

Germany in the 2016 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 Deutsche Bank is mentioned:

“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.”

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	
Deutsche Bank	Germany			S				
Siemens ¹	Germany					L		

Allianz (Germany)

Allianz (Germany) has made an estimated US\$85 million available to the companies on the red flag list since June 2012.

Allianz owns or manages shares of the companies to the amount of US\$85 million (see table below). Only holdings of at least 1.0% for US 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	Number of shares	% Outstanding	Total value (US\$ mln)	Filing date
Orbital ATK	United States	936,701	1.59	84	31-12-2015
Poongsan	South Korea	72,380	0.26	2	30-9-2015

Source: Thomson Reuters Eikon, "Share ownership: most recent filings", viewed March 2016; Bloomberg, "Equity holdings: most recent filings", viewed March 2016.

Deutsche Bank (Germany)

Deutsche Bank (Germany) has made an estimated US\$2 million available to the companies on the red flag list since June 2012.

Deutsche Bank owns or manages shares of the companies to the amount of US\$2 million (see table below). Only holdings of at least 1.0% for US producers and 0.1% for Asian producers of the outstanding shares at the most recent available filing date are included.

¹ Siemens is a conglomerate with various business activities. The investments listed were made by its subsidiary Siemens Financial Services.

Table 2 Shareholdings managed by Deutsche Bank

Holding company	Country	Number of shares	% Outstanding	Total value (US\$ mln)	Filing date
Hanwha	South Korea	80,973	0.11	2	28-2-2015

Source: *Thomson Reuters Eikon*, "Share ownership: most recent filings", viewed March 2016; *Bloomberg*, "Equity holdings: most recent filings", viewed March 2016.

Siemens (Germany)

Siemens (Germany)ⁱⁱ has made an estimated US\$15 million available to the companies on the red flag list since June 2012.

Siemens provided loans totalling approximately US\$15 million to the companies (see table below). The table shows all loans closed since June 2012.

Table 3 Loans provided by Siemens

Holding company	Borrower	Use of proceeds	Total value (US\$ mln)	Est. participation of this bank (US\$ mln)	Closing date	Maturity date
Orbital ATK	Alliant Techsystems Inc	Acquisition	1,010	9	1-11-2013	1-11-2018
Orbital ATK	Alliant Techsystems Inc	Acquisition	700	6	1-11-2013	1-11-2018

Source: *Thomson Reuters Eikon*, "Loans", viewed March 2016; *Bloomberg*, "Loans", viewed March 2016.

In: Hall of Fame

There are no German financial institutions listed in the Hall of Fame.

ⁱⁱ Siemens is a conglomerate with various business activities. The investments listed were made by its subsidiary Siemens Financial Services.

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 fifteen million private customers and one million business and corporate clients in more than 50 countries.¹

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.² The guideline applies to the entire company and includes corporate finance, trade finance, and investment-banking activities.³ Commerzbank does not offer own products that invest in producers of controversial weapons.⁴ However, Commerzbank's exclusion policy does not apply to passively managed funds, including funds following an index.⁵

Since 2011, all investment recommendations for private clients have also been screened in order to exclude cluster munitions producers.⁶ 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.⁷

Commerzbank does not publish its exclusion list, which is based on the findings of data provider Sustainalytics.⁸

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.⁹

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."¹⁰ The policy applies to Deutsche Bank's commercial banking and investment banking activities.¹¹

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.¹²

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 mines¹³ and depleted uranium weapons.¹⁴ In 2014, the Asset & Wealth Management division started engagement with external managers on ESG issues.¹⁵ 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.¹⁶

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.¹⁷

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.

References

- 1 Commerzbank, “Commerzbank at a glance”, *Commerzbank* website (www.commerzbank.de/en/hauptnavigation/konzern/commerzbank_im_berblick/commerzbank_ueberblick.html), viewed 2 October 2015.
- 2 Commerzbank, “Positions and Directives”, *Commerzbank* website (www.commerzbank.de/en/nachhaltigkeit/positionen_und_richtlinien/positionen_und_richtlinien.html), viewed 2 October 2015.
- 3 Commerzbank, written response to *Profundo* dated 15 March 2016; Commerzbank, written response to *Profundo* dated 3 June 2014; Commerzbank, written response to *Profundo* dated 22 July 2014; Commerzbank, “Positions and Directives”, *Commerzbank* website (www.commerzbank.de/en/nachhaltigkeit/positionen_und_richtlinien/positionen_und_richtlinien.html), viewed 2 October 2015.
- 4 Commerzbank, written response to *Profundo* dated 20 September 2013; Commerzbank, written response to *Profundo* dated 9 October 2013; Commerzbank, written response to *Profundo* dated 6 November 2015.
- 5 Commerzbank, written response to *Profundo* dated 9 October 2013; Commerzbank, written response to *Profundo* dated 3 June 2014; Commerzbank, written response to *Profundo* dated 6 November 2015; Commerzbank, written response to *Profundo* dated 15 March 2016.
- 6 Commerzbank, “2013 Corporate Responsibility Report”, p. 15, last viewed 15 August 2014.
- 7 Commerzbank, written response to *Profundo* dated 9 October 2013.
- 8 Commerzbank, written response to *Profundo* dated 3 June 2014.
- 9 Deutsche Bank, “Corporate Profile and Overview”, *Deutsche Bank* website (annualreport.deutsche-bank.com/2013/ar/deutsche-bank-group/corporate-profile.html), viewed 14 October 2015.
- 10 Deutsche Bank, “Current Questions & Answers (May 2014)”, *Deutsche Bank* website (www.db.com/cr/en/positions/Cluster-munitions-Current-Questions-and-Answers-May-2014.htm), viewed 14 October 2015.
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- 12 Deutsche Bank, “Current Questions & Answers (May 2014)”, *Deutsche Bank* website (www.db.com/cr/en/positions/Coal-Current-Questions-and-Answers-May-2014.htm), viewed 14 October 2015.
- 13 Deutsche Bank, written response to *Profundo* dated 27 September 2013.
- 14 Deutsche Bank, written response to *Profundo* dated 27 September 2013; Deutsche Bank, written response to *Profundo* dated 23 November 2015.
- 15 Deutsche Bank, written response to *Profundo* dated 28 July 2014.
- 16 Deutsche Bank (n.d.), “Cluster Munitions”, available at www.db.com/cr/en/positions/cluster-munitions.htm#, last viewed 14 October 2015.
- 17 Deutsche Bank, written response to *Profundo* dated 28 July 2014; Deutsche Bank, “Corporate Responsibility Report 2014”, p. 50, available at www.db.com/cr/en/docs/Corporate_Responsibility_-_Report_2014.pdf, last viewed 14 October 2015; Deutsche Bank, written response to *Profundo* dated 23 November 2015.