet neither proposed nor enacted legislation, we cannot offer a commentary. Nevertheless, we include them in the list of countries that consider investment to be one kind of assistance.

## 3.3.1 Ireland

### BACKGROUND

Ireland was a driving force behind the Oslo process. It deserves much of the credit for the successful outcome of the negotiations and the convention’s strength. It signed and ratified the Convention on Cluster Munitions on 3 December 2008.<sup>559</sup>

Even before Ireland signed the Convention on 3 March 2008, its National Pensions Reserve Fund announced that it would withdraw €27 million in investments from six international companies involved in producing cluster munitions. This announcement was made in response to a government request to withdraw from companies involved in the manufacture of cluster munitions.<sup>560</sup>

On 22 October 2008, Ireland presented the 2008 Cluster Munitions and Anti-personnel Mines Bill to its Lower House. Presenting this act, number 20, was Ireland’s way of signing and ratifying the Convention. It made Ireland one of the four countries signing and ratifying the convention all at once on 3 December 2008.<sup>561</sup>

The 2008 Cluster Munitions and Anti-Personnel Mines Act explicitly prohibits investment of public money in cluster munitions producers. It made Ireland the second country to prohibit investment in cluster munitions.

The prohibition is set out in Part 4 of the act.<sup>562</sup>

#### PART 4: Investment of Public Moneys

**11.**—In this Part—

“components” means components specifically designed for use in prohibited munitions;

“investor” means a person or body responsible for the investment of public moneys owned by a Minister of the Government;

“munitions company” means a company involved in the manufacture of prohibited munitions or components;

“prohibited munition” means a cluster munitions, explosive bomblet or anti-personnel mine;

“public moneys” means moneys provided by the Oireachtas out of the Central Fund, or the growing produce thereof.

**12.**—(1) Nothing in any enactment that authorises the investment of public moneys shall be taken to authorise any investment, direct or indirect, in a munitions company.

(2) Notwithstanding any other enactment, an investor, in the performance of any function conferred on it by or under any enactment, shall endeavour to avoid the investment of public moneys in a munitions company.

(3) In pursuing the objective set out in subsection (2) an investor shall have regard to the matters set out in this Part.

**13.**—(1) An investor shall endeavour to avoid the direct investment of public moneys in equity or debt securities issued by a munitions company.

(2) Where public moneys are directly invested in a company which is or becomes a munitions company, the investor shall—

(a) establish to its satisfaction that the company intends to cease its involvement in the manufacture of prohibited munitions or components, or

(b) divest itself of its investment in that company in an orderly manner.

**14.**—(1) An investor shall avoid investing public moneys in collective investment undertakings or investment products unless, having exercised due diligence, the investor is satisfied that there is not a significant probability that the public moneys will be invested in a munitions company.

(2) Where public moneys are invested in a collective investment undertaking or investment product which invests these moneys in a company which is or becomes a munitions company, the investor shall—

(a) establish to its satisfaction that—

(i) the company intends to cease its involvement in the manufacture of prohibited munitions or components,

or

(ii) the collective investment undertaking or investment product intends to divest itself of its investment in the company, and that there is not a significant probability that the collective investment undertaking or investment product will again invest public moneys in a munitions company,

or

(b) so far as possible, taking into account any contractual obligation it has assumed, divest itself of its investment in that collective investment undertaking or investment product in an orderly manner.

**15.**—Nothing in this Part shall prevent an investor from contracting derivative financial instruments based on a financial index.

#### COMMENTARY

- Ireland was the first country to specify an investment ban in the text ratifying the CCM. This is an important example for other countries.
- The law leaves no doubt about what is excluded from investments. It prohibits investment in the cluster munitions producers (whether for munitions-linked or other activities). These producers include producers of specifically designed components of cluster munitions.
- The law prohibits many investment products: equity and debt securities issued by a munitions company, collective investment undertakings or investment products that invest in the involved companies (unless the company and/or the financial product severs its link to cluster munitions).
- The law stipulates that the investor has a role to play. He/She “shall endeavour to avoid the investment of public money in a munitions company” and he/she must “exercise due diligence” when investing in collective products.



- The Irish law makes an exception for financial instruments based on a financial index: these investments are allowed even when they contain shares in or obligations issued by cluster munitions producers. This exception weakens the law.
- The law covers only public money provided by the “Oireachtas out of the Central Fund, or the growing produce thereof”. This means that the act does not cover money from sources other than the Central Fund, e.g. it does not extend to money from counties and municipalities or money from private sources. Moreover, the law says nothing about withdrawing bank guarantees; the Irish government can still grant a guarantee to a bank that invests in cluster munitions producers.
- It is not clear how the law will be enforced: the law does not stipulate that the investment of public money should be made public to ensure that none is invested in companies that produce cluster munitions. There are no provisions setting criteria for determining which companies are involved in the manufacture of prohibited munitions or their components.

### 3.3.2 Lebanon

The Republic of Lebanon signed the Convention on Cluster Munitions in Oslo on 3 December 2008.<sup>563</sup>

In a letter to Human Rights Watch, the government of Lebanon wrote: “It is the understanding of the government of Lebanon that Article /1/ Paragraph (c) of the Convention prohibits the investment in entities engaged in the production or transfer of cluster munitions or investment in any company that provides financing to such entities. In the view of Lebanon, “assistance” as stipulated in Article /1/ paragraph (c) includes investment in entities engaged in the production or transfer of cluster munitions and is thus prohibited under the Convention.”<sup>564</sup>

### 3.3.3 Luxembourg

#### BACKGROUND

Even before the Oslo Convention was signed, Luxembourg developed draft legislation on cluster munitions that included a ban on investment. Luxembourg decided to freeze this procedure to wait for the final text of the CCM in December 2008. After signing the Oslo Convention, it published a draft ratification law. This included a prohibition for all persons or businesses from knowingly financing cluster munitions or explosive submunitions.<sup>565</sup> Luxembourg passed the law on 7 May 2009.

Article 3 contains the investment ban:

*Art 3. “All persons, businesses and corporate entities are prohibited from knowingly financing cluster munitions or explosive submunitions”<sup>XVI</sup>*

Article 4 states that those who knowingly breach Articles 2 or 3, can be penalised with 5 to 10 years detention and a fine ranging from € 25,000 to € 1 million.<sup>566</sup>

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XVI Original text: “Il est interdit à toute personne physique ou morale de financer, en connaissance de cause, des armes à sous-munitions ou des sous-munitions explosives”. Translated by Katherine Harrison, Landmine Action.

## COMMENTARY

- The term knowingly did not appear in the first draft of the legislation. In June 2008, the Luxembourg Bankers Association (ABBL) and the Luxembourg Fund Association (ALFI) published a commentary on this draft legislation. These associations suggested adding the term knowingly to the text. They argued that a bank could never be 100% sure that their client or any given transfer of money had no link to cluster munitions. They suggested replacing the words ‘direct or indirect financing’ with ‘knowingly financing’.<sup>567</sup> The term knowingly could be a loophole in this legislation. It shrugs off responsibility for identifying transactions related to cluster munitions. It could release banks from their duty of due diligence and operate with scrutiny. Luxembourg’s implementation order will have to provide a clear and airtight definition of knowingly. Luxembourg could consider doing the same as Belgium, where the state is obliged to draw up a list of cluster munitions producers.
- The text does not define financing. This word’s scope should be pinned down precisely, because it is open to multiple interpretations.
- The law forbids financing cluster munitions. It does not explain whether this means that cluster munitions producers are excluded from financing, or whether the exclusion covers only the act of producing cluster munitions. The latter would permit general purpose financing for cluster munitions producers.
- The law does not provide for monitoring tools, producer or financier lists, auditing methods, etc. The implementation order will have to specify all of these and is of major importance for the implementation and scope of the law.

### 3.3.4 Mexico

The United Mexican States signed the Convention on Cluster Munitions in Oslo on 3 December 2008 and ratified it on 9 May 2009.<sup>568</sup>

In a letter to Human Rights Watch, the government of Mexico offered its understanding of several provisions in the Convention on Cluster Munitions. It wrote, “Also, it is Mexico’s opinion that investment for the production of cluster munitions is also prohibited by the Convention.”<sup>569</sup>

### 3.3.5 New Zealand

#### BACKGROUND

On 10 December 2009, the New Zealand parliament unanimously passed its legislation to implement the Convention of Cluster Munitions. This Cluster Munitions (Prohibition) Bill contains a prohibition on investments in companies that manufacture cluster munitions. Late amendments after strong campaigning by the Aotearoa New Zealand Cluster Munition Coalition added this investment ban to the law. The law states that

*“A person commits an offence who provides or invests funds with the intention that the funds be used, or knowing that they are to be used, in the development or production of cluster munitions.”*<sup>570</sup>

The law defines clearly what it means by funds when it says: “funds means assets of every kind, whether tangible or intangible, moveable or immovable, however acquired; and includes legal documents or instruments (for example bank credits, travellers’ cheques, bank cheques, money orders, shares, securities, bonds, drafts, and letters of credit) in any form (for example, in electronic or digital form) evidencing title to, or an interest in, assets of any kind.”

The law contains strong and clear wording on penalties for those who breach the law.

## COMMENTARY

- The addition of the words knowingly and intention could pose a problem. This term shrugs off responsibility for identifying transactions related to cluster munitions. It could release banks from their duty of due diligence and operate with scrutiny. It is important to define precisely what knowingly and intention mean. The law contains penalty clauses; nevertheless, complications arise when it comes to proving that money was intentionally used to produce cluster munitions. If the law contains no clear and unambiguous definitions for intention and knowledge, there is a danger that the law will be interpreted as covering only project financing for cluster munitions and that cluster munitions producers would still be able to obtain funding. That would be one enormous loophole, given the ease with which companies can redirect funds internally.
- Were the New Zealand government to publish a list of cluster munitions producers, this would provide a strong tool for determining whether there is an intention or knowledge that the funds will be used to finance the production of cluster munitions.

### 3.3.6 Norway

Norway – a driving force behind the so-called Oslo process - signed the Convention on Cluster Munitions in Oslo on 3 December 2008. It was one of the four countries that signed and ratified the convention on that same day.<sup>571</sup>

The Convention on Cluster Munitions primarily is implemented in Norway primarily in a separate law on cluster munitions as set out in Proposition n° 7. It has not yet been formalised.<sup>572</sup>

Proposition n° 7 has been submitted to the Odelsting, the Norwegian lower house. The Norwegian Ministry of Foreign Affairs has agreed that investment in companies that develop or produce cluster munitions may fall within the scope of the Convention's prohibition against aiding and abetting cluster munitions producers. When assessing in 2002 an identically worded prohibition against aiding and abetting found in Article 1 of the Convention on Anti-personnel Landmines, the Petroleum Fund's Advisory Commission on International Law wrote "In the Advisory Commission's view, the point is that any investment of money in a company may be regarded as a form of support to the company even though the sums, relatively speaking, are small. The mere fact that the Petroleum Fund invests in a company at all, could, for example, encourage other States and investors to follow suit. And even if an investment in a company was so modest that it probably would not reach the threshold of the prohibition against States assisting in landmine production, this would probably nevertheless be covered by the alternatives "encourage or induce in a way". Owning shares in (...) as long as the company (or its subsidiary) continues to produce anti-personnel mines, may, in the view of the Advisory Commission, therefore fall within the scope of the provision concerning aiding and abetting set out in Article 1, para. i (c)."

Proposition n° 7 concludes that, in the Ministry's view, this assessment is also true of the prohibition of aiding and abetting set out in the Convention on Cluster Munitions. Therefore, it cannot be excluded that private investment, for example, in companies that develop or produce cluster munitions, may be incompatible with the Convention.<sup>573</sup>

### 3.3.7 Rwanda

The Republic of Rwanda signed the Convention on Cluster Munitions in Oslo on 3 December 2008 and has started its ratification process.<sup>574</sup>

In a letter to Human Rights Watch, the Rwandan Ministry of Foreign Affairs and Cooperation stated that "any investment in the production of cluster munitions is prohibited."<sup>575</sup>

## OTHER LEGISLATION AND LEGISLATIVE INITIATIVES

Even before the Convention on Cluster Munitions, there was an international consensus that cluster munitions are indiscriminate and inhumane weapons that, for that reason, should be considered illegal under humanitarian law.

One example is the European Community, which expressed concern about cluster munitions. The European Parliament adopted its Resolution on a Mine-Free World on 7 July 2005. This resolution explicitly addresses the role of financial institutions. It “calls on the EU and its Member States to prohibit through appropriate legislation financial institutions under their jurisdiction or control from investing directly or indirectly in companies involved in production, stockpiling or transfers of anti-personnel mines and other related controversial weapon systems such as cluster sub-munitions.”<sup>576</sup>

In October 2007, this call was repeated in the European Parliament’s resolution Towards A Global Treaty To Ban All Cluster Munitions. There, the European Parliament calls for “an immediate moratorium on using, investing in, stockpiling, producing, transferring or exporting cluster munitions, including air-dropped cluster munitions and submunitions delivered by missiles, rockets, and artillery projectiles, until a binding international treaty has been negotiated on the banning of the production, stockpiling, export and use of these weapons.”<sup>577</sup>

Acknowledging that cluster munitions are inhumane weapons and acknowledging the role of financial institutions, Belgium adopted legislation banning investment even before the Convention on Cluster Munitions.

In what follows, you will find information on proposed and passed legislation and an assessment of this legislation’s strengths and weaknesses.

### 3.3.8 Belgium

#### BACKGROUND

At the end of 2006, the Belgian Senate passed a bill forbidding Belgian financial institutions to invest in cluster munitions producers. The bill also instructed the Belgian government to produce a list of cluster munitions producers. In March 2007, Belgian Chamber of Representatives unanimously passed the law, making Belgium the first country to ban investment in cluster munitions producers.

The Belgian Act Prohibiting the Financing of the Production, Use and Possession of Anti-personnel Mines and Submunitions supplements article 8 of the Act of 8 June 2006 governing economic and individual activities involving arms. The text is as follows:<sup>578</sup>

*Also prohibited is the financing of a company under Belgian law or under the law of another country, which is involved in the manufacture, use, repair, marketing, sale, distribution, import, export, stockpiling or transportation of anti-personnel mines and or sub-munitions within the sense of this act, and with a view to distribution thereof.*

*To this end The King shall, no later than the first day of the thirteenth month following the publication of this act, prepare a public list*

- i) of companies that have been shown to carry out an activity as under the previous paragraph;*
- ii) of companies holding more than half the shares of a company as under i) and;*
- iii) of collective investment institutions holding financial instruments of companies as designated in i) and ii).*

*He shall also determine the further regulations for the publication of this list.*

*Financing of a company on the list includes all forms of financial support, namely credits, bank guarantees and the acquisition for own account of financial instruments issued by the company.*

*In the event that a company which has already been granted financing is included in the list, this financing should, insofar as contractually possible, be fully terminated.*

*This prohibition does not apply to investment institutions where the investment policy under the articles of association or management regulations is to follow the composition of a specific share or bond index.*

*Similarly, the prohibition on financing does not apply to the well defined projects of a company on the list, insofar as the financing does not envisage activities as stated in this article.*

*The company is required to confirm this in a written statement. »*

**Art. 3.** Paragraph 6 of article 67 of the act of 20 July 2004 governing certain forms of collective investment portfolio management is withdrawn.

**Art. 4.** The fourth indent of Article 3, § 2, 1, of the act for the prevention of money laundering and the financing of terrorism, dated 11 January 1993 as amended by the act of 12 January 2004, is supplemented as follows:

« including anti-personnel mines and/or sub-munitions ».

**Art. 5.** This act comes into force on the day it is published in the Belgian Monitor.<sup>XVII</sup>

## COMMENTARY

- The law states the exact meaning of financing, which it defines as ‘any kind of financial support, more concrete credits, bank guarantees or the acquisition for own account of the financial instruments these companies have issued.’ This definition is comprehensive and avoids the need for discussions about how to interpret the term.
- However, the law explicitly mentions two exceptions:
  - It says that “This prohibition does not apply to investment institutions where the investment policy under the articles of association or management regulations is to follow the composition of a specific share or bond index”. This means that index funds may still contain shares in or obligations issued by companies that produce or sell anti-personnel mines, depleted uranium weapons and cluster munitions. This exception weakens the law.

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XVII Original text :

‘Est également interdit le financement d’une entreprise de droit belge ou de droit étranger dont l’activité consiste en la fabrication, l’utilisation, la réparation, l’exposition en vente, la vente, la distribution, l’importation ou l’exportation, l’entreposage ou le transport de mines antipersonnel et/ou de sous-munitions au sens de la présente loi en vue de leur propagation.

A cette fin, le Roi publiera, au plus tard le premier jour du treizième mois suivant le mois de la publication de la loi, une liste publique

i) des entreprises dont il a été démontré qu’elles exercent l’une des activités visées à l’alinéa précédent;

ii) des entreprises actionnaires à plus de 50 % d’une entreprise au point i).

iii) des organismes de placement collectif détenteurs d’instruments financiers d’une entreprise aux points i) et ii).

Il fixera également les modalités de publication de cette liste.

Par financement d’une entreprise figurant dans cette liste, on entend toutes les formes de soutien financier, à savoir les crédits et les garanties bancaires, ainsi que l’acquisition pour compte propre d’instruments financiers émis par cette entreprise.

Lorsqu’un financement a déjà été accordé à une entreprise figurant dans la liste, ce financement doit être complètement interrompu pour autant que cela soit contractuellement possible.

Cette interdiction ne s’applique pas aux organismes de placement dont la politique d’investissement, conformément à leurs statuts ou à leurs règlements de gestion, a pour objet de suivre la composition d’un indice d’actions ou d’obligations déterminé.

L’interdiction de financement ne s’applique pas non plus aux projets bien déterminés d’une entreprise figurant dans cette liste, pour autant que le financement ne vise aucune des activités mentionnées dans cet article.

L’entreprise est tenue de confirmer ceci dans une déclaration écrite.’

**Art. 3.** Le paragraphe 6 de l’article 67 de la loi du 20 juillet 2004 relative à certaines formes de gestion collective de portefeuilles est abrogé.

**Art. 4.** Le quatrième tiret de l’article 3, § 2, 1, de la loi du 11 janvier 1993 relative à la prévention de l’utilisation du système financier aux fins du blanchiment de capitaux et du financement du terrorisme, modifié par la loi du 12 janvier 2004, est complété par la disposition suivante: « en ce qui compris les mines anti-personnel et/ou les sous-munitions ».

**Art. 5.** La présente loi entre en vigueur le jour de sa publication au *Moniteur belge*.

(Loi interdisant le financement de la fabrication, de l’utilisation ou de la détention de mines antipersonnel et de sous-munitions, available at <http://staatsbladclip.zita.be/staatsblad/wetten/2007/04/26/wet-2007003169.html>, last check 17 September 2009.) Translated by certified translator P. van Weeghel; text in IKV Pax Christi’s archives.

- The ban does not apply to financing specific projects by these companies when it can be demonstrated that the financing cannot be used for operations linked to anti-personnel mines or cluster munitions. To ensure exemption, financiers need a written declaration confirming the nature of the project and the fact that financing will not be used for operations linked to anti-personnel mines or cluster munitions. This still permits investors and lenders to finance projects for companies identified as anti-personnel mines or cluster munitions producers, but only when the project has nothing to do with the forbidden activities. This may sound like a reasonable exception, but it frees companies to transfer to projects that are connected with anti-personnel mines or cluster munitions funds that would otherwise have been needed for other purposes. This can legitimise financing for companies committed to very controversial activities that contravene international humanitarian law. When passing legislation, other countries should close this loophole.
- The law contains no penalties, nor does it assign responsibility for enforcement.

### 3.3.9 The Netherlands

The Dutch Ministry of Foreign Affairs believes that investment in cluster munitions production run counter to the spirit of, but are not necessarily banned by, the Convention on Cluster Munitions. In a letter to the Parliament in September 2008, the Ministry of Foreign Affairs stated that the convention cannot be applied to private institutions or persons and that an additional law banning investment in cluster munitions was not deemed necessary.<sup>579</sup>

In July 2009, a coalition of Dutch NGOs released a report on the financial links between banks and the arms industry. Cluster munitions was one of the main controversial weapons studied.<sup>580</sup> When questioned in parliament about this report, the Finance Minister replied that it was the ethical responsibility of the financial sector how to invest their money as long as it did not break any national or international law.<sup>581</sup> In December 2009 however, Dutch Socialist and Labour parties called upon the government to prohibit investments in cluster munitions through a motion in Parliament.<sup>582</sup> The motion was adopted by a majority of votes in Parliament.

However, on March 31<sup>st</sup> of 2010, the Dutch Minister of Finance decided not to carry out the motion.<sup>583</sup> IKV Pax Christi, amongst others, rejects this decision and will continue to strive for an implementation of the motion which will lead to a ban on investments in cluster munitions.

### 3.3.10 Switzerland

On 10 March 2010 the Swiss parliament adopted two motions that prohibit any investments in banned weapons, like cluster munitions and anti-personnel landmines.<sup>584</sup> Because Switzerland signed the Convention on Cluster Munitions in 2008, but did not yet ratify it, it is thought and believed these motions will be included in the development of the implementation legislation to ratify the Convention.

Because Switzerland is home to many big financial institutions, these motions and the expected legislation can have a major impact on the financial markets regarding the cluster munitions issue.

## CONCLUSION AND RECOMMENDATIONS

As this update shows, many people are hard at work on the issue of cluster munitions. States are signing and ratifying the Convention on Cluster Munitions and financial institutions are adapting their policies and practices to the norm set in the CCM. However, the report also shows that many financial institutions are still involved, in one way or another, in investments in cluster munitions producers.

Disinvestment is a complex issue; it is not always easy for financial institutions to implement a comprehensive disinvestment policy. We are aware of this complexity – for instance in the case of index funds – but nevertheless believe that it can and should be done. It is encouraging to see that most of the newcomers to the Hall of Fame and runners-up category come from countries where campaigners raised the issue with their governments or financial institutions. In addition to financial institutions a growing number of Members of Parliament and governments have started giving time and attention to disinvestment. Our report tells of financial institutions that were able to develop and implement a comprehensive disinvestment policy. We sincerely hope more financial institutions will follow. Because disinvestment can be complex and as it is a shared responsibility, we see the need for governments to issue clear guidelines or laws. With this report, we hope we have provided facts and figures that inspire all actors – states, financial institutions and civil society – to work for a world without cluster munitions. To reach this goal we recommend the following with regard to investments in producers of cluster munitions:

- **States** that have signed the CCM should make clear that as article 1c of the convention prohibits assistance, it prohibits investment in cluster munitions.
- **States** should provide clear guidelines for financial institutions. When states draft national legislation prohibiting investment in producers of cluster munitions, they act in the spirit of the CCM.
- **Financial institutions** should develop policies that exclude all financial links with companies involved in cluster munitions production. Because any investment facilitates this production, no exceptions should be made for third-party financial services, for index funds or for civilian project financing for a company also involved in cluster munitions. Policies should not be narrowed to refusing project financing for cluster munitions.
- **Financial institutions** should inform producers that it has decided to end investment because of their involvement with cluster munitions. Financial institution can set clear deadlines with a limited time frame within which a company must cease production of cluster munitions if it wishes the disinvestment decision to be reversed. When a company persists in producing cluster munitions after the set deadline, the financial institution will disinvest until the company terminates production of cluster munitions. New applications for investment will be declined until the company has halted all activities related to the production of cluster munitions.
- **Financial institutions** should apply their disinvestment policy to all activities: commercial banking, investment banking and asset management. All such activities aid and abet a company's production of cluster munitions. When this new course of action requires a change in investment fund management, investors should be notified of this and given a deadline for withdrawing from these funds. After this deadline, management strategy will change and shares and obligations in companies involved in cluster munitions will be sold.

# Appendix 1

## Glossary

### ABBREVIATIONS

AM	Asset Management
CCM	Convention on Cluster Munitions
CMC	Cluster Munition Coalition
CM	Cluster Munitions
ESG	Environmental, social and governance criteria
FI	Financial Institution
IM	Investment Management
PF	Pension Fund
SOAR	State-of-the-art Report
SRI	Socially Responsible Investment
SWF	Sovereign Wealth Fund

### DEFINITIONS

#### **Asset Management**

Asset management means holding or managing stocks (= shares) or debt securities (=bonds) of a company, either on the investor's own behalf, or on behalf of third parties (this includes development or sale of investment funds containing stocks or debt securities from companies)

#### **Bank**

A bank is a financial institution licensed by a government. Its primary activities include borrowing and lending money. Many other types of financial activities have been allowed over time. For example, banks are important players in financial markets; they offer financial products, among which are investment funds. Most banks offer investment banking services, commercial banking services and asset management.

#### **Commercial Banking (loans)**

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

#### **Ethical Bank**

Ethical banks are usually small, founded to serve as a source of capital for sustainable projects and companies. Sustainable energy, organic food and cultural activities are examples of specific sectors in which these banks invest. These banks tend not to get involved in arms production. They usually have detailed procedures to avoid investing in unethical industries like arms production, gambling, etc.

#### **Index funds<sup>585</sup>**

An index fund is a type of mutual fund; its portfolio is designed to track the components of a market index. A market index is an imaginary portfolio of securities representing a particular market or a portion of it. The fund follows a chosen index and invests in the companies on that index.



**Insurance Company**<sup>586</sup>

An insurance company provides financial protection; it compensates losses that insured individuals or entities incur. Insurance companies pool client risks to make payments more affordable for the insured. They invest customers' premiums to obtain the money for compensation.

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

**Investments**

Investments are loans and other forms of credits, underwriting of share and bond issues, investments in shares and bonds and other financial services.

**Investment Banking (arranging/issuing shares/bonds)**

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

**Mutual Fund**<sup>587</sup>

An investment vehicle that is made up of a pool of funds collected from many investors for the purpose of investing in securities such as stocks, bonds, money market instruments and similar assets. Mutual funds are operated by money managers, who invest the fund's capital and attempt to produce capital gains and income for the fund's investors. A mutual fund's portfolio is structured and maintained to match the investment objectives stated in its prospectus.

**Pension Fund**

A pension fund is a pool of assets forming an independent legal entity. The sole purpose of pension fund contributions is to finance the retirement plan benefits to which they give a right.

**Public Pension Fund**

A public pension fund is regulated under public sector law. A private pension fund is regulated under private sector law. In some countries, the distinction between public or government pension funds and private pension funds may be difficult to assess.

**Retail Fund**<sup>588</sup>

Retail fund refers to the fund's market and clients. A retail fund is one in which individuals can invest directly or through a financial adviser. Institutional funds, by contrast, are available to large investors, such as pension funds and not-for-profit organisations, with substantial amounts to invest.

**Sovereign Wealth Fund**<sup>589</sup>

A Sovereign Wealth Fund (SWF) is a state-owned investment fund composed of financial assets such as stocks, bonds, real estate, or other financial instruments funded by foreign exchange assets. Sovereign wealth funds can be structured as a fund, pool, or corporation. Some funds also invest indirectly in domestic, state-owned enterprises. In addition, they tend to prefer returns over liquidity, thus they have a higher risk tolerance than traditional foreign exchange reserves.

## Appendix 2

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- The term "scattering bomb" is not a commonly used designation for weapons. From its context we must assume that the "scattering" refers to bomblets which are scattered over the target area, which is characteristic of cluster munitions. The company's description of the weapon states that its intended use is to "destroy massed enemy positions", which is the most common usage of cluster munitions. A picture of the weapon seems to show a canister which is filled with a large number of submunitions. Although the Council has been unable to find further information on this weapon, it seems obvious that this is a category of cluster munitions that has previously led to exclusion of companies from the Fund.
- Furthermore, *Jane's Missiles and Rockets* database contains a description and pictures of the weapon from the IDEX Arms Exhibition held in Abu Dhabi, UAE, in February 2007. It says there that Hanwha Corporation exhibited a "lightweight 70 mm MLRS-system" with associated cluster munitions.
- At the Council's request, Norges Bank wrote to the company to inquire whether it produced cluster munitions, and specifically to find out whether the "scattering bomb" was a cluster weapon.
- The company responded to the enquiry on May 7th, 2007, as follows:
- "Hanwha Corporation was officially designated as a defence contractor in 1974. Since then, it has specialized in munitions, whose production process has been under strict government control and all of which have been supplied only to the Korean government. Hanwha Corporation has manufactured MLRS and 2,75" MPSM5, which can be classified as cluster/cargo munitions and has also produced KCBU-58B in the past. However, we have developed and supplied such items in cooperation with the government's initiative for self-defence, not for any other unethical purpose."
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Network Vlaanderen promotes an environmentally and socially responsible approach to money, and strives for a just society. Network Vlaanderen informs and gives advice on ways of using money that benefit people, society, and the environment. In practice, this means sustainable savings accounts, and investments in sustainable projects such as renewable energy and fair trade. As well as approaching individuals and organizations, Network Vlaanderen also makes proposals for how the government can invest responsibly.

Network Vlaanderen operates on an international level as part of BankTrack. Network Vlaanderen is also a member of the International Association of Social Finance Organisations (INAISE), Cluster Munition Coalition (CMC) and International Coalition For a Ban on Uranium Weapon (ICBUW).



# IKV PAX CHRISTI

IKV Pax Christi works for peace, reconciliation and justice in the world. We join with people in conflict areas to build a peaceful and democratic society. We enlist the aid of people in the Netherlands who, like IKV Pax Christi, want to work for political solutions to crises and armed conflicts. IKV Pax Christi combines knowledge, energy and people to attain one single objective: there must be peace!

IKV Pax Christi is the largest peace organization in The Netherlands and works in over 25 countries. IKV Pax Christi is a founding member of the Cluster Munition Coalition (CMC).



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