

**Worldwide Investments in Cluster Munitions:
A shared responsibility**

Extracted country information for Germany

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Changes compared to the previous report

The 2017 update of the report listed 1 investor from Germany in the Hall of Shame (Allianz), 1 financial institutions Germany in the Hall of Fame (LBBW) and 2 in the Runners-Up (Commerzbank and Deutsche Bank).

In this update of the report, no financial institution from Germany are listed in the Hall of Shame. This is due mostly to the fact that 2 the US companies Orbital ATK and Textron were removed from our list of cluster munition producers.

LBBW is still listed in the Hall of Fame. The Runners-Up section now lists 3 German financial institutions: KD-Bank was added to the report.

Cluster Munition Producers

In this 9th edition of the Worldwide Investments in Cluster Munitions report, we clearly see some effect of the campaign that this report is part of. Two major US arms producers that featured as cluster munitions producers in the 2017 edition of the report, Textron and Orbital ATK, have declared publicly that they no longer produce any cluster munitions. These developments are at least partly the result of the pressure from the financial sector.

At the same time this report includes 3 new companies involved in the production of cluster munitions: Avibras, Bharat Dynamics Limited and LigNex1.

Note of caution: Elbit

Early 2018, it was reported that Elbit Systems would take over cluster munition producer IMI Systems and in August 2018 it was reported that the merger passed the checks by the Israeli Antitrust Authority.¹ At the time of writing it is likely that Elbit will acquire IMI Systems before the end of 2018.

Elbit Systems is not yet included on the 2018 Red Flag List because the acquisition was not yet completed at the end of the research period of this report. However, we list the financial links with Elbit in an Appendix in the report. We call on Elbit Systems to fully end its involvement with (key components of) cluster munitions. We also call on investors in Elbit Systems to engage with this company to make it sever all its involvement with the stockpiling of cluster munitions. For the investors in Elbit from Germany, please see table 1 in the Hall of Shame section below.

Orbital ATK & Textron

As mentioned above, Orbital ATK and Textron are no longer listed in the report as cluster munition producers, as they have publicly stated they no longer produce cluster munitions. Orbital ATK has since been acquired by Northrop Grumman. However, both Orbital ATK and Textron are still involved in maintenance of cluster munitions.

Although these activities fall outside of the scope of this report's methodology, we call on Northrop Grumman and Textron to fully end their involvement with (key components of) cluster munitions, including maintenance, to the extent that it is prohibited by the Convention on Cluster Munitions. We also call on investors in Northrop Grumman and Textron to engage with these companies to make it sever all its involvement with the continuation of stockpiling of cluster munitions. therefore, we list the investors in Northrop Grumman and Textron in an Appendix in the report. For the investors in Orbital ATK and Textron from Germany, please see table 2 in the Hall of Shame section below.

As a result, this year's report lists 7 cluster munitions producers on the red flag list:

- Avibras (Brazil)
- Bharat Dynamics Limited (India)
- China Aerospace Science and Industry (China)
- Hanwha (South Korea)
- LigNex1 (South Korea)
- Norinco (China)
- Poongsan (South Korea)

Hall of Shame

The Hall of Shame contains a list of financial institutions that still invest in cluster munitions producers. It contains the results of our research on financial institutions investing in the seven companies on the red flag list.

This year's Hall of Shame contains 88 financial institutions that together invested almost US\$9 billion in the 7 cluster munitions producers on the Red Flag List: substantially less when compared to last year's report. For an important part, this is due to the fact that two major US arms producers are no longer considered cluster munitions producers in this report. The financial research showed substantially less investors and amounts invested for the producers newly added to the list.

No German financial institutions are included in this year's Hall of Shame.

Threshold

We apply a threshold for the inclusion of investment in shares and bonds in the Hall of Shame, which means we do not list these investments if they fall below the threshold. We do this for pragmatic reasons, including the readability of this report. For information about the below the threshold investments by financial institutions from Germany, please see the document shared separately.

Table 1: Investors in Elbit from Germany

Financial institution	Amount invested (US\$ millions)
Deutsche Bank	113,9

Table 2: Investors in Orbital ATK and Textron from Germany

Financial institution	Orbital ATK	Textron	Total (US\$ millions)
Allianz		396,3	396,3

Hall of Fame

This report's Hall of Fame lists 48 financial institutions from 13 countries with comprehensive policies, an increase of 6 compared to the previous report. 1 of these is from Germany:

LBBW (Germany)

Landesbank Baden-Württemberg (LBBW) is a banking group based in Germany. The bank offers its banking and asset management services to private and corporate customers and institutional investors in Germany and a number of other countries.²

LBBW's investment policy excludes investment in cluster munitions producers, as defined by the Convention on Cluster Munitions. "LBBW does not enter into any business relationships with companies that produce cluster munitions and/or anti-personnel mines, which are prohibited by international conventions."³

The policy applies to all corporate credits and investment banking activities.⁴ With regard to its asset management activities, LBBW Asset Management Investmentgesellschaft excludes investments in producers of antipersonnel mines and cluster munitions from its investment funds.⁵ LBBW states the policy is applied to external asset managers as well.⁶

LBBW makes use of an exclusion list based on research by Oekom Research. The exclusion list is not public.⁷

Runners-up

This year's Runners-Up section lists 62 financial institutions from 17 countries, an increase of 16 compared to the previous report. 3 of these are from Germany:

Commerzbank

Commerzbank is one of the major banks in Germany and Poland. It offers banking and capital market services to nearly 18 million private customers and 60.000 business and corporate clients in nearly 50 countries.⁸

According to Commerzbank's policy on the armaments sector, the bank does not involve itself in transactions related to controversial weapons, such as cluster munitions.⁹ The guideline applies to the entire company and includes corporate finance, trade finance, and investment-banking activities.¹⁰ Commerzbank does not offer own products that invest in producers of controversial weapons.¹¹ However, Commerzbank's exclusion policy does not apply to passively managed funds, including funds following an index.¹²

Since 2011, all investment recommendations for private clients have also been screened in order to exclude cluster munitions producers.¹³ However, clients can request the execution of a buying-order of a specific investment that may contain a cluster munitions producer. The same applies to orders of such investments through online-banking.¹⁴

Commerzbank does not publish its exclusion list, which is based on the findings of data provider Sustainalytics.¹⁵

How to gain a place in the Hall of Fame?

To be listed in the Hall of Fame, Commerzbank should apply its policy to all its products, including funds following an index. Moreover, requests from clients that explicitly ask for or choose funds that contain controversial weapons producers should be refused.

Deutsche Bank

Deutsche Bank is a large global bank from Germany. It offers a diverse range of products and services in investment banking, private and commercial banking, transaction banking, and asset and wealth management. Deutsche Bank enjoys a leading position in its home market, other parts of Europe, North America and key emerging markets.¹⁶

Deutsche Bank's Policy on Cluster Munitions "prohibits doing business with conglomerates (and their subsidiaries) that manufacture or distribute cluster munitions, banned under the Oslo Convention on Cluster Munitions or similar to those, as well as key components."¹⁷

The policy applies to all of Deutsche Bank's commercial banking and investment banking activities.¹⁸ However, although the bank excludes future investment in cluster munitions companies, it does not terminate all existing contracts. In addition, according to the policy, Deutsche Bank could still consider doing business with cluster munitions producers if it obtains a written statement confirming the termination of the company's cluster munitions-related business. If such a company has existing contracts, Deutsche Bank may accept the time-bound intent to terminate production.¹⁹

The asset management division of Deutsche Bank (DWS) in Europe do not directly invest in companies associated with controversial conventional weapons, which includes cluster munitions and anti-personnel mines.²⁰ All actively- or passively managed funds (including funds that follow an index) designed by Deutsche Bank exclude cluster munitions. The same applies to alternative investments sponsored by DWS. However, investments in passive funds managed externally could include cluster munitions producers.²¹

Deutsche Bank makes use of an exclusion list, which is based on the data of research institutes (e.g. Ethix SRI Advisors). The list is not publicly available.²²

Deutsche Bank was also found to have below the threshold investments in the cluster munitions producers identified by this report. More information can be found on our website.

How to gain a place in the Hall of Fame?

To be listed in the Hall of Fame, Deutsche Bank should extend its policy, without exceptions, to cover all external asset management activities, including externally managed index-derivatives and passively managed external funds that follow an index.

KD-Bank

The KD-Bank (Bank für Kirche und Diakonie) is a German cooperative bank. It is co-owned by many German churches and dioceses and also has private clients. It has a balance sheet total of about US\$ 6.5 billion.²³

KD-Bank's "sustainability filter" excludes all companies producing weapons that are prohibited by the Rome Statute of the International Criminal Court, including explicitly cluster munitions.

The policy applies to loans and all investments on own account, including those managed by external asset managers. However, it is not applied to all investments made on behalf of third parties.²⁴

KD-Bank uses an exclusion list based on research by Oekom Research to implement its policy, but the list is not publicly available.²⁵

How to gain a place in the Hall of Fame?

We welcome KD-Bank to the Runners-Up category of this report and hope that it will improve its policies even further. To be listed in the Hall of Fame, KD-Bank should expand its policy to include all investments, including those made on behalf of third parties.

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