

# Armaments Industry policy

*Rabobank Group*



**Rabobank**

The concept of socially responsible entrepreneurship is difficult to reconcile with the armaments industry. After all, armaments and the trade in armaments hardly contribute to the sustainability of society, especially in conflict situations and in countries with a somewhat controversial reputation.

Rabobank certainly acknowledges the right of democratic countries to defend themselves. At the same time, our armaments industry policy is based on the **“No, unless”** principle. This principle is expressed as follows:

from a moral point of view, Rabobank should refrain from facilitating the armaments industry, unless the player is a company that only supplies non-controversial or armaments-related products. Rabobank currently deems the following armaments to be controversial: cluster munitions, anti-personnel mines, nuclear, biological and chemical weapons. However, controversial is itself a dynamic concept that is subject to subtle changes over time.

Rabobank does not therefore provide finance to companies that are involved in controversial armaments or are involved in armaments that can be used for controversial purposes.

In the case of credit facilities with regard to non-controversial armaments, different criteria are applied and appraisal is then based on issues such as:

- ➔ strict compliance with prevailing legislation and regulations;
- ➔ in cases concerning the export of goods for military purposes, the exporter must hold an appropriate export licence;
- ➔ human rights must be respected at all times, and the bank must assure itself that no violations are taking place;
- ➔ there should be no business relationships with intermediaries, because this can quickly obscure the actual purpose of the financing and the ultimate use of the weapons-related product;
- ➔ there must be respect for the tension and stability criterion: the bank must assure itself that the possible use of the armaments to be supplied will in no way provoke conflict or contribute to increased tension and thus have a negative impact on the peace, safety and stability of the area.

Rabobank will not invest its own funds in any activity that is connected with controversial armaments.

Rabobank encourages its customers to invest in a responsible manner. The Rabobank Group, including its subsidiaries Robeco and Sarasin, offers special products for this purpose. Robeco, for example, has a majority holding in SAM, a Swiss organisation with an excellent track record in sustainable investment. With regard to the implementation of the armaments industry policy in Group subsidiaries, you are referred to the specific policies pursued by those organisations.

Rabobank Private Banking will not provide customers with investment advice about companies active in the domain of controversial armaments, and makes it impossible for investors to directly buy into such companies; Private Banking will also enter into dialogue with investment fund managers who do not yet exclude controversial weapons

## Notes on Rabobank Group's Armaments Industry policy

### **Rabobank Group**

Rabobank makes a distinction between its lending operations and those group divisions that engage in the management of assets on behalf of customers. In terms of lending operations, Rabobank can apply its influence directly and ensure that the bank's own funds are not used to provide credit facilities to parties that are involved in controversial armaments. In the domain of asset management, however, customers are free to invest those assets in companies and/or in investment funds.

The degree to which, and the speed with which policy is implemented can differ from division to division, depending on the nature of the operations involved. The various divisions discuss current developments and dilemmas in the context of a group-wide internal Armaments Industry Subcommittee.

All divisions and subsidiaries are agreed that five categories of controversial armaments must be excluded. For four of those

categories (cluster munitions, antipersonnel mines, biological and chemical weapons) there are already generally accepted world-wide treaties and conventions that prohibit the production of and/or trade in such armaments. But there is no such convention with regard to the fifth category: nuclear weapons.

For many of the group divisions - and in all the bank's credit operations - this category is more emphatically excluded, because the use of such weapons could result in vast numbers of civilian casualties. This means that these divisions apply the principles of NATO and the precepts of the Non-Proliferation Treaty. In all cases, and in accordance with group policy, all group divisions make every effort to exclude companies that are involved in the production of nuclear weapons for countries excluded from the Non-Proliferation Treaty.

## Definitions used

### **Armaments industry**

The generally accepted and practically applicable definition is: the armaments industry is an industry in which armaments and derivative products are manufactured for and purchased by the armed forces, private security organisations or the police forces of a country.

### **Armaments**

Part of the definition of the armaments industry is the concept of armaments. Armaments are taken to mean: all that which is generally referred to as arms, weapons and weapon systems, including product-specific components, partial systems, spare parts, maintenance, operation, intermediation and advice that is designed for and can be used in armed conflicts and represent a substantial contribution to that end. Armaments can be divided into two types: controversial and non-controversial armaments.

### **Controversial armaments**

Controversial armaments are those types of weapons that have become controversial because of their humanitarian impact and/or the large numbers of civilian casualties they cause, often for many years after the conflicts in which they were deployed have ended. Rabobank distinguishes five types of controversial weapons: cluster munitions, anti-personnel mines, biological, chemical and nuclear weapons.

**1. Cluster munitions:** these are large munitions that open while still airborne to disperse various submunitions, usually counted in hundreds. These submunitions are themselves small bombs or grenades. In some cases, the submunitions can also be landmines. This type of armament is controversial because the submunitions from cluster bombs have a high level of non-detonation. Leaving large numbers of undetonated submunitions effectively creates minefields that cover large areas. The launch systems also fall within the definition, as in most cases they can be used to fire both conventional and cluster munitions.

In December 2008 over a hundred countries, including the Netherlands, signed the Oslo Convention; in doing so, they undertook to bring an end to the use, development, production, acquisition and

storage of cluster munitions. The Convention came into force in August 2010. However, the major producers and possessors of this type of fragmentation munitions (including the USA, Russia, China, Pakistan, Brazil, India, Israel and several Arabic states) have never signed the Convention.

As far as the definition of cluster munitions is concerned, Rabobank follows the definition formulated in the Oslo Convention. But Rabobank's policy on this subject goes further, or is more specific than the Convention, at least in terms of involvement via group entities or joint ventures and also, for instance, as far as launch systems and component parts for cluster munitions are concerned.

**2. Anti-personnel mines** (a type of landmine): a mine is a weapon that is placed under, on, or in the vicinity of the ground or some other surface. Anti-personnel mines are designed to explode when a person or a vehicle is close to the mine or actually touches it. Such mines are controversial because they make no distinction between the footstep of a soldier and that of a civilian or child. Worldwide, around 26,000 civilians are killed or wounded by landmines every year. Children are thought to account for between 8,000 and 10,000 of these casualties. (N.B.: anti-tank mines (landmines) are not by definition controversial.) The Ottawa Treaty, which prohibits the manufacture and possession of anti-personnel mines, has been ratified by 154 countries. Notably, China, Russia and the USA have not signed up to the Treaty and these countries are the largest producers in the world.

**3. and 4. Biological and chemical weapons:** the manufacture, trade and use of these weapons has been denounced in international treaties such as the Convention on Biological and Toxin Weapons and the Convention on Chemical Weapons. Both these Conventions prohibit the use of either type of weapon for the purpose of inflicting physical injury through their inherent biological or chemical properties. They do not, however, prohibit the use of chemical substances in the manufacture of smoke or light producing munitions.

**5. Nuclear arms:** these are weapons whose effect is derived from nuclear fission (commonly known as atomic bombs) as in the case when uranium atoms are split, releasing a vast amount of energy, or in the case of weapons in which the nuclei of lighter elements, usually hydrogen, are fused together to form helium. The destruction of nuclear particles releases energy. Nuclear arms are controversial because the effects of an explosion are so enormous; they are not, however, prohibited.

In some cases, the manufacture, sale and maintenance of the controversial weapons described above is prohibited by national legislation and/or international treaties such as the Ottawa Treaty, the NPT or the Convention on Chemical Weapons.

It is possible that the list will be extended to include other types of armaments and munitions in the future, examples being depleted uranium munitions, laser blinding weapons and certain types of phosphorus-based weapons.

**Non-controversial armaments**

Non-controversial armaments are those that are listed in the “Manual on Strategic Goods” (published by the Dutch Ministry of Economic Affairs) for which an export licence is necessary.

## Treaties

The Netherlands is signatory to the Ottawa Treaty. Having signed this Treaty, the Netherlands will never allow itself to become involved in the design, the manufacture or the sale of anti-personnel mines. Moreover, the Netherlands is a signatory to the Oslo Convention for cluster munitions. In the same vein, the Netherlands will not cooperate in the distribution of nuclear or chemical weapons, because it is also a signatory to the Non-Proliferation Treaty. The NPT is a treaty that limits the possession of nuclear weapons. It was drawn up by the Republic of Ireland on 1 June 1968 and has since been signed and ratified by 189 countries. The NPT is based on three pillars: non-proliferation, disarmament, and the right to use nuclear energy for peaceful purposes.