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May conference could make cluster bomb investment illegal

Irish reserve fund prepares to pull €27m from cluster bomb companies.



by **Hugh Wheelan** | March 26th, 2008

Institutional investors with money in cluster bomb manufacturers could find themselves obliged to pull their assets if a decision to include a commitment on divestment is added to the forthcoming international diplomatic conference in Dublin from May 19-30. The €21.3bn (\$32.7bn) Irish National Pension Reserve Fund (NPRF), has already declared it is preparing to withdraw €27m in investments from six international companies, Raytheon, General Dynamics, Lockheed Martin, Alliant Techsystems and L3 Communications and Thales in France, which are involved in the production of cluster munitions, following pressure from the Irish government ahead of the event. Campaigners, including Stop Cluster Munitions, a UK-based NGO, say they have organised an event on divestment at the conference, which they said would be chaired by Gro Nustuen, former chair of the Norwegian government Council on Ethics, which advised the €250bn (\$366bn) Norwegian Government Pension Fund on its cluster bomb exclusions, used by many investors as a reliable blacklist. Thomas Nash, co-ordinator at Stop Cluster Munitions, said there was still debate amongst participating governments about whether the event in Dublin would include a commitment on divestment: "The question is whether the treaty will prohibit investment. The grey issue is the interpretation of "prohibition on assistance" for cluster bomb production, which activists argue covers investment also. Some countries interpret it this way in the case of landmines [following the Ottawa convention], and others interpret it in a different way. We want to ensure there is a record of the diplomatic discussion to see exactly what is said."

Governments with notable national pension funds that are expected to sign the cluster bomb agreement include France, UK, Austria, Finland, Italy and Sweden.

Investors are already attempting to compile lists of companies that have clear links to the manufacture of cluster bombs in anticipation of the conference. It is understood that a group of institutional investors has approached Jane's, the defence information and consultant, to produce such a reference. In July 2007, Responsible Investor reported that AXA, the French insurer was working with Handicap International and Amnesty International on a similar list after withdrawing all its investments from related companies.

Rae MacGrath, spokesman at Handicap International, said: There is a danger that if you have a specific clause on divestment then you need an exhaustive list

of companies with links to cluster bomb manufacturers, which is extremely hard to come by. It can then actually become a barrier to progress. You have to be careful that you don't include suppliers of equipment that just happen to be included in cluster bombs."

Pension funds are increasingly reporting that a lack of clarity about the status of cluster bombs is causing problems over investment decisions.

Carl Rosén, chair of the Swedish Ethical Council, which advises the country's pension buffer funds, AP1, AP2, AP3 and AP4, recently told ipe.com that until Sweden signed an international agreement on cluster bombs the fund could not prohibit investment because it followed national guidelines. It followed a report showing the AP funds had actually increased exposure to cluster bomb manufacturers in the second half of 2007.