

## OPEN LETTER TO GLOBAL INDEX PROVIDERS

**We, the undersigned institutional investors, together managing at total of USD 6.8 trillion of assets<sup>1</sup>, are calling on global index providers to exclude controversial weapons from their mainstream indices in order to align their products with what has become standard practice or expectation among institutional and individual investors.**

There is a growing consensus among financial regulators, asset managers and end investors to invest responsibly. Excluding companies with any involvement in the production of controversial weapons is a key part of that. Such weapons – which include cluster munitions, antipersonnel mines, as well as chemical, biological and nuclear<sup>2</sup> weapons – may cause indiscriminate or disproportionate harm. Their use is banned or restricted under international conventions.

Globally, exclusionary screens – most commonly of controversial weapons manufacturers – covered USD15 trillion of assets under management in 2016, up from USD8 trillion in 2012. In Europe in particular, this represented 48 per cent of professionally managed assets.<sup>3</sup> Increasingly, restrictions of controversial weapons are mandated by law. Switzerland, Spain, Netherlands, New Zealand, Luxembourg, Ireland, France and Belgium are among the countries which have legislated against direct and/or indirect financing of controversial weapons manufacturers.<sup>4</sup>

Companies involved in controversial weapons account for a marginal weight of global equity and fixed income indices<sup>5</sup>. However, for active investors using standard benchmarks, excluding these companies means exposing portfolios to extra tracking error. The problem is more acute for the growing numbers of passive investors, as the vast majority of strategies replicate traditional, exclusion-free indices. It follows that investors tracking big-name benchmarks are all contributing to the financing of companies involved in controversial weapons. Many of them are unaware of this fact, or are unable to invest in controversial weapons-free index funds/trackers.

The financial industry is in a position to make a huge difference to responsible investing, and that should include making funding less easily available for such companies. Anyone who does still wish to invest in controversial weapons would still be free to use a specialist index, or invest directly.

We strongly believe that - in line with international conventions, investor practices and public opinion – the default position should be to exclude controversial weapons from active and passive investments.

We therefore call upon index providers to remove companies involved in controversial weapons<sup>6</sup> from mainstream indices, and to engage in dialogue with asset owners and asset managers on using these indices for benchmarking and investment solutions.

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<sup>1</sup> This amount may include double counting between assets under management of individual signatories

<sup>2</sup> For countries that have not signed the 1970 Treaty on the Non-Proliferation of Nuclear Weapons

<sup>3</sup> Source: GSIA, "Global Sustainable Investment Review", 2016 and 2014

<sup>4</sup> Source: Swiss Sustainable Finance, "Focus: Controversial weapons exclusions", 2017

<sup>5</sup> Source: Pictet Asset Management research, 2018

<sup>6</sup> Please refer to Appendix for definition of controversial weapons

## Co-Signatories as of 31 January 2019

Aargauische Pensionskasse (APK)	Colonial First State
ABN AMRO Bank N.V.	Conser Invest
Archbishops' Council	Crédit Suisse Asset Management (Schweiz) AG
Argenta Asset Management	de Pury Pictet Turrettini & Cie Ltd
ASR Nederland N.V.	DNB Asset Management
Bank J. Safra Sarasin	Domini Impact Investments
Bankhaus Schelhammer & Schattera	DWS Group
Banque Cantonale de Genève (BCGE)	EFG AM
Basellandschaftliche Pensionskasse (BLPK)	Eligo Asset Management AB
Bâtirente	ESG Portfolio Management
Bayerische Versorgungskammer	Etablissement Cantonal d'Assurance (ECA VAUD)
BayernInvest Kapitalverwaltungsgesellschaft mbH	Fairpointe Capital
Bernische Lehrerversicherungskasse	Fondation de la métallurgie vaudoise du bâtiment (FMVB)
BMS World Mission	Fondation de prévoyance Artes & Comoedia
Bond&Devick Wealth Partners	Fondation de prévoyance du Groupe BNP PARIBAS en Suisse
Booster Investment Management Limited	Fondation Ethos
Bordier & Cie	Fondation Leenaards
Brunel Pension Partnership	Fonds de compensation commun au régime général de pension
Caisse de pension des sociétés Hewlett-Packard en Suisse	Forma Futura Invest AG
Caisse de pensions de l'Etat de Vaud (CPEV)	Globalance Bank
Caisse de pensions ECA-RP	Gonet & Cie SA
Caisse de prév. des Fonctionnaires de Police & des Etablissements Pénitentiaires	Greentech Capital Advisors
Caisse de Prevoyance de l'Etat de Genève	Group La Francaise
Caisse de Prévoyance des Interprètes de Conférence (CPIC)	Groupama Asset Management
Caisse de retraite du Groupe Pictet	HCP Hohaus Advisory
Caisse intercommunale de pensions (CIP)	ING Groep N.V.
Caisse paritaire de prévoyance de l'industrie et de la construction (CPPIC)	Ircantec
Caja Ingenieros Gestión	Joseph Rowntree Charitable Trust
Candriam Investors Group	Kaya Capital Management
Cap Prevoyance	Kempen Capital Management
CCAP Caisse Cantonale d'Assurance Populaire	Landolt & Cie SA
CCLA Investment Management	Länsförsäkringar AB
Church Commissioners for England	Legal & General Investment Management
CIEPP - Caisse Inter-Entreprises de Prévoyance Professionnelle	Legato Capital Management, LLC

LGT Capital Partners Ltd.	Profelia Fondation de prévoyance
Lombard Odier	Prosperita Stiftung für die berufliche Vorsorge
Luzerner Pensionskasse	Raiffeisen Switzerland
Man Group plc	RAM Active Investments SA
MAIF	Repsol II, F.P.
MetallRente GmbH	Retraites Populaires - Fonds institutionnel
Migros Bank AG	Rivora Sammelstiftung
Migros-Pensionskasse	Seguros RGA
Miller/Howard Investments, Inc.	Skandia
Mirabaud Asset Management (Suisse) SA	Solothurnische Gebäudeversicherung
Movestic Livförsäkring AB	Sparebanken Vest
MP Pension	Sparinvest S.A.
Nest Sammelstiftung	St. Galler Pensionskasse
NN Investment Partners	Stanhope Capital
NorthStar Asset Management, Inc.	Steyler Ethik Bank
OFI AM	Stiftung Abendrot
OLZ AG	Storebrand Asset Management
Orcadia Asset Management	Sustainable Value Investors
Partners for Sustainability	Swiss Mobiliar Asset Management AG
Pension Protection Fund	Terre des hommes Schweiz
Pensions Caixa 30	The Humanitarian Foundation CRS
Pensionskasse Bühler AG Uzwil	The United Reformed Church Wessex Trust
Pensionskasse Caritas	TPT Retirement Solutions
Pensionskasse der Bernischen Kraftwerke	Tribe Impact Capital LLP
Pensionskasse der Stadt Winterthur	Triodos Investment Management
Pensionskasse Georg Fischer	UBS Asset Management AG Switzerland
Pensionskasse SBB	Unigestion
Pensionskasse SRG SSR	Varma Mutual Pension Insurance Company
Pensionskasse Stadt Luzern	Valeur Fiduciaria SA
Pensionskasse Unia	Vandaalen
Pictet Alternative Advisors	VBV Pensionskasse AG
Pictet Asset Management	Verka VK Kirchliche Vorsorge VVaG
Pictet Wealth Management	Vision Super Pty Ltd
PKA A/S	VZ Depotbank AG
Polden-Puckham Charitable Foundation	zCapital
Prévoyance Santé Valais (PRESV)	Zürcher Kantonalbank
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