

Germany in the report update “Worldwide Investments in Cluster Munitions; a shared responsibility.”

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In: Executive Summary

Under the subsection “Hall of Fame and runners-up” in the executive summary, the German WestLB is welcomed as a new financial institution in the Hall of Fame:

“When we compare the new Hall of Fame to the one in our May 2011 report, we see that four new financial institutions have entered it. Two of them are government-managed pension funds. The Australian Future Fund and the Luxembourg Compensation Fund (See section **Fehler! Verweisquelle konnte nicht gefunden werden.** and **Fehler! Verweisquelle konnte nicht gefunden werden.** below) have both decided to bar all investments in producers of cluster munitions. One financial institution, WestLB, appeared in the runners-up category in the earlier editions of this report. Its new policy merits a place in the Hall of Fame. We welcome WestLB’s steps. They show that a financial institution can decide to adjust its policy and ban every kind of investment in producers of cluster munitions. The fourth newcomer in our Hall of Fame is SNS REAAL, a Dutch banker-insurer.”

Under the subsection “vigorous campaign efforts” in the executive summary, the German campaign is mentioned of an example where increased awareness and campaigning efforts have led to better policies:

“In Germany, campaigners have put additional pressure on Deutsche Bank. Although Deutsche Bank has stated publicly that it bans investments in producers of cluster munitions, it refuses to publish its policy. This denies its customers the opportunity to learn about its investment choices. Moreover, further research by Facing Finance¹ and the results in the Hall of Shame of this report both show that Deutsche Bank is still heavily involved in producers of cluster munitions. DWS, a full Deutsche Bank subsidiary has, however, adopted a policy to exclude producers of cluster munitions from its investments and is in the process of making it public. We hope that its parent company will follow its example. BayernInvest, the asset management division of BayernLB, and LBBW Asset Management, the asset management division of Landesbank Baden-Württemberg, have published policies that exclude producers of cluster munitions. Since we only study the group’s policies, we hope that BayernLB and Landesbank Baden-Württemberg will follow the examples of their subsidiaries and adopt a policy that excludes producers of cluster munitions. Deka bank has adopted a policy to ban producers of cluster munitions from some of the funds it offers, but it refused to publish its policy. We hope it will change that decision so that we can assess their policy in our report. Finally, WestLB has updated its policy, which has gained it entrance to the Hall of Fame.”

In: Hall of Shame

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	Alliant Techsystems (US)	Hanwha (South Korea)	Lockheed Martin (US)	Norinco (China)	Poongsan (South Korea)	Singapore Technologies Engineering (Singapore)	Splav (Russia)	Textron (US)
Allianz	Germany	B,S		S					
Deutsche Bank	Germany	S					Y		L

Allianz (Germany)

ASSET MANAGEMENT¹

On filing dates between 31 December 2011 and 31 March 2012, Pimco, which is part of Allianz, owned or managed 1.47% of the outstanding bonds issued by **Alliant Techsystems** valued at US\$13.9 million.²

On 31 December 2011, NFJ Investment Group, which is part of Allianz, owned or managed 4.34% of the shares of **Alliant Techsystems** valued at US\$81.8 million.³

On 31 December 2011, Allianz subsidiaries Allianz Global Investors Capital and NFJ Investment Group owned or managed 1.15% of the shares of **Lockheed Martin** valued at US\$299.7 million.⁴

Deutsche Bank (Germany)

LOANS

¹ Allianz Global Investors Europe has announced in a press release in January 2011 that “the mutual funds of Allianz Global Investors Europe do not invest in companies that manufacture cluster bombs or anti-personnel mines.” Since the filings published in this report are the most recent filings available, we cannot verify if Allianz effectively sold these positions. Allianz’ policy is not public (yet); therefore, we cannot comment on it or include it in our Hall of Fame or runners-up category. (Allianz Global Investors Europe, “Allianz Global Investors Europe does not invest in manufacturers of cluster munitions and anti-personnel mines”, Press Release, 24 January 2011, available at http://www.allianzglobalinvestors.de/web/main?page=/cms-out/ueber-uns/press/releases/2011/PM_20110124_01.html, last viewed 24 March 2011.

In March 2011, **Textron** secured a US\$1.0 billion five-year credit facility from a 9-bank syndicate. The proceeds were used for general corporate purposes. Deutsche Bank was one of the five bookrunners and provided US\$135 million.⁵

INVESTMENT BANKING

In July 2009, **Singapore Technologies Engineering** issued 10-year bonds with an interest rate of 4.80% for 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 was allocated to UK accounts. Deutsche Bank is one of the two banks arranging the medium-term note programme and managing the first issue.⁶

ASSET MANAGEMENT

On 31 December 2011, Deutsche Bank owned or managed 1.46% of the shares of **Alliant Techsystems** valued at US\$27.4 million.⁷

In: Hall of Fame

		Has the institution published its policy?	Does it exclude cluster munitions producers?	Does it exclude all cluster munitions producers, (no exceptions for certain types?)	Does the policy apply to all the financial institution's products?	Are all a company's activities excluded?
Financial institution	Country of origin*					
West LB	Germany	X	X	X	X	X

West LB (Germany)

WestLB AG is a European commercial bank with assets of € 251.2 billion. As of 30 June 2010, it was one of Germany's leading financial service providers. The European Commission approved a restructuring plan for WestLB in December 2011. This plan is currently being implemented. The business with savings banks and public-sector clients, will be split off from WestLB by 30 June 2012 and will be transferred to Helaba. WestLB will continue as a service and portfolio management bank.⁸

WestLB updated its *Policy for Environmental and Social Issues* in 2011. This policy contains a section on arms and military equipment that states that under no circumstances will it finance production and trading in land mines and stray ammunition. Transactions within the meaning of this policy include all the bank's business activities, e.g. financings, capital market products, equity participations, assumption of advisory functions, etc., irrespective of whether the Bank plays a leading role or simply participates in a transaction.⁹

The policy does not reverse past investments. It did not end an on-going contract with Lockheed Martin that started before the policy was adopted.¹⁰

WestLB does not use an exclusion list. Instead, each transaction is checked using all

available information (in-house sector expertise and research, media, NGO research etc.) to shape its investment decision.¹¹

In: Runners- up

		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?
Financial institution	Country of origin*					
RUNNERS-UP						
Commerzbank	Germany	X	X	X		X

Commerzbank (Germany)

Commerzbank is one of the leading banks for private and corporate customers in Germany. Commerzbank has around 15 million private customers as well as 1 million business and corporate customers worldwide.¹²

Commerzbank’s weapons policy is described in its *Guidelines Governing Armaments Transactions*, which states that Commerzbank does not accompany financial transactions related to weapons thought controversial, such as cluster munitions.¹³ The guideline applies to the entire company and includes corporate finance, trade finance, and investment-banking activities. Commerzbank does not offer own products that invest in producers of controversial weapons. The same applies to funds from other investment companies that it recommends to its private clients. Commerzbank’s reputational risk department clears selected funds for links to controversial weapons before putting them on sale. The policy does not apply to passively managed funds like funds following an index.¹⁴

To implement its policy, Commerzbank receives external research on controversial weapons from an independent analyst quarterly. Additionally, the bank systematically scans NGO publications.¹⁵

How to gain a place 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 which contain a controversial company should be refused.

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- 1 Profundo, "Recent Financing of Producers of Cluster Munitions by Deutsche Bank. A Research Paper Prepared for Facing Finance", available at <http://www.facing-finance.org/wp-content/blogs.dir/16/files/2012/03/Deutsche-Bank-and-cluster-munitions-FF-120220.pdf>, last viewed 26 April 2012.
 - 2 *Bloomberg* database (www.bloomberg.com), viewed April 2012.
 - 3 *Thomson ONE* database (www.thomsonone.com), viewed April 2012.
 - 4 *Thomson ONE* database (www.thomsonone.com), viewed April 2012.
 - 5 Thomson ONE database, "Tear Sheet 2701098115", 25 March 2011, *Thomson ONE* database (www.thomsonone.com); Textron, "Credit Agreement Dated as of March 23, 2011 among Textron Inc., and the Lenders Listed Herein, with JPMorgan Chase Bank, N.A., as Administrative Agent", 23 March 2011.
 - 6 Singapore Technologies Engineering, "ST Engineering Sets Up ST Engineering Financial I Ltd And Announces The Establishment Of A Multicurrency Medium-term Note Programme", 6 July 2009, available at <http://www.stengg.com/press-centre/press-releases/st-engineering-sets-up-st-engineering-financial-i-ltd-and-announces-the-establishment-of-a-multicurrency-medium-term-note-programme>, last viewed 20 April 2012; Euroweek Asia, "ST Engineering scoops \$500m as issuers warm to dollar debt", 9 July 2009, available at <http://www.euroweek.com/Article/2250338/4991/ST-Engineering-scoops-500m-as-issuers-warm-to-dollar-debt.html>, last viewed 31 March 2011; Singapore Technologies Engineering, "ST Engineering Financial I LTD to issue US\$500,000,000 4.80% Notes Due 2019", 10 July 2009, available at [http://www.stengg.com/press-centre/press-releases/st-engineering-financial-i-ltd-to-issue-us\\$500000000-480-notes-due-2019](http://www.stengg.com/press-centre/press-releases/st-engineering-financial-i-ltd-to-issue-us$500000000-480-notes-due-2019), last viewed 20 April 2012.
 - 7 *Thomson ONE* database (www.thomsonone.com), viewed April 2012.
 - 8 WestLB, "WestLB Transformation Process", *WestLB* website (http://www.westlb.de/cms/sitecontent/westlb/westlb_de/en/wlb/ueber_uns/trafo.standard.gid-N2FkNDZmMzU4OWFmYTIyMWM3N2Q2N2Q0YmU1NmI0OGU_.html) viewed 25 April 2012.
 - 9 WestLB, "Policy for Environmental and Social issues", 8 April 2011, p. 8, 10, available at http://www.westlb.de/cms/sitecontent/westlb/westlb_de/en/wlb/csr/Sustainability/management.standard.gid-N2FkNDZmMzU4OWFmYTIyMWM3N2Q2N2Q0YmU1NmI0OGU_.html, last viewed 18 April 2012.
 - 10 WestLB, written response to *Netwerk Vlaanderen* dated 28 October 2010.
 - 11 WestLB, written response to *Netwerk Vlaanderen* dated 11 March 2011.
 - 12 Commerzbank, "About Commerzbank", *Commerzbank* website (https://www.commerzbank.com/en/hauptnavigation/konzern/konzerninfo/commerzbank_im_berblick/commerzbank_ueberblick.html), viewed 4 April 2012.
 - 13 Commerzbank, "Richtlinien und Positionen: Rüstungsgeschäfte" ("Policies and Positions: arms trade"), *Commerzbank* website (<https://www.nachhaltigkeit.commerzbank.de/de/internetportal/governance/interne Richtlinien/rstungsgeschfte/rstungsgeschfte.html>), viewed 27 April 2012.
 - 14 Commerzbank, written response to *Netwerk Vlaanderen* dated 31 March 2011.
 - 15 Commerzbank, written response to *Netwerk Vlaanderen* dated 18 February 2011.