

## Policy Statement on Investments in Cluster Munitions

The Board of the Parliamentary Forum of Small Arms and Light Weapons, meeting in Washington, United States on the 26th of April, 2010;

In May 2007 the Board of the Parliamentary Forum adopted a policy statement regarding cluster munitions. Because of the devastating effects that these weapons have on civilians (close to 98% of the casualties are civilians), the Board of the Forum expressed its support for a complete ban on all types of cluster munitions. With regard to the latest developments on the issue, such as the initial signing and ratification of "the Convention on Cluster Munitions" and the disinvestment campaign, "Stop Explosive Investments", launched by the Cluster Munitions Coalition, the Board of the Parliamentary Forum has found it urgent to reaffirm its commitment to these issues, and to clarify its position on investments in cluster munitions.

In December 2008, 94 states signed the Convention on Cluster Munitions (CCM) in Oslo, Norway, and as of this day the number of signatures/ratifications has risen to 105/30. The convention is the result of a diplomatic process between states, NGOs and the UN. Among other things, it prohibits states to use, develop, produce or transfer cluster munitions to anyone. According to article 1.c in the treaty, signatory states "undertake never under any circumstances to assist, encourage or induce anyone to engage in any activity prohibited to a State Party under this convention".

The Board of the Parliamentary Forum interprets this article as such that investment in the production of cluster munitions is to be considered an active support of the companies involved in the production, as it provides them with the funds necessary to carry out their business. These investments should therefore, in accordance with article 1.c be considered illegal as soon as the treaty has entered into force. Even though this is stated in the treaty, few states that have joined the convention have taken steps to legislate against investment in the production of cluster munitions.

Belgium was the first country to legislate on the prohibition of investment in cluster munitions as early as 2007, setting the requirement on the government to supply a list of companies to be excluded from investment. This list has yet to be published and without it, the law has little effect. Also, it is not clear which sanctions will be used against institutions that do not follow the new law or even who is responsible for the enforcement of these sanctions.

Other countries have also proposed legislation or have legislation in place to prohibit investment in cluster munitions, while some have made exceptions for index-based funds in their legislation.

Even though the severe effects of cluster munitions are well documented, there are still large amounts of capital available to the companies involved in the production of these weapons. Lately, however, there has been a trend of increasing investments in what is usually referred to as socially responsible investment (SRI) funds.

To prevent producers of cluster munitions from securing funding through other channels such as bonds or the credit market, it is important to ensure that financial institutions include all their activities in their social responsibility policies. Furthermore, creating coalitions between investors and the banking sector in order to achieve a greater impact on the targeted companies might help to influence them to cease production of cluster munitions.

## **Objectives**

## The Board of the Parliamentary Forum of Small Arms and Light Weapons, meeting in Washington, United States on the 26th of April, 2010;

*Encourages* all countries to sign and ratify the Convention on Cluster Munitions; Supports initiatives such as the disinvestment campaign "Stop explosive investment" initiated by the Cluster Munitions Coalition;

*Emphasizes* that investment in the production of cluster munitions is to be considered an active support of the companies involved in the production of these weapons, and should thereby be prohibited under article 1.c of the Convention on Cluster Munitions;

*Encourages* all countries that have signed the Convention on Cluster Munitions to produce comprehensive legislation prohibiting investments in producers of cluster munitions;

*Urges* countries that have, or are in the process of legislating against investment in cluster munitions to provide comprehensive and explicit guidelines in order to facilitate the work of financial institutions in disinvesting from the production of cluster munitions;

*Urges* financial institutions to limit their investments in cluster munitions, and to include their activities in their social responsibility policies, not only those directed at the stock market;

*Supports* initiatives such as the UN Principles for Responsible Investment that aims to facilitate the work of financial institutions when considering how to make their investment policy more socially responsible;

*Urges* financial institutions that practice screening to inform the affected companies of the reasons why they have been excluded from investment;

*Encourages* countries to include index tracking funds in their legislation regarding the prohibition of investment in cluster munitions;

*Mandates* the Secretariat of the Forum to include in principle awareness-raising activities on the importance of disinvestment from cluster munitions in the programme work of the Forum.