

June 2016 update

# Worldwide investments in CLUSTER MUNITIONS a shared responsibility

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# KEY FINDINGS

## Key Findings from the June 2016 update of “Worldwide Investments in Cluster Munitions; a shared responsibility” by PAX

### Contents

This document contains the Key Findings, Methodology and Summary Tables of the June 2016 update of “*Worldwide Investments in Cluster Munitions; a shared responsibility*”. The full report is available on [www.paxforpeace.nl/our-work/programmes/stop-explosive-investments](http://www.paxforpeace.nl/our-work/programmes/stop-explosive-investments) and on [www.stopexplosiveinvestments.org/report](http://www.stopexplosiveinvestments.org/report).

- The **Key Findings** provide an analysis of the research results. They include facts and figures on financial institutions and their involvement with cluster munitions producers.
- The **Summary Tables** show the findings of the research at a glance. It gives both an overview of financial institutions listed in the Hall of Shame because of their investments in cluster munitions producers, as well as an overview of financial institutions listed in the Hall of Fame or runners-up category because of their policies to exclude cluster munitions producers.
- The **Methodology** section answers the main questions on the definitions used in the research and on how to read the report.

1	Key Findings.....	3
1.1	The report and update.....	3
1.2	The momentum .....	3
1.3	The Hall of Shame.....	4
1.4	Financial institutions disinvesting from cluster munitions producers.....	9
1.5	Legislation .....	12
2	Recommendations .....	14
3	Summary Tables .....	15
3.1	Hall of Shame.....	15
3.2	Hall of Fame .....	22
3.3	Runners-up.....	24
4	Methodology.....	27

PAX (the Netherlands) has 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 document therefore reflects official information available in the public domain known to PAX. We welcome comments, clarifications, and corrections from 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 or if you can provide additional information, please contact us at [info@paxforpeace.nl](mailto:info@paxforpeace.nl).

# KEY FINDINGS

## 1 Key Findings<sup>1</sup>

### 1.1 The report and update

PAX and FairFin (formerly Netwerk Vlaanderen, Belgium) published the first report on “Worldwide Investments in Cluster Munitions; a shared responsibility” in October 2009. It was a state-of-the-art report on financial institutions' investment in companies that develop or produce cluster munitions, on financial institutions disinvesting from producers of cluster munitions and on states banning investments in cluster munitions. Updates of the report appeared in April 2010, May 2011, June 2012, December 2013 and November 2014. This edition by PAX, dated June 2016, updates the earlier reports.<sup>2</sup>

Cluster bombs have killed and injured thousands of civilians for decades and continue to do so today. They cause widespread harm on impact and continue to remain dangerous for decades, killing and injuring civilians long after a conflict has ended. To invest in cluster bomb producers is to invest in the misery they cause.

“Worldwide Investments in Cluster Munitions; a shared responsibility” highlights good practices of financial institutions and countries that disinvest, and provides information on financial institutions that are still investing in cluster munitions producers. The report contains clear recommendations for states and financial institutions that all come down to one simple message: disinvest from producers of cluster munitions now!

**In recent years, civil society has engaged with financial institutions and government representatives worldwide to talk about ways to disinvest. This engagement has resulted in ever more financial institutions disinvesting from cluster munitions producers, legislative initiatives and interpretive statements from states that aim to put an end to investments in cluster munitions. However, as it can be seen in this report, a lot still needs to be done.**

### 1.2 The momentum

The Convention on Cluster Munitions (CCM) entered into force on 1 August 2010. As of 21 April 2016, 119 countries had signed the convention of which 100 are States Parties. The convention bans the use, production, stockpiling and transfer of cluster munitions. Although the CCM does not explicitly prohibit investment in cluster munitions, the prohibition on assistance that is included in article 1(1)c<sup>3</sup> should be interpreted by states to include investment in cluster munitions producers. Investing in a cluster munitions producer is a choice to support the production of weapons that cause unacceptable harm and undermines the commitment that the majority of the world's governments have made to ban cluster munitions by joining the convention.

<sup>1</sup> This document presents the key findings of our research. The research findings are by no means exhaustive; they are limited to information available in the public domain, by our research guidelines, by the research period and by limits imposed by language (English/Dutch). Figures and tables in this document should therefore not be read as comprehensive.

<sup>2</sup> In 2013, FairFin and PAX ended their cooperation in producing the report entitled “Worldwide Investments in Cluster Munitions: a Shared Responsibility.” PAX published the present edition, dated June 2016, which is built on the previous editions published in conjunction with FairFin.

<sup>3</sup> Article 1 of the Convention on Cluster Munitions reads: “Each State Party undertakes never under any circumstances to: (a) Use cluster munitions; (b) Develop, produce, otherwise acquire, stockpile, retain or transfer to anyone, directly or indirectly, cluster munitions; (c) Assist, encourage or induce anyone to engage in any activity prohibited to a State Party under this Convention.”

## KEY FINDINGS

Investment is banned under the prohibition on assistance in article 1(1)c and runs counter to the spirit of the CCM. However, there is not only a legal argument to make here. The problems arising from the use of cluster munitions had been widely acknowledged before 2008.

**The responsibility to ban cluster munitions is a shared responsibility. It requires courage and it requires effort. An international humanitarian standard has been set, and the time to act is now - for states that have joined the Convention on Cluster Munitions, for states that have yet to join and for financial institutions alike.**

### 1.3 The Hall of Shame

#### Producers on our red flag list

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, research company Profundo (the Netherlands) used a variety of sources including reports by NGOs, exclusion lists maintained by financial institutions banning investment in cluster munitions, information published by the producing companies, contracts with the US government and correspondence between the companies and investors. From this list we have selected a short list to include in our research. We call it our red flag list. It is important to note that our red flag list of cluster munitions producers is by no means exhaustive. We only included companies that had discernible financial links and that met the other criteria listed in Chapter 1 of the report. The current report lists the following companies: China Aerospace Science and Industry (China), China Aerospace Science and Technology (China), Hanwha (South Korea), Norinco (China), Orbital ATK (US)<sup>4</sup>, Poongsan (South Korea) and Textron (US).

Compared to the 2014 red flag list, China Aerospace Science and Industry (China), was added to the list while Singapore Technologies Engineering (Singapore) was removed from the list since it confirmed that it has stopped its involvement with (key components of) cluster munitions or explosive submunitions.

#### **Investments in the producers on our red flag list** <sup>5&6</sup>

In this update of the report “Worldwide Investments in Cluster Munitions; a shared responsibility”, 158 financial institutions are identified as investing in seven producers of cluster munitions between 1 June 2012 to 8 April 2016. Billions of US dollars are still being invested in cluster munitions producers. Producers still have no problem financing their activities, and too many financial institutions still seem to have no qualms about financing these producers.

In the research period, these 158 financial institutions invested more than US\$28 billion in the seven cluster munitions producers included in the report. They:

- provided loans for at least US\$6.3 billion;
- provided investment banking services worth at least US\$9.1 billion; and
- owned or managed shares and bonds worth at least US\$13.0 billion.

<sup>4</sup> In 2014, we listed ATK (Alliant Techsystems). In February 2015, ATK’s Aerospace and Defence Groups merged with Orbital Sciences Corporation to form Orbital ATK.

<sup>5</sup> The list in the Hall of Shame in this research is not an exhaustive list of financial links of financial institutions investing in producers of cluster munitions. The research on financial links has been conducted by research company Profundo (the Netherlands).

<sup>6</sup> An overview of the financial institutions listed in the Hall of Shame can be found in the Summary Tables at page 15.

## KEY FINDINGS

### Changes since our November 2014 report

The 2014 Hall of Shame contained 151 financial institutions. Of these, 112 financial institutions are still in the 2016 Hall of Shame and 34 have been removed. These 34 financial institutions<sup>7</sup> have been removed for various reasons:

- Ten of these financial institutions dropped off the list because their investment was in Singapore Technologies Engineering, which has been removed from the red flag list.
- Twenty-one financial institutions had been a shareholder or bond holder of at least one company included on our red flag list in the 2014 report, but for this year's research, their investments in shares or bonds dropped below the 0,1% threshold for Asian companies and 1% threshold for US companies. In most cases these financial institutions simply sold some of these shares or bonds while retaining only enough to keep below the thresholds.
- Four financial institutions left the Hall of Shame because we found no financing for the companies on our red flag list. Their loans or investment banking services dated from before June 2012. Since that date, these institutions have provided no new financing for companies on the current red flag list.

In addition to the 112 financial institutions held over from the 2014 report and the 34 financial institutions that were removed, 44 new ones have entered the Hall of Shame. Further, there are five financial institutions that were listed in the 2014 Hall of Shame, but now appear under three different listings due to name changes or changes in ownership structure.<sup>8</sup>

The 44 newcomers can be grouped into two categories:

- Thirty-nine financial institutions are in the Hall of Shame because they provided financing to at least one of the companies that were on the 2014 red flag list through:
  - a loan or investment banking service provided after the publication of the 2014 report;
  - acquisition of a new shareholding or bond holding; or
  - shareholding or bond holding reached the 1% threshold for US companies or 0.1% threshold for Asian companies.
- Five financial institutions are included in the Hall of Shame because they have:
  - provided financing to a company that is new on the red flag list in this year's report, namely China Aerospace Science Industries.

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<sup>7</sup> Fidelity Worldwide Investments (United Kingdom) belongs to two of these categories: it had investments in Singapore Technologies Engineering, which has been removed from our red flag list, and investments in other the other cluster munitions producers dropped below the threshold.

<sup>8</sup> Daewoo Securities was acquired by KDB Financial Group (South Korea). KDB Financial Group was already included in the 2014 Hall of Shame. Hongyuan Securities and Shenyin & Wanguo Securities were acquired by Shenwan Hongyuan Group (China) and Woori Financial is now part of NongHyup Financial (South Korea). Gamco Investors changed its name to GGCP (United States).

## KEY FINDINGS

### Top financiers of cluster munitions producers

When we look at which financial institutions provided the largest amount of money to the seven selected cluster munitions producers, we come to the following top ten of overall investors:

Financial Institution	Country of origin	Loans in million US \$	Investment banking services in million US \$	Asset management in million US \$	Total investments in million US \$
T. Rowe Price	United States	1644			1644
Vanguard	United States	1197			1197
JPMorgan Chase	United States	21	371	775	1167
BlackRock	United States	1070			1070
Textron Pension Fund	United States	998			998
Bank of America	United States	54	413	486	953
Wells Fargo	United States	190	275	362	828
Fidelity Investments	United States	817			817
Mitsubishi UFJ Financial	Japan		344	430	774
China Everbright Group	China		671		671

Specified per financial service (i.e. loans, investments banking services and asset management), the following financial institutions provided the largest amount of money to the selected cluster munitions producers:

### **Top 5 loan providers in the Hall of Shame:**

Financial institution	Country of origin	Loans in million US \$
JPMorgan Chase	United States	775
Bank of America	United States	486
Mitsubishi UFJ Financial	Japan	430
Synovus Financial Corporation	United States	402
US Bancorp	United States	377

### **Top 5 investment banking service providers in the Hall of Shame:**

Financial institution	Country of origin	Investment banking services in million US \$
China Everbright Group	China	671
China Construction Bank	China	591
China Merchants Group	China	508
Agricultural Bank of China	China	439
Bank of America	United States	413

## KEY FINDINGS

### Top 5 asset management providers in the Hall of Shame:

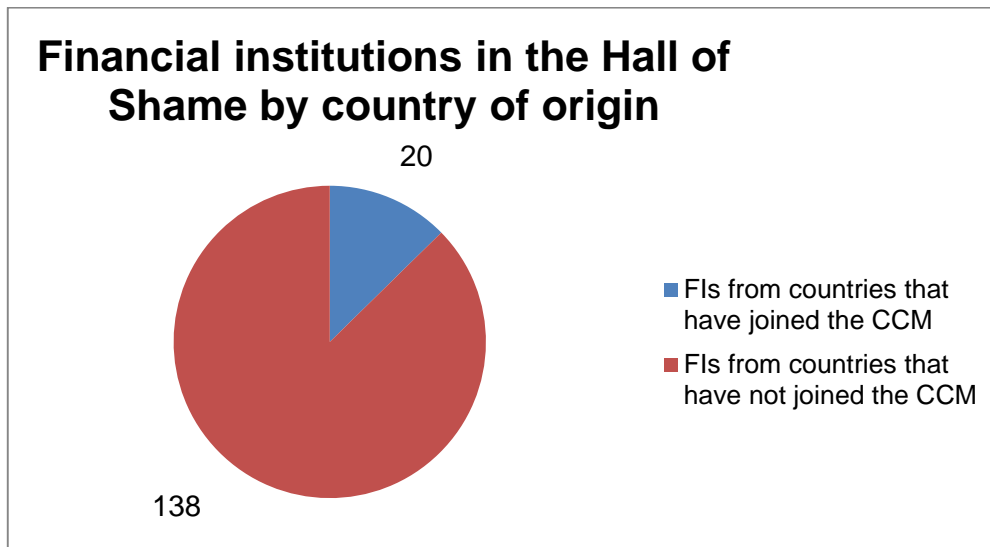
<b>Financial institution</b>	<b>Country of origin</b>	<b>Asset management in million US \$</b>
T. Rowe Price	United States	1644
Vanguard	United States	1197
BlackRock	United States	1070
Textron Pension Fund	United States	998
Fidelity Investments	United States	817

**We call on all 158 financial institutions in the Hall of Shame to develop policies that exclude all financial links with companies involved in the production of cluster munitions.**

## KEY FINDINGS

### Countries of origin of the financial institutions in the Hall of Shame

Country of origin of financial institutions in the Hall of Shame	Number of financial institutions per country
Canada	4
China	29
France	2
Germany	3
India	1
Israel	1
Japan	5
Singapore	2
South Korea	26
Spain	1
Switzerland	1
Taiwan	5
United Kingdom	4
United States	74
<b>Total</b>	<b>158</b>



The Hall of Shame contains 158 financial institutions from fourteen different countries. The majority of these financial institutions (138) are from countries that have not yet joined the Convention on Cluster Munitions (CCM). The other 20 financial institutions are from seven states that have joined the convention.

Of the 158 financial institutions, 74 financial institutions are from the United States. The United States has not joined the CCM.

Based upon these research findings, one may conclude that although the majority of the financial institutions in the Hall of Shame are from countries that are not yet States Parties to the CCM, there are still many financial institutions from countries that have joined the CCM listed in the Hall of Shame as well.



## KEY FINDINGS

**We call on all states that have joined the Convention on Cluster Munitions to stay true to the convention and to develop legislation to ban investments in cluster munitions.**

### 1.4 Financial institutions disinvesting from cluster munitions producers<sup>9</sup>

Fortunately, more and more financial institutions have acknowledged that cluster munitions producers are not ethical or viable long-term business partners and have installed a public policy to end investments in these companies. Some of them are listed in the Hall of Fame; others are listed as runners-up. Financial institutions are listed in the Hall of Fame when they have installed and implement a comprehensive policy banning all financial links with cluster munitions producers. Some financial institutions have installed a policy on cluster munitions that shows certain shortcomings. These financial institutions are listed in the runners-up category. We commend the financial institutions in the runners-up category for their efforts while at the same time suggest ways how to strengthen their policy.

#### **Hall of Fame**

The Hall of Fame lists those financial institutions with a far-reaching policy ending all investments in cluster munitions producers. Thirty-eight financial institutions are listed in the Hall of Fame: six government-managed pension funds, four ethical financial institutions and twenty-eight private financial institutions.

When we compare the Hall of Fame to the November 2014 report, we see that three new financial institutions have been introduced: pension service provider Alecta (Sweden), pension fund Fonds de Réserve pour les Retraites (France) and asset manager NEI Investments (Canada).

Campaigners from Mines Action Canada (MAC) welcomed the announcement by NEI Investments and Desjardins Investments that they have banned investments in cluster munitions producers.<sup>10</sup> Both financial institutions already had cluster munitions policies in place for specific funds and have now extended that exclusion to all products, they stated in a press release. After investigating their policies, we concluded that while Desjardins's policy applies to its asset management division Desjardins Wealth Management/Investment, it is not applied at the group level. NEI Investments has a group-wide and comprehensive policy in place to ban cluster munitions and is therefore included in the Hall of Fame.

We welcome these three financial institutions into our Hall of Fame. They show that a financial institution can establish a policy to ban every kind of investment in producers of cluster munitions.

Worth to mention here is that Storebrand (Norway) published its exclusion list in November 2015. This list had previously not been made public and we commend Storebrand for its transparency.

Folksam (Sweden) was listed in the 2014 Hall of Fame. This year's assessment revealed new details about the scope of Folksam's cluster munitions policy. As such, it is now listed in the runners-up

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<sup>9</sup> Our Hall of Fame and the runners-up category are far from comprehensive. For this research it was impossible to research the policies of all the financial institutions worldwide. 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. The Hall of Fame can be seen as an invitation to financial institutions that have a comprehensive policy to ban investment in cluster munitions producers, 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 our Hall of Fame. The lists of financial institutions disinvesting from cluster munitions producers presented in this report are an attempt to provide an overview and we welcome additional information.

<sup>10</sup> Desjardins Investments and NEI Investments, "NEI Investments and Desjardins Investments announce a ban on cluster munitions investing", 10 February 2015, available at [www.desjardins.com/ressources/pdf/2015021001-e.pdf](http://www.desjardins.com/ressources/pdf/2015021001-e.pdf), last viewed 15 April 2016.

## KEY FINDINGS

category. Folksam is commended for its efforts to ban investments in cluster munitions producers and is encouraged to close the remaining loophole in its policy to be reintroduced in the Hall of Fame in the future.

All 38 financial institutions identified in the Hall of Fame are from States Parties to the CCM.

Country of origin of financial institutions in the Hall of Fame	Number of financial institutions per country
Australia	1
Canada	1
Denmark	4
France	2
Italy	1
Luxembourg	2
Norway	4
Sweden	3
The Netherlands	19
United Kingdom	1
<b>Total</b>	<b>38</b>

Types of financial institution in the Hall of Fame	Number of financial institutions per type
Ethical financial institutions	4
Government-managed pension funds	6
Mainstream financial institutions	28
<b>TOTAL</b>	<b>38</b>

## KEY FINDINGS

### Runners-up

The financial institutions listed in the runners-up category took steps to ban investments in cluster munitions producers, but their 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:

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

Five financial institutions have joined the runners-up category since our November 2014 report. These are La Banque Postale (France), Handelsbanken (Sweden), Länsförsäkringar (Sweden), PKA (Denmark) and UBS (Switzerland). Although these financial institutions have a policy to exclude investments in cluster munitions producers, these all make certain exceptions. We welcome these financial institutions to our runners-up category and encourage them to strengthen their policies further.

Generali (Italy) is no longer included in the report. The insurance group updated its socially responsible investment policy but unfortunately did not reply to questions about the details of the policy in relation to cluster munitions in time for our research deadline. We hope we will be able to thoroughly assess Generali's policy for the next update and include it in the report again.

All funds of the Irish National Pension Reserve Fund (NPRF) have been transferred to the Ireland Strategic Investment Fund (ISIF), which applies the same cluster munitions policy. As such, the NPRF is now listed as ISIF.

Worthy of mention here are two financial institutions that had already been listed as runners-up in 2014. Although they made improvements to their policies or have taken further steps to exclude cluster munitions companies, they are still among the runners-up. Deutsche Bank (Germany) made an improvement by offering funds that follow an index that exclude cluster munitions producers. Rabobank (the Netherlands) improved the implementation of its policy by introducing a range of ex-cluster munitions index trackers. Thus, the bank is making progress in excluding cluster munitions from all investments.

All 46 financial institutions that met our policy criteria for the runners-up category are from countries that have joined the CCM and are all States Parties to the CCM.

## KEY FINDINGS

Country of origin of financial institutions in the runners-up	Number of financial institutions per country
Belgium	3
Canada	1
Denmark	3
France	6
Germany	2
Ireland	1
Italy	2
Japan	1
New Zealand	2
Spain	1
Sweden	6
Switzerland	3
The Netherlands	9
United Kingdom	6
<b>Total</b>	<b>46</b>

**The financial institutions in the runners-up category have taken important steps, but their policies show loopholes that could allow for investments in cluster munitions producers and which should be closed.**

Government and policy leadership helps. The research shows the positive effect of a government signing the CCM as a stimulus for financial institutions to implement a comprehensive policy to disinvest from cluster munitions producers. As we have seen in the Hall of Shame however, this is certainly not an automatic response by financial institutions based in or operating in signatory states to the CCM. We therefore applaud the financial institutions in the runners-up category for their steps to ban investments in cluster munitions producers, and encourage other financial institutions to do the same.

### 1.5 Legislation

The Cluster Munition Coalition believes that the prohibition on assistance in the CCM includes a prohibition on investments in cluster munitions.<sup>11</sup> An ever growing group of states shares the view that the convention bans investment in cluster munitions.

At the time of writing, ten states in total have adopted legislation that prohibits (various forms of) investments in cluster munitions: Belgium, Ireland, Italy, Liechtenstein, Luxembourg, the Netherlands, New Zealand, Samoa, Spain and Switzerland. In Italy action is ongoing to strengthen the existing investment prohibitions.

Since our 2014 report, Costa Rica has been added to the list of countries with interpretive statements. In total, 28 states have not yet passed legislation against investment in cluster munitions production but they did express the view that investments in the production of cluster munitions are or can be seen as prohibited by the CCM. Australia, Bosnia and Herzegovina, Canada, Cameroon, Colombia, Costa Rica, the Democratic Republic of Congo (DRC), the Republic of Congo, Croatia, the Czech

<sup>11</sup> Cluster Munition Coalition, "Briefing Paper on the Convention on Cluster Munitions (English)", 1 January 2016, available at [www.stopclustermunitions.org/media/2179973/English-Briefing-Paper-on-the-Convention-on-Cluster-Munitions-2016.pdf](http://www.stopclustermunitions.org/media/2179973/English-Briefing-Paper-on-the-Convention-on-Cluster-Munitions-2016.pdf), last viewed 8 April 2016.

## KEY FINDINGS

Republic, France, Ghana, Guatemala, the Holy See, Hungary, Lao PDR, Lebanon, Madagascar, Malawi, Malta, Mexico, Niger, Norway, Rwanda, Senegal, Slovenia, the United Kingdom and Zambia have all made interpretive statements indicating investments are or can be seen as a prohibited form of assistance under the CCM.

<b>States and disinvestment</b>	
<b>Legislation</b>	<b>Interpretive statement</b>
Belgium	Australia
Ireland	Bosnia and Herzegovina
Italy	Cameroon
Liechtenstein	Canada
Luxembourg	Colombia
The Netherlands	Congo (Democratic Republic of)
New Zealand	Congo (Republic of)
Samoa	Costa Rica
Spain	Croatia
Switzerland	The Czech Republic
	France
	Ghana
	Guatemala
	The Holy See
	Hungary
	Lao DPR
	Lebanon
	Madagascar
	Malawi
	Malta
	Mexico
	Niger
	Norway
	Rwanda
	Senegal
	Slovenia
	United kingdom
	Zambia

## KEY FINDINGS

### 2 Recommendations

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

## KEY FINDINGS

### 3 Summary Tables

#### 3.1 Hall of Shame

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

**Key:** **B** = ownership or management of (convertible) bonds, **Bi** = underwriting of bond issuances **L** = provision of loan facility, **S** = ownership or management of shares, **Si** = underwriting of share issuances.

Financial institution in the Hall of Shame	Country of origin	China Aerospace Science and Industry	China Aerospace Science and Technology	Hanwha (South Korea)	Norinco (China)	Orbital ATK (US)	Poongsan (South Korea)	Textron (US)
Affiliated Managers Group	United States					S		
Agricultural Bank of China	China	Bi			Bi			
Allianz	Germany					S	S	
Alyeska Investment Group	United States					S		
Amalgamated Bank of Chicago	United States					L		
American International Group (AIG)	United States							B
American United Mutual Insurance	United States							B
AQR Capital Management	United States			S		S		
Artisan Partners	United States							S
Associated Banc-Corp	United States					L		
Bailard	United States			S				
Banco de Sabadell	Spain					L		
BancPlus	United States					L		
Bank Hapoalim	Israel					L		
Bank of America	United States					Bi, L, S		Bi, L
Bank of Beijing	China		Bi		Bi			
Bank of China	China	Bi	Bi		Bi			L
Bank of Communications	China	Bi	Bi		Bi			

## KEY FINDINGS

Bank of East Asia	China								L
Bank of Nanjing	China	Bi							
Bank of New York Mellon	United States					L, S	S		Bi, L, S
Banner Bank	United States					L			
Barclays	United Kingdom			S					
BB&T	United States					L			
Beijing Capital Group	China	Bi							
BlackRock	United States			S		S	S		S
BPCE Group	France								B
California First National Bancorp	United States					L			
Carlyle Group	United States								S
Cascade Bancorp	United States					L			
Causeway Capital Management	United States			S					
Central Pacific Financial Corporation	United States					L			
Cheonanbukil Foundation School	South Korea			S					
China Construction Bank	China	Bi	Bi			Bi			
China Development Bank	China	Bi				Bi			
China Everbright Group	China	Bi	Bi			Bi			
China Guangfa Bank	China	Bi				Bi			
China Investment Securities	China					Bi			
China Life Insurance	China		Bi						
China Merchants Group	China	Bi	Bi			Bi			
China Minsheng Banking	China	Bi				Bi			
China Securities	China		Bi						
CI Financial	Canada					S			
CITIC	China					Bi			
Citigroup	United States					Bi, L			Bi, L
CNO Financial Group	United States								B



## KEY FINDINGS

Comerica	United States					L		
Crédit Mutuel	France					L		
Credit Suisse	Switzerland					B		
The Dai-ichi Life Insurance Company	Japan							B
Daishin Securities	South Korea			Bi				
DBS	Singapore							L
Deutsche Bank	Germany			S				
Dimensional Fund Advisors	United States			S		S	S	
Dongbu Group	South Korea			Bi			S	
Donghai Securities	China	Bi			Bi			
E Fund Management	China				B			
E.SUN Financial	Taiwan					L		
Eastern Bank	United States					L		
Eaton Vance	United States					B		
eBEST Investment & Securities	South Korea			Bi				
Eugene Investment & Securities	South Korea			Bi				
Evergrowing Bank	China				Bi			
Fidelity Investments	United States					B, S	S	S
Fifth Third Bancorp	United States					Bi, L		Bi, L
First Eagle Investment Management	United States					S		
First Niagara Financial	United States					L		
Franklin Resources	United States							S
Fubon Group	Taiwan					L		
GGCP	United States							S
GMO	United States			S				
Goldman Sachs	United States							Bi, L, S
Guotai Junan Securities	China				Bi			
Hana Financial	South Korea			Bi			Bi	

## KEY FINDINGS

Hanwha Group <sup>12</sup>	South Korea			Bi, S			S	
Hanyang Securities	South Korea			Bi			Bi	
Hartford Financial Services	United States							B
Hua Nan Financial	Taiwan					L		
Huatai Securities	China	Bi						
Hyundai Group <sup>13</sup>	South Korea			Bi				
Hyundai Heavy Industries <sup>14</sup>	South Korea			Bi, S			S	
Industrial and Commercial Bank of China	China	Bi	Bi		Bi			
Industrial Bank Company	China	Bi	Bi					
Invesco <sup>15</sup>	United Kingdom					B		S
JPMorgan Chase	United States					B, Bi, L		Bi, L
KB Financial Group	South Korea			Bi, S			Bi, S	
KDB Financial Group	South Korea			Bi				
KeyCorp	United States					Bi, L		
Kiwoom Securities	South Korea			Bi				
Korea Investment Holdings	South Korea			Bi			Bi, S	
Kyobo AXA Investment Managers	South Korea			S			S	
Kyobo Life Insurance	South Korea						Bi	
Land Bank of Taiwan	Taiwan					L		
Legg Mason	United States					S		
LIG Group	South Korea			Bi				
Loews Corporation	United States							B
The London Company of Virginia	United States					S		
Lord, Abnett & Co	United States					B, S		
Manulife Financial	Canada			S				B

<sup>12</sup> Hanwha Group is a conglomerate with various business activities. The investments listed were made by its subsidiaries Hanwha Asset Management and Hanwha Investment & Securities.

<sup>13</sup> Hyundai Group is a conglomerate with various business activities. The investments listed were made by its subsidiary Hyundai Securities.

<sup>14</sup> Hyundai Heavy Industries is a conglomerate with various business activities. The investments listed were made by its subsidiary companies HI Asset Management and HI Investment & Securities.

<sup>15</sup> Invesco is domiciled in Bermuda, an overseas territory of the United Kingdom.

## KEY FINDINGS

MassMutual Financial	United States						S	B
Meritz Financial Group	South Korea			Bi				
MetLife	United States					B		B
Midas International Asset Management	South Korea			S				
Mirae Asset Financial Group	South Korea			S			S	
Mitsubishi UFJ Financial	Japan					Bi, L		Bi, L
Mizuho Financial	Japan					L		
Morgan Stanley	United States					L		Bi, L
National Pension Service	South Korea			S			S	
Neuberger Berman	United States							S
New York Life Insurance	United States					B		B
New York State Common Retirement Fund	United States			S				
NongHyup Financial	South Korea			Bi			Bi	
Northern Trust	United States					L, S		L, S
Northwestern Mutual Life Insurance	United States					B		
Old Mutual	United Kingdom			S				
Orix Corporation	Japan							S
People's Insurance Company of China	China	Bi			Bi			
People's United Financial	United States					L		
Ping An Insurance Group	China	Bi			Bi			
Piper Jaffray	United States					Bi		
PNC Financial Services	United States					Bi, L		Bi, L
Principal Financial Group	United States					S		
Prudential	United Kingdom							B
Prudential Financial	United States			S		B		B
Raymond James Financial	United States					L		
Regions Financial	United States					Bi, L		
Royal Bank of Canada	Canada					Bi, L		S

## KEY FINDINGS

Roystone Capital Management	United States					S		
Samsung Group <sup>16</sup>	South Korea			Bi, S			S	
Sealand Securities	China		Bi					
Shanghai Pudong Development Bank	China				Bi			
Shenwan Hongyuan Group	China	Bi	Bi		Bi			
Shinhan Financial Group	South Korea			Bi			Bi	
Shinyoung Asset Management	South Korea			S			S	
Siemens <sup>17</sup>	Germany					L		
SK Securities	South Korea			Bi			Bi	
State Bank of India	India					L		
State of Wisconsin Investment Board	United States			S				
State Street	United States			S		S		S
Stifel Financial	United States					L		
Sumitomo Mitsui Financial	Japan					Bi, L		Bi, L
Sun Life Financial	Canada					S		
SunTrust	United States					Bi, L		L
Synovus Financial Corporation	United States					L		L
T. Rowe Price	United States							S
Textron Pension Fund	United States							S
TIAA-CREF	United States					B, S	S	B, S
Trimaran Capital Partners	United States					L		
United Overseas Bank	Singapore				Bi			
US Bancorp	United States					Bi, L		Bi, L
Vanguard	United States			S		S	S	B S
Viking Global Investors	United States							S
Voya Financial	United States					S		S
Wells Fargo	United States					B, Bi,		Bi,

<sup>16</sup> Samsung Group is a conglomerate with various business activities. The investments listed were made by its subsidiary Samsung Securities.

<sup>17</sup> Siemens is a conglomerate with various business activities. The investments listed were made by its subsidiary Siemens Financial Services.

## KEY FINDINGS

						L, S		L
Western & Southern Financial	United States					B		
Williams Capital Group	United States							Bi
WisdomTree Investments	United States						S	
Yuanta Financial	Taiwan			Bi				

Country of origin of financial institutions in the Hall of Shame	Number of financial institutions per country
Canada	4
China	29
France	2
Germany	3
India	1
Israel	1
Japan	5
Singapore	2
South Korea	26
Spain	1
Switzerland	1
Taiwan	5
United Kingdom	4
United States	74
<b>Total</b>	<b>158</b>

## KEY FINDINGS

### 3.2 Hall of Fame

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

Financial institution in the Hall of Fame	Country of origin*	Has the institution published its policy?	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 financial institution's products?	Are all activities of a cluster munitions company excluded?
ABP	The Netherlands	X	X	X	X	X
Alecta	Sweden	X	X	X	X	X
APG	The Netherlands	X	X	X	X	X
ASN Bank	The Netherlands	X	X	X	X	X
A.S.R.	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
The Co-operative Bank	United Kingdom	X	X	X	X	X
Delta Lloyd Group	The Netherlands	X	X	X	X	X
DNB	Norway	X	X	X	X	X
La Financière Responsable	France	X	X	X	X	X
Fonds de Compensation	Luxembourg	X	X	X	X	X
Fonds de Réserve pour les Retraites	France	X	X	X	X	X
The Future Fund	Australia	X	X	X	X	X
KLP	Norway	X	X	X	X	X
Laegernes Pensjonskasse	Denmark	X	X	X	X	X
Menzis	The Netherlands	X	X	X	X	X
NEI Investments	Canada	X	X	X	X	X
Norwegian Government Fund – Global	Norway	X	X	X	X	X
PenSam	Denmark	X	X	X	X	X
Pensioenfonds Horeca & Catering	The Netherlands	X	X	X	X	X
Pensioenfonds Zorg en Welzijn	The Netherlands	X	X	X	X	X
PFA Pension	Denmark	X	X	X	X	X
PGGM	The Netherlands	X	X	X	X	X
Philips Pension Fund	The Netherlands	X	X	X	X	X
PME	The Netherlands	X	X	X	X	X
PNO Media	The Netherlands	X	X	X	X	X
SNS Bank	The Netherlands	X	X	X	X	X
Sparinvest	Luxembourg	X	X	X	X	X
Spoorwegpensioenfonds	The Netherlands	X	X	X	X	X
Stichting Pensioenfonds Huisartsen	The Netherlands	X	X	X	X	X
Stichting Pensioenfonds	The Netherlands	X	X	X	X	X

## KEY FINDINGS

Openbaar Vervoer						
Stichting Pensioenfonds Woningcorporaties	The Netherlands	X	X	X	X	X
Storebrand Group	Norway	X	X	X	X	X
Swedish Pension Funds AP1 – 4	Sweden	X	X	X	X	X
Swedish Pension Fund AP7	Sweden	X	X	X	X	X
Triodos Bank	The Netherlands	X	X	X	X	X

Country of origin of financial institutions in the Hall of Fame	Number of financial institutions per country
Australia	1
Canada	1
Denmark	4
France	2
Italy	1
Luxembourg	2
Norway	4
Sweden	3
The Netherlands	19
United Kingdom	1
<b>Total</b>	<b>38</b>

## KEY FINDINGS

### 3.3 Runners-up

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

Financial institution in the runners-up	Country of origin*	Has the institution published its policy?	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 financial institution's products?	Are all activities of a cluster munitions company excluded?
ABN Amro	The Netherlands	X	X	X		X
Achmea	The Netherlands	X	X	X		X
Aegon	The Netherlands	X	X	X		X
Aviva	United Kingdom	X	X	X		X
AXA	France	X	X	X		X
La Banque Postale	France	X	X	X		X
Barclays	United Kingdom	X	X	X		X
BBVA	Spain	X	X	X		X
Belfius	Belgium	X	X	X		
BNP Paribas	France	X	X	X		X
BPCE	France	X	X	X		X
Commerzbank	Germany	X	X	X		X
Crédit Agricole	France	X	X	X		X
Credit Suisse	Switzerland	X	X	X		X
Danske Bank	Denmark	X	X	X		X
Deutsche Bank	Germany	X	X	X		X
Ethias	Belgium	X	X	X		X
Folksam	Sweden	X	X	X		X
Handelsbanken	Sweden	X	X	X		X
HSBC	United Kingdom	X	X	X		X
ING	The Netherlands	X	X	X		X
Intesa Sanpaolo	Italy	X	X	X		X
Ireland Strategic Investment Fund	Ireland	X	X	X		X
KBC	Belgium	X	X	X		X
Länsförsäkringar	Sweden	X	X	X		X
Lloyds Banking Group	United Kingdom	X	X	X		X
National Provident Fund	New Zealand	X	X	X		X
New Zealand Superannuation Fund	New Zealand	X	X	X		X
NIBC	The Netherlands	X	X	X		
Nordea	Sweden	X	X	X		X
Nykredit	Denmark	X	X	X		X
Pensioenfonds Vervoer	The Netherlands	X	X	X		X
PKA	Denmark	X	X	X		X
Rabobank	The Netherlands	X	X	X		X
Royal Bank of Canada	Canada	X	X	X		X
Royal Bank of Scotland	United Kingdom	X	X	X		X



## KEY FINDINGS

SEB	Sweden	X	X	X		X
Société Générale	France	X	X	X		X
Standard Chartered	United Kingdom	X	X	X		X
Stichting Pensioenfond APF	The Netherlands	X	X	X		X
Sumitomo Mitsui Trust Bank	Japan	X	X	X		X
Swedbank	Sweden	X	X	X		X
UBS	Switzerland	X	X	X		X
UniCredit Group	Italy	X	X	X		X
Van Lanschot	The Netherlands	X	X	X		X
Vontobel	Switzerland	X	X	X		X

Country of origin of financial institutions in the runners-up	Number of financial institutions per country
Belgium	3
Canada	1
Denmark	3
France	6
Germany	2
Ireland	1
Italy	2
Japan	1
New Zealand	2
Spain	1
Sweden	6
Switzerland	3
The Netherlands	9
United Kingdom	6
<b>Total</b>	<b>46</b>

## KEY FINDINGS

Red Flag Lists in our reports						
2009	2010	2011	2012	2013	2014	2016
Alliant Techsystems	Alliant Techsystems	Alliant Techsystems	Alliant Techsystems	Alliant Techsystems	ATK (Alliant Techsystems)	China Aerospace Science and Industry
Hanwha	Hanwha	Hanwha	Hanwha	China Aerospace Science and Technology	China Aerospace Science and Technology	China Aerospace Science and Technology
L-3 Communications	L-3 Communications	Lockheed Martin	Lockheed Martin	Hanwha	Hanwha	Hanwha
Lockheed Martin	Lockheed Martin	Norinco	Norinco	Norinco	Norinco	Norinco
Poongsan	Poongsan	Poongsan	Poongsan	Poongsan	Poongsan	Orbital ATK <sup>18</sup>
Roketsan	Singapore Technologies Engineering	Singapore Technologies Engineering	Singapore Technologies Engineering	Singapore Technologies Engineering	Singapore Technologies Engineering	Poongsan
Singapore Technologies Engineering	Textron	Splav	Splav	Textron	Textron	Textron
Textron		Textron	Textron			

Investments in companies on our Red Flag Lists							
	2009	2010	2011	2012	2013	2014	2016
<b>Total investments in Red Flag list companies (in USD)</b>	20 billion	43 billion	39 billion	43 billion	24 billion	27 billion	28 billion
<b>Loans (in USD)</b>	5.1 billion	3.2 billion	1.5 billion	4.1 billion	2.3 billion	4.5 billion	6.3 billion
<b>Investment Banking (in USD)</b>	4.2 billion	6.7 billion	6.3 billion	8.1 billion	6.1 billion	5 billion	9.1 billion
<b>Asset management (in USD)</b>	11.8 billion	33.1 billion	30.9 billion	30.4 billion	16 billion	17.5 billion	13.0 billion

<sup>18</sup> In 2014, we listed ATK (Alliant Techsystems) However, in February 2015, ATK's Aerospace and Defense Groups merged with Orbital Sciences Corporation to form Orbital ATK.

# KEY FINDINGS

## 4 Methodology

### Methodology: Questions and Answers

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

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

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

When we found no financial links for companies, we did not include them on our red flag list. There may also well be companies that currently produce (key components for) cluster munitions or explosive submunitions but that have been excluded from the red flag list simply because we could not find sufficient evidence of their production activities.

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

No. The Hall of Shame is not an exhaustive list of financial institutions with investments in cluster munitions producers. We apply different thresholds to different companies for investment in shares and bonds. Due to the different shareholding structure in the various companies,<sup>19</sup> we chose a 0.1% floor limit for Asian companies<sup>20</sup> and a 1% limit for US companies. 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 the Asian companies or 1% in the US companies, you will not find it on our list. Moreover, because the red flag list of producing companies is not exhaustive, a financial institution that has invested in a producing company might still not be included in our research. There is still a marked lack of transparency in the public domain about financial institutions' investments furthermore. There is little or no transparency on which credits were given to whom. That makes it complicated to find out whether a financial institution has granted a loan to a controversial company.

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

No. Since the sources of information for the Hall of Shame – stock exchange filings, financial institutions' own publications and commercial databases – come directly from the financial institutions, we trust that it is correct and have generally not contacted the financial institutions in the Hall of Shame before publishing this report. We welcome comments, clarifications, and corrections from governments, companies, financial institutions and others, in the spirit of dialogue, and in the common

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<sup>19</sup> Asian companies seem to have a few large (local) shareholders and a group of foreign shareholders with less than 1%. We therefore lowered the threshold for the Asian companies on the list.

<sup>20</sup> The three Chinese state-owned companies, China Aerospace Science and Industry, China Aerospace Science and Technology and Norinco are not stock listed companies, so no shareholders of these companies can be found. For China Aerospace Science and Industry and China Aerospace Science and Technology, there are no bond holdings in the financial database used for this research and the bond holding coverage for Norinco is very limited.

## KEY FINDINGS

interest of accurate and reliable information on an important subject. If you believe you have found an error in our report or if you can provide additional information, please contact us.

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

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

We have chosen to limit our research to policies available in the public domain, since we believe that financial institutions should be accountable for their policies. We worked chiefly within the limits imposed by language (English and Dutch) and accessibility. In some cases, we now have translations of disinvestment policies unavailable in Dutch or English in the public domain, but in most cases we were limited to documents available in Dutch or English. There are probably many more financial institutions that deserve a place in our Hall of Fame or runners-up category. Our list of financial institutions is an initial survey. We welcome additional information.

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

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

The runners-up category lists financial institutions that took steps to ban investment in cluster munitions producers, but whose policies have loopholes. A financial institution can be applauded in the runners-up category for its policy, while at the same time be listed in the Hall of Shame for its investment. Checking whether this involvement runs counter to their policies, or whether it results from a loophole, was beyond the scope of this report. An accurate report on implementation of policies published by runners-up would require more detailed information on the investments we found. Examples of the kind of information we would still need are whether a financial link constitutes own or third-party investments, which investment fund is involved, or whether the financial link is through a fund following an index; all issues beyond the scope of our research. Moreover, a financial institution may be listed for investments made before their policy came into effect, since we research investments since June 2012.

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

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

## KEY FINDINGS

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

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

### **Researched Time Frame**

- We listed a company as a cluster munitions producer when we found evidence that it was involved in producing (key components of) cluster munitions in the time span extending from 30 May 2008 to 5 February 2016.
- We listed a financial institution as an investor when we found evidence of investment in the time span extending from 1 June 2012 to 8 April 2016. Since the banking group usually sets the investment policy and since this group directly or indirectly supervises its subsidiaries, we researched the group's investments.
- We updated the policies of financial institutions listed in the Hall of Fame and runners-up category as far as 15 April 2016. Since the banking group usually sets the investment policy and since this group directly or indirectly supervises its subsidiaries, we researched the group's policy.