

Germany in the 2017 report update “Worldwide Investments in Cluster Munitions; a shared responsibility” by PAX

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In: Executive Summary

Under the subsection “Hall of Fame and runners-up”, German financial institution LBBW is mentioned:

“When we compare the Hall of Fame to the June 2016 report, we see that five new financial institutions have been introduced: life insurance and pension company AMF (Sweden), pension funds Pension Denmark and PKA (Denmark) and banking groups LBBW (Germany) and NIBC (the Netherlands).

We welcome these five 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.”

In: Hall of Shame

Summary Tables

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) |
|--|-------------------|--------------------------------------|--|----------------------|-----------------|------------------|-------------------------|--------------|
| Allianz | Germany | | | | | S | S | |

Allianz

Allianz (Germany) has made an estimated US\$ 72 million available to the companies on the red flag list since June 2013.

Allianz owns or manages shares of the companies to the amount of US\$ 72 million (see table below). Only holdings of at least 1.0% for non-Asian producers and 0.1% for Asian producers of the outstanding shares at the most recent available filing date are included.

Table 1

Shareholdings managed by Allianz

| Holding company | Country | Investor | Number of shares | % Outstanding | Total value (US\$ mln) | Filing date |
|-----------------|---------------|-----------------------------------|------------------|---------------|------------------------|-------------|
| Orbital ATK | United States | Allianz Global Investors U.S. LLC | 123,087 | 0.21 | 11 | 31-12-2016 |
| Orbital ATK | United States | NFJ Investment Group LLC | 694,035 | 1.19 | 61 | 31-12-2016 |

Source: Thomson Reuters Eikon, "Share ownership: most recent filings", viewed in February 2017.

In: Hall of Fame

| 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? |
|---|--------------------|---|--|---|--|---|
| LBBW | Germany | X | X | X | X | X |

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.¹

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 for any of its corporate credits and investment banking activities."² With regard to its asset management activities, LBBW Asset Management Investmentgesellschaft mbH excludes investments in producers of antipersonnel mines and cluster munitions from its investment funds.³ LBBW states the policy is applied to external asset managers as well.⁴

LBBW makes use of an exclusion list based on research by Oekom Research. The exclusion list is not public.⁵

In: Runners-up

| Financial institution in the runners-up | Country of origin* | 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? |
|---|--------------------|---|--|---|--|--|
| Commerzbank | Germany | X | X | X | | X |
| Deutsche Bank | Germany | X | X | X | | X |

Commerzbank (Germany)

Commerzbank is one of the major banks in Germany and Poland. It offers banking and capital market services to nearly 16 million private customers and one million business and corporate clients in more than 50 countries.⁶

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.⁷ The guideline applies to the entire company and includes corporate finance, trade finance, and investment-banking activities.⁸ Commerzbank does not offer own products that invest in producers of controversial weapons.⁹ However, Commerzbank's exclusion policy does not apply to passively managed funds, including funds following an index.¹⁰

Since 2011, all investment recommendations for private clients have also been screened in order to exclude cluster munitions producers.¹¹ 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.¹²

Commerzbank does not publish its exclusion list, which is based on the findings of data provider Sustainalytics.¹³

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 the 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 (Germany)

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.¹⁴

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."¹⁵ The policy applies to Deutsche Bank's commercial banking and investment banking activities.¹⁶

Although the bank excludes future investment in cluster munitions companies, it honours prior contracts in cases where committed credit lines exist. 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.¹⁷

The asset management divisions of Deutsche Bank in Europe do not directly invest in companies associated with controversial conventional weapons, which includes cluster munitions, anti-personnel mines¹⁸ and depleted uranium weapons.¹⁹ In 2014, the Asset & Wealth Management division started engagement with external managers on ESG issues.²⁰ In October 2014, new guidelines entered into force. Pursuant to these, funds that follow an index designed by Deutsche Bank exclude cluster munitions. The same applies to alternative investments. However, investments in passive funds managed by third parties that include cluster munitions are allowed.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

How to gain a place in the Hall of Fame?

We commend Deutsche Bank for improving its cluster munitions policy by excluding cluster munitions from its internally managed funds that follow an index. To be listed in the Hall of Fame, Deutsche Bank should extend its policy to cover all external asset management activities, including externally managed index-derivatives and passively managed external funds that follow an index. Furthermore, the stipulation in the policy that states that the bank considers to do business with a cluster munitions producer that confirms time-bound intent to terminate production seems contradictory to Deutsche Bank's exclusion of cluster munitions producers, as the producer may still have existing contracts that are related to cluster munitions. We encourage Deutsche Bank to close this loophole and fully exclude all business relationships with cluster munitions producers.

In: Countries' Best Practices; Ministerial and Interpretive Statements

Germany is not mentioned in the Countries' Best Practices section of the report.

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