

## Chapter 3

### Hall of Fame

#### 2013 Don't Bank on the Bomb Hall of Fame

ASN Bank (Ethical bank, The Netherlands)  
Banca Etica (Ethical bank, Italy)  
Fonds de Compensation (Government-managed,  
Luxembourg)  
Folksam (Private, Sweden)  
KPA Pension (Private, Sweden)  
New Zealand Superannuation Fund (Government-  
managed, New Zealand)  
Philips Pension Fund (Private, The Netherlands)  
PNO Media (Private, The Netherlands)  
J. Safra Sarasin Bank (Private, Switzerland)  
Sporwegpensioenfonds (Private, The Netherlands)  
Storebrand Group (Private, Norway)  
Triodos Bank (Ethical bank, The Netherlands)

This chapter looks at 12 financial institutions that have a published policy, or a summary of their policy in English excluding investments in nuclear weapons companies.

To identify financial institutions with a policy on nuclear weapons, we researched a variety of sources: NGO reports, screening-agency information, financial institutions' reports and websites, information from campaigners worldwide and other public sources. Based on this information, 32 institutions were found with a published policy specifically excluding nuclear weapons companies.

We then examined the policies and found that 12 deserve a place in our Hall of Fame, because their policy fit the criteria:

- The financial institution has published its policy and/or a summary of it in English;
- The policy excludes investments in nuclear weapon companies (withdrawing past investments and avoiding future investments)
- The policy has an 'all-in' comprehensive scope:
  - no exceptions for any types of nuclear weapon companies
  - no exceptions for any types of activities by nuclear weapon companies
  - no exceptions for any type of financing or investment by the financial institution

Financial institutions whose nuclear weapon policy does not meet all of the above criteria are included in the "Runners-up" in the next chapter. In advance of this report we attempted to contact all financial institutions in this list to verify our research findings and ensure we understood their policy correctly.

The financial institutions in the Hall of Fame are listed alphabetically and identified by type: ethical banks, government managed, and private funds. None of the institutions listed in the Hall of Fame invest in any of the 27 identified nuclear weapons producers.

A number of these financial institutions have also made their exclusion lists public. Where possible, the links to these lists have been noted for other institutions who wish to adopt similar exclusions.

## ASN Bank (Ethical bank, The Netherlands)

ASN Bank is the largest ethical bank in the Netherlands. It aims to promote a sustainable society as a bank, by supporting socially responsible businesses as well as by promoting a sustainable society through investments and supporting the work of socially responsible businesses and organisations. ASN Bank's Issue Paper on Human Rights sets absolute criteria excluding all investment in the arms and security sector. This means it excludes companies that engage in or benefit from war or armed conflict, or that manufacture or trade in arms, including nuclear 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 weapons, ammunition, weapon 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>1</sup> Moreover, ASN Bank has been one of the 24 investors that signed the Global Investor Statement on the Arms Trade Statement, which called for a strong, legally binding Arms Trade Treaty (ATT). The Arms Trade Treaty (ATT), which was adopted on April 2, 2013, regulates the international trade in conventional arms, from small arms to battle tanks, combat aircraft and warships and puts a stop to destabilising arms flows to conflict regions.<sup>2</sup>

### Transparency

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 of each company in the portfolio. When companies are removed from the investment fund ASN also states the reason on their website, and companies receive a letter with the reason why they have been excluded from the ASN investment universe.<sup>3</sup>

## Banca Etica (Ethical bank, Italy)

Banca Etica is an Italian cooperative bank that operates exclusively in the field of sustainable, alternative finance. Banca Etica has developed partnerships with institutes and organisations throughout Europe to develop civil economy, ethical finance and fair trade.<sup>4</sup>

Article 5 of its founding charter states that “*any and all financial relations with the economic activities that, even in an indirect manner, inhibit the human development and contribute to fundamental human rights violations are excluded.*”<sup>5</sup> In its 2012 annual report Banca Etica clearly states that it does not want to get involved with anything having to do with weapons, including nuclear weapons. This rule also applies to shareholders: the directors' report raised concerns that two shareholders, Banca Popolare di Milano and Banca Popolare dell'Emilia Romagna, are now on a list of banks related to conventional<sup>6</sup> arms production and sales.<sup>7</sup> Banca Etica has indicated that they are currently in discussion with Banca Popolare di Milano and Banca Popolare dell'Emilia Romagna to address these outstanding concerns.

## Fonds de Compensation (Government-managed, Luxembourg)

The “Fonds de Compensation de la Sécurité Sociale, SICAV-FIS” (the Fund), was created in 2007 as a specialised investment fund to invest part of Luxembourg's excess pension reserves. At the end of 2011 the Fund formalised its environmental, social and governance (ESG) criteria by establishing rules excluding companies that do not respect international conventions ratified by the Grand Duchy of Luxembourg.<sup>8</sup> Luxembourg is party to the 1968 Treaty on the Non-Proliferation of Nuclear weapons and the 1996 Comprehensive nuclear Test-Ban Treaty.<sup>9</sup> The Board of Directors of the Fund commissioned GES Investment Services to analyse its investment universe to identify companies that do not respect these international conventions. The exclusion list is revised on a semi-annual basis<sup>10</sup> and is publicly available and in July 2013 the Compensation Fund's exclusion list showed 12<sup>11</sup> companies excluded due to “*association to nuclear weapon programmes*”.<sup>12</sup> The Fund clarified that they find that the activities of these excluded companies contravene the commitment to global and complete nuclear disarmament.<sup>13</sup>

## Folksam (Private, Sweden)

Folksam is a Swedish insurance company and one of the largest Swedish investment managers that offers a wide variety of insurance, savings and loan products.<sup>14</sup> In Folksam's annual report for 2012 it states that it excludes illegal weapons, such as cluster bombs, anti-personnel mines and nuclear weapons. All companies within Folksam apply these criteria. The subsidiary KPA Pension has adopted even tougher disqualifying criteria and, it does not invest in the arms industry at all.<sup>15</sup> Fund managers engaged by Folksam are encouraged to adopt the UN Principles for Responsible Investments (PRI). Folksam continually informs the fund management companies about the exclusions that have been made due to Folksam's ethical investment criteria, and requests information about how the fund management company acts on the basis of this information.<sup>16</sup> Folksam regularly updates and publishes an exclusion list on its website.<sup>17</sup> Folksam currently excludes ten companies because of their involvement in the production of nuclear weapons specifically or the more general category ‘illegal weapons’.

## KPA Pension (Private, Sweden)

KPA Pension is the leading pension company in the local authority sector in Sweden. Folksam owns 60% of KPA and the Swedish Association of Local Authorities and Regions owns 40%. KPA Pension does not invest in companies or groups that produce weapons, including nuclear weapons, which are defined by KPA as products which are made to kill or harm people or

devastate places and which are sold to military users.<sup>18</sup> KPA makes its exclusion list public, and currently excludes 122 companies involved in the weapons industry.<sup>19</sup>

### New Zealand Superannuation Fund (Government-managed, 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. Guardians appointed by the Governor General on the recommendation of the Minister of Finance manage the fund.<sup>20</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, in some cases the Fund will exclude securities issued by companies from the portfolio.<sup>21</sup> Manufacturing or testing of nuclear explosive devices is part of the exclusion list.<sup>22</sup> The fund's website lists companies excluded for their involvement in nuclear explosive devices. It reviews and updates this list regularly with information from external screening agencies. On May 2013, this list included 17 companies.<sup>1 23</sup>

### Philips Pension Fund (Private, The Netherlands)

Philips Pension Fund is one of the largest corporate retirement plans in the Netherlands. It offers pension services to employees of Philips Electronics in the Netherlands.<sup>24</sup> In 2008, Philips fund started to integrate environmental, social and governance (ESG) criteria across its investments. This implied, amongst others, the implementation of an exclusion list. Philips Pension Fund does not invest in companies involved in the production of controversial weapons, defined as weapons that do not distinguish between military and civilian targets and that continue to harm victims after the conflict. This includes anti-personnel mines, biological weapons, chemical weapons, cluster munitions and nuclear weapons. Furthermore, Philips Pension Fund does not invest in government bonds of countries against which there are United Nations or European Union sanctions nor government bonds from countries that lag significantly based on ESG factors.<sup>25</sup> The list of excluded companies and government bonds is not publicly available.

### PNO Media (Private, The Netherlands)

PNO Media, the Dutch media industry pension fund, manages pensions for some 375 media companies and organisations.<sup>26</sup> As of December 2012, PNO Media updated its responsible investment code and its exclusion list. Production or trade of nuclear weapons has been added as an exclusion criteria. PNO Media's sustainable investment code now states that *"it does not want to be involved in the production of arms or arms systems, or vital elements therein, which are banned by international law or which use harms fundamental humanitarian principles. The humanitarian principles referred to include the principle of proportionality (unnecessary suffering must be prevented) and the principle of distinction (separation of military and civil targets). In concrete terms, they are chemical and biological weapons, nuclear weapons, anti-personnel mines and cluster-munitions."*<sup>27</sup>

In anticipation of the agreement on the Arms Trade Treaty, PNO Media also endorsed the principles for arms trade by the Control Arms Campaign. This means that PNO Media expects companies not to supply weapons or weapon systems, military transport means and other military goods to one or more countries that are subject to an arms embargo (imposed by either the European Union or the United Nations), to countries known to violate human rights on a large scale or that are the scene of a (civil) war, to highly corrupt countries, countries with failing governments or developing countries that spend a large part of their budget on the acquisition of arms.<sup>28</sup>

### J. Safra Sarasin Bank (Private, Switzerland)

Bank J. Safra Sarasin Ltd is a sustainable private bank. The Bank provides services and expertise for private and institutional clients. Formerly a subsidiary of Rabobank, Sarasin Bank is a pioneer in sustainable investment, with more than 20 years' experience in this field.

At the end of June 2011, the Board of Directors passed a Policy on the Armaments Industry outlining the Bank's principles on controversial weapons. Controversial weapons include biological and chemical weapons, cluster munitions and anti-personnel mines. Although publicly available documents do not explicitly mention nuclear weapons, the bank has clarified that nuclear weapons are considered controversial.<sup>29</sup>

The policy states that the Bank will not invest its own funds in the securities of companies that are active in the domain of controversial armaments. In addition, Sarasin will not provide any asset management or investment advisory services to these companies or any services relating to capital markets or mergers and acquisitions. Furthermore, it will not accept the securities of such companies as collateral for loans. In addition to companies active in the domain of controversial armaments, the sustainable investment products developed by the Bank do not invest in any companies generating more than 5% of their total turnover from the manufacture of products and/or the provision of services for the military. The Bank's sustainable investment products also exclude the top 30 companies with the highest revenues generated from military contracts.<sup>30</sup>

<sup>1</sup> Alliant Techsystems, Babcock & Wilcox Company, Bechtel Group, Fluor Corporation, General Dynamics, Goodrich Corporation, Hanwha Corporation, Honeywell International, Huntington Ingalls Industries Inc, Jacobs Engineering Group, Kratos Defence & Security Solutions Inc, Lockheed Martin, Northrop Grumman, Poongsang Corporation, Serco Group, Singapore Technologies Engineering Limited, Textron Inc., URS Corp.

### Spoorwegpensioenfonds (Private, The Netherlands)

The railway pension fund, “Spoorwegpensioenfonds”, is one of the bigger non-compulsory sector-wide pension funds in the Netherlands, that offers a pension plan for companies and past and present employees in the railway transport industry.<sup>31</sup> Under its responsible investments policy, the Spoorwegpensioenfonds’ board decided in 2007 not to invest in certain businesses, among which were producers of controversial weapons. The fund defines controversial weapons as cluster, nuclear, biological and chemical weapons, weapons with depleted uranium and anti-personnel landmines.<sup>32</sup> The Spoorwegpensioenfonds uses an exclusion list to apply its responsible investments policy. The Spoorwegpensioenfonds presently blacklists 36 companies, but only publishes the list of companies from which it has actively divested. There are eight weapon producing companies on the public list.<sup>33</sup> Furthermore, the pension fund presently mentions nine countries that are excluded from investment in government bonds, due to United Nations Security Council sanctions.<sup>34</sup>

### Storebrand Group (Private, Norway)

Storebrand is the Nordic region’s leading provider of life insurance and pensions, and offers a comprehensive range of products to retail customers, corporate customers, municipalities and the public sector.<sup>35</sup> Storebrand Group’s sustainability strategy applies to all types of investments, such as real estate, forestry, shares in listed and unlisted companies, investments in government bonds and microfinance. Storebrand Group has a combined controversial weapons policy that includes landmines, cluster munitions and nuclear weapons.<sup>36</sup> As of 2012, 13 companies were excluded from investment by Storebrand Group due to involvement with nuclear weapons. The exclusion list is not made public.<sup>37</sup>

### Triodos Bank (Ethical bank, The Netherlands)

Triodos Bank is an ethical bank operating in Belgium, France, Germany, the Netherlands, Spain and the United Kingdom. Triodos Bank is a global pioneer of sustainable banking. Its mission is to make money work for social, environmental and cultural change. In the document ‘How we do what we do: our approach to lending’ Triodos Bank claims “*to exclude all organisations, businesses and activities that produce and sell weapons and weapons-related services. This includes both conventional weapons, such as pistols and rockets, and non-conventional weapons, such as nuclear, chemical and biological weapons and integral weapon systems*”.<sup>38</sup> In addition, companies are excluded from financing if they are indirectly involved in weapons and weapons-related activities through investments in other companies with a value of more than EUR 100 million or 1% of their equity investments.<sup>39</sup> Triodos does not publish its exclusion lists, instead it makes available a list of companies<sup>40</sup> that are selected for sustainable investments.<sup>41</sup>

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