

EFFAS CESG

The (conventional) weapons topic in a changing global geo-strategic and political environment

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Why?

The war from a
Russian perspective

NATO, RUSSIA AND THE WARSAW PACT

1990

- NATO countries
- Warsaw Pact countries



2015

- NATO countries
- Russia



Russia 2021-12-17

- 1) Russia **proposed a binding agreement** between Russia and NATO that would **guarantee that NATO would not further expand its presence eastwards**. Putin wanted NATO's guarantee that Ukraine and Georgia would not become members of the organization.
- 2) NATO must **remove all troops and material systems in countries that became members after 1997** (i.e., Poland, Hungary, Czech Republic, Estonia, Latvia, Lithuania, Bulgaria, Albania, Croatia, Montenegro, North Macedonia, Slovakia), i.e., 12 of today's 30 member states, of which the majority are former Warsaw Pact countries.
- 3) **NATO would not hold exercises in Ukraine**, Eastern Europe, the Caucasus, or Central Asia, without approval from Russia.

Europe 2022-02-24



Russlands Krieg gegen die Ukraine

Seit Februar 2022 führt Russland einen groß angelegten Angriffskrieg gegen die Ukraine. Im Osten des Landes herrscht bereits seit 2014 Krieg, der ebenfalls von Russland begonnen wurde. Moskau kontrolliert seitdem die Gebiete im Donbass.

Auf dieser Seite finden Sie alle wichtigen Nachrichten, Hintergrundberichte, Reportagen und Analysen.





Ukrainian First Lady Olena Zelenska speaks to members of the US Congress about Russia's invasion of Ukraine, in the US Capitol Visitors Center Auditorium on July 20, 2022, in Washington, DC.

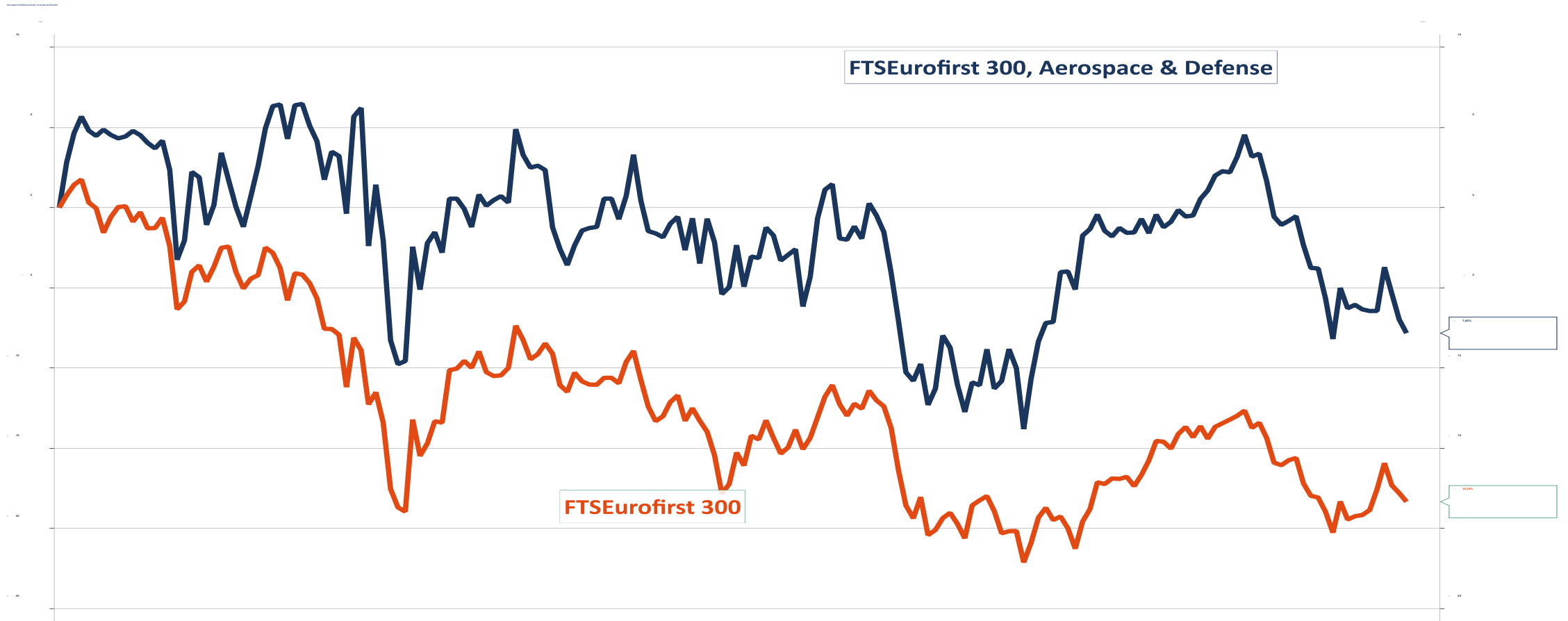
Saul Loeb | AFP | Getty Images

“I’m asking for weapons, weapons that would not be used to wage a war on somebody else’s land, but to protect one’s home and the right to wake up alive in that home.”

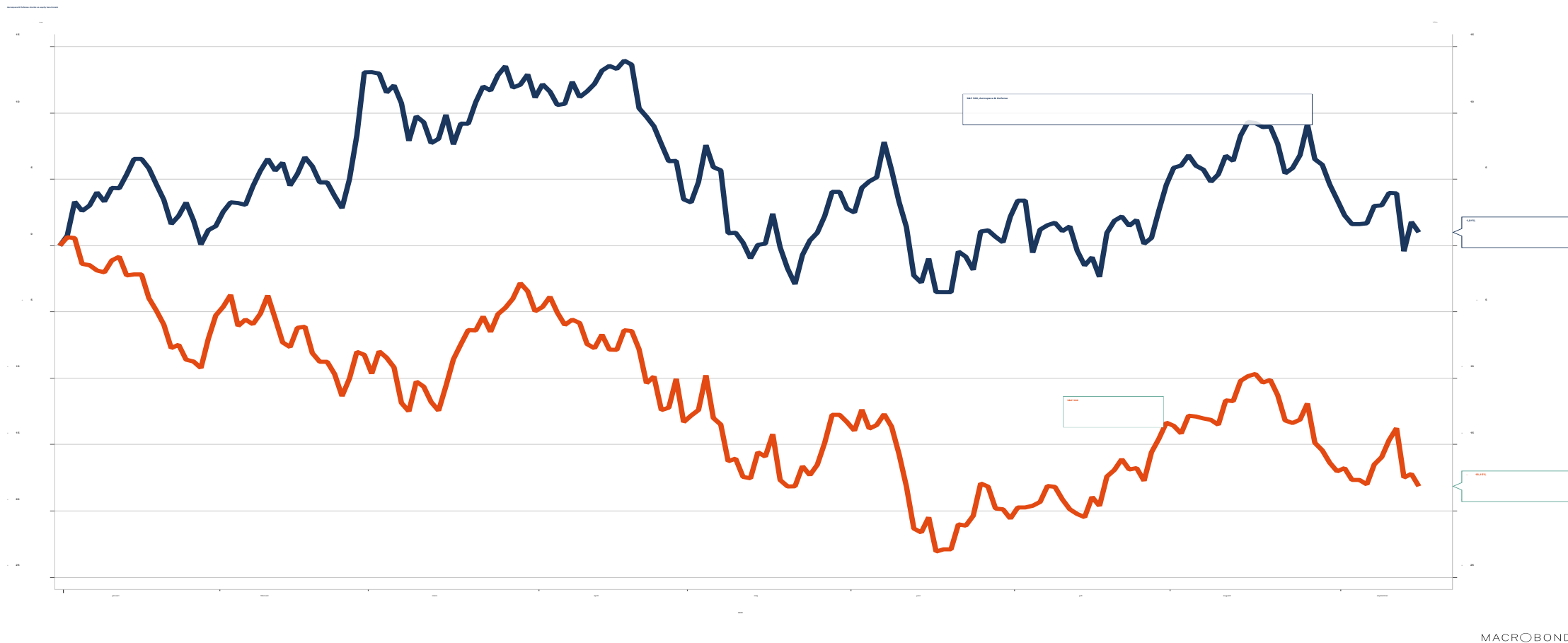
Olena Zelenska

Investment strategy with or
without the defence industry

Aerospace & defense stocks vs equity benchmark



Aerospace & defense stocks vs equity benchmark



Controversial weapons

- Anti-personnel landmines
- Armament production/participation
- Chemical and biological weapons
- Cluster bomb production/participation
- Incendiary weapons
- Nuclear weapon production/participation
- Riot control
- Small arms

Source:  CLARITY AI

MSCI ACWI weapon companies

	Conventional Weapons - Any Tie	Nuclear Weapons - Any Tie	Controversial Weapons - Any Tie	Both Nuclear and Controversial Weapons	Nuclear, Controversial, and Conventional
# Companies	80	20	8	23	80
% Weight	3.19%	1.56%	0.06%	1.60%	3.19%

Source MSCI

The UN's 17 Sustainability Global Goals

“Excluding companies whose activities consist of the production and distributions of weapons is a way of contributing to achieving Agenda 2030 and the 17 global goals.”

16 PEACE, JUSTICE AND STRONG INSTITUTIONS



PROMOTE PEACEFUL AND INCLUSIVE SOCIETIES FOR SUSTAINABLE DEVELOPMENT, PROVIDE ACCESS TO JUSTICE FOR ALL AND BUILD EFFECTIVE, ACCOUNTABLE AND INCLUSIVE INSTITUTIONS AT ALL LEVELS



Target
16.1

Significantly reduce all forms of violence and related death rates everywhere



Target
16.4

By 2030, significantly reduce illicit financial and arms flows, strengthen the recovery and return of stolen assets and combat all forms of organized crime



Target
16.5

Substantially reduce corruption and bribery in all their forms



Target
16.10

Ensure public access to information and protect fundamental freedoms, in accordance with national legislation and international agreements



Target
16.a

Strengthen relevant national institutions, including through international cooperation, for building capacity at all levels, in particular in developing countries, to prevent violence and combat terrorism and crime

Sustainability view of a weapons' producer (SAAB)



Conventions

A “troop mine” became a “defense mine” after Sweden ratified the Ottawa Treaty* 1998/99

(*The Anti-personnel Mine Ban Convention)



Shrapnel in the mines are balls or rollers from SKF ball bearing factory

The Swedish asset managers

The Swedish AP-funds and The Swedish Pensions Agency

- AP1-AP4 and AP 6 are Swedish government authorities that manage some of the capital in Sweden's national income pension system.
- AP 7 manages funds in the Swedish premium pension system.
- **All AP funds can invest in companies that comply** in an acceptable manner with the requirements **of the international conventions** that Sweden has signed.
- The Swedish Pensions Agency manages a traditional insurance within the Swedish premium pension system.
- **The Swedish Pensions Agency does not invest in “weapons”** i.e excludes all companies that have any kinds of weapon production.

Quotes from one of the AP-funds

- "The Ukraine war has raised many questions for investors who have sustainability ambitions. An example question is whether the defense industry can be responsible and sustainable".
- "Our belief remains the same as previously: that it is possible to make responsible and sustainable investments in the defense industry but... ..there is a big difference between the companies that actively and thoroughly work with the questions and those which take a less ambitious stance".
- "We are therefore selective regarding which companies we invests in".

Have the Swedish banks' changed their view the weapons industry?

- **SEB** - **has changed** its policy regarding investing in the Swedish weapons producer, SAAB.
- **Swedbank** – **has changed** its policy regarding investing in the Swedish weapons producer, SAAB.
- **Svenska Handelsbanken** – **has not** changed its policy.
- **Nordea** - **has not** changed its policy.
- **Danske Bank** – **has not** changed its policy.
DB **accepts** that various types of **weapons are necessary for achieving** internationally-accepted goals, such as operating **peacekeeping missions**.