

PANEL 2 - DIVESTMENT BY BANKS, UNIVERSITIES, RELIGIOUS GROUP AND OTHER INSTITUTIONS

DON'T BANK ON THE BOMB

[SLIDE 1]

Introduction

Thank you

My name is Maaïke and I work for humanitarian disarmament division the Dutch peace organization PAX. My own background is in international relations and political science. At PAX, my focus is on nuclear disarmament, cluster munitions and emerging technologies including autonomous weapons. Most of my work is around the private sector involvement with the development and production of those weapons systems, and today I'd like to tell you about our work on divestment from nuclear weapons, which we do through our Don't Bank on the Bomb research and campaign.

[SLIDE 2]

PAX is a peace organization with a wide range of programs. They include country programs in conflict areas such as Syria, where we run a peace school project, and Colombia, where we are active in the peace agreement process and in trying to get remedy for the victims of displacement by mining corporations. We also have a number of thematic programs around protection of civilians, natural resources and humanitarian disarmament.

Our humanitarian disarmament work is based on the principle that some weapons are inherently inhumane, unacceptable and incompatible with IHL and should therefore never be used. As a result, we work to prohibit or regulate weapons such as nuclear weapons, explosive weapons in populated areas, autonomous weapons, landmines and cluster munitions.

PAX is a steering group member of the International Campaign to Abolish Nuclear weapons ICAN. ICAN was founded in 2007, inspired by the successes of the ICBL and the CMC in prohibiting landmines and cluster munitions. Within ICAN, PAX runs the Don't Bank on the Bomb campaign. Every year since 2011, we publish research on the private companies involved in the development, production and maintenance of nuclear arsenals; on the financial institutions that invest in those companies through shareholding, providing loans or underwriting deals; but also on the financial institutions that recognize the unacceptability of nuclear weapons and that have in place policies to not invest in their producers.

The aim is really to contribute to contribute to the work we do with ICAN more broadly, which is to stigmatize nuclear weapons. Our research exposes the nuclear weapon producers making a profit from the new nuclear arms race that is emerging. We also name and shame the financial institutions that are making money by investing in those companies. The growing list of financial institutions with policies to not make those investments show that it is possible to be different.

[SLIDE 3]

Findings latest report

To get an idea of what this industry looks like, I'll give some examples from our most recent report.

Producers

Based on research of government contracts, company annual reports and financial statements, trade magazines and arms fairs, we included a blacklist of 20 companies that are most heavily involved in the nuclear weapons industry. Note; this is not an exhaustive list. We keep tabs on over 100 companies. These 20 companies are involved in the arsenals of France, India, the UK and the US. Our upcoming report will also have information about a Chinese company, but there is generally very little information available about the other nuclear arsenals and often there is much less involvement by the private sector.

A company that is involved in 3 arsenals is BAE Systems: France, UK and US. It produces key components for Trident II (D5) missiles for the US and UK nuclear arsenals. It also produces US Minuteman III Intercontinental Ballistic Missile (ICBM) systems.⁸ BAE Systems is also part of the MBDA joint venture and provides nuclear armed air-to-surface missiles for France.

These are the types of companies we want to target. But they are often not very open to engage with us anyone else on their nuclear weapon related activities, which is the primary reason we focus on the financial links.

[SLIDE 4]

Financial links: Hall of Shame

Based on that list of 20 companies, we used financial databases including Thomson Reuters EIKON to find which financial institutions invest in the companies. We found 329 financial institutions from 24 countries that were significantly invested, in total for USD 525 billion. Again, that is not an exhaustive overview, but the tip of the iceberg. The top 10 investors alone provided more than USD 253 billion to the identified nuclear weapon producers, nearly half of the total investment. All of the top 10 are based in the US. The top 3: Blackrock, Capital Group, and Vanguard, have a combined investment of more than USD 110 billion. In Europe, the most heavily invested are BNP Paribas (France), Crédit Agricole (France) and Barclays (United Kingdom) with combined investments over USD 24 billion. In the Asia-Pacific region, the biggest investors are Mitsubishi UFJ Financial (Japan), Mizuho Financial (Japan), and Life Insurance Corporation of India with a combined investment of over USD 17 billion.

Best practices: Hall of Fame and Runners-Up

The financial sector is much more open to pressure from civil society, because they are more dependent on ordinary citizens for their social license to operate; they are careful to avoid reputational risk. Much more than the defence sector, there is also more intrinsic motivation in the financial sector to be a positive actor and to avoid contributing to the production of controversial weapons.

This is shown clearly by the increasing numbers of financial institutions that recognize they really should not be investing in this industry. We showcase examples of those financial institutions in our report as well. In our latest report, we listed 23 FIs with comprehensive policies and 40 FIs with imperfect policies in the Runners Up. The Runners-up category is necessarily broad. Financial institutions included range from those with policies nearly eligible for the Hall of Fame, to those with policies that still allow considerable sums of money to be invested in nuclear weapon producers, they are therefore ranked to illustrate the comprehensiveness of their policies. Even the no star policies are included to demonstrate that there is a wide and ongoing debate among financial institutions when it comes to including nuclear weapons association criteria in their socially responsible investment standards. However diverse these policies, they all express a shared understanding that involvement in nuclear weapons production is at least controversial.

The more open nature of the financial sector is also clear from some interesting developments going on related to the adoption of the TPNW in 2017. What we used to see a lot was that financial institutions, especially from NATO countries, referenced the NPT in their policies as a reason to exclude nuclear weapons producers from investment, but only producers from countries outside the NPT so for example India. They would say that production and possession of nuclear weapons for the P5 is legitimized by the NPT and therefore it is also ok to invest in the companies involved. Of course we would beg to differ there already as the NPT requires disarmament, and investing in companies that are working to maintain, modernize or even expand existing arsenals is hardly in line with that disarmament requirement. But with the adoption of the TPNW, we see a growing recognition that ALL nuclear weapon producers are illegitimate. That in itself is based on both intrinsic and pragmatic motivations: financial institutions are often quite happy to get guidance from states on what is acceptable or not and are happy if a legal instrument is put in place that they can then base their CSR policies around. A more pragmatic line of thinking is also that those financial institutions will simply have to deal with countries joining the TPNW and outlawing production but often also investments.

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A great example is the Dutch pension fund ABP. This pension fund is one of the 5 largest globally and in January 2018, so very shortly after the adoption of the TPNW, they decided to exclude ALL nuclear weapon producers from investment, rather than just non-NPT producers.

Shortly after, the largest bank of Belgium (KBC) made the same decision. Deutsche Bank Group, one of the largest financial institutions globally, has recently expanded its nuclear weapons policy. In Japan, Resona holdings announced a nuclear weapons exclusion policy last January. And in Sweden the public pension fund is now also starting to exclude all producers rather than just producers outside of the NPT. Although these are mostly European institutions, and exclusion of controversial weapons is more developed in Europe generally, these are still large financial institutions from countries of which the governments so far have refused to join the TPNW.

Of course divestment is also a good tool for public institutions. In the US for example, the City of Ojai (California) moved to divest its city funds. After ICAN was awarded the Nobel Peace Prize in 2017, the Nobel committee itself also adopted a policy to make sure its foundation was not investing in nuclear weapons companies.

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Don't Bank on the Bomb campaign

Don't Bank on the Bomb is also an important tool in empowering ordinary people to do something about nuclear weapons. It can feel very disempowering to see world leaders bragging about who has the biggest nuclear button on tv and not feeling able to do anything about it. But everybody has a bank account, a pension fund or an insurance company, and through the money we give those institutions, we are connected to nuclear weapons. And our money can either contribute to the nuclear weapons industry, or contribute to other, much more beneficial projects

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Together with campaigners from around the world, we take action against producing companies and investors to tell them we don't want our money going to nuclear weapons. Late last year, we organized actions targeted at BNP Paribas, one of the largest European investors in nuclear weapons. They have in place a policy that puts some limits on those investments and they do already recognize that nuclear weapons are a controversial investment. However they are still investing millions in nuclear weapon producers. In September 2018, campaigners in almost 20 countries organized actions to ask BNP Paribas to end those investments.

Conclusion

- Only handful of actors stick to nuclear weapons: a few countries, a dozen companies
- Much of the rest of the world is ready to take action against nuclear weapons: 120 countries voted in favour of the adoption of the TPNW, 91 countries have already signed or ratified, and more and more financial institutions are excluding nuclear weapon producers
- For the governments, institutions and publics of those countries that are taking action to stigmatize and prohibit nuclear weapons, divestment is a good tool to expand the reach of their actions to beyond their own countries
- But also for citizens and organizations in countries where the governments are lagging behind, such as the US but also my own country the Netherlands, divestment is a way we can make progress: we can make sure our money is not invested by pressuring our financial institutions.
- Of course, it is not a fix all solution. But it is one tool in our toolbox to increase the stigma and to put concrete pressure on the governments and companies sticking to nuclear weapons
- On 25 April, we will release new research on the producers of nuclear weapons
- If you'd like to stay up to date, follow Don't Bank on the Bomb on TWITTER or subscribe to our newsletter on www.dontbankonthebomb.com