



# Towards Nuclear Disarmament: The UN Treaty on the Prohibition of Nuclear Weapons

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## INTRODUCTION

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On the 24<sup>th</sup> of October 2020, Honduras submitted its ratification of the United Nations Treaty on the Prohibition of Nuclear Weapons (TPNW). As a result of this 50<sup>th</sup> ratification, for the first time in history, nuclear weapons will be banned under international law<sup>1</sup>. This places them in the same category as other weapons of mass destruction (WMDs) such as chemical and biological weapons. The TPNW will come into force on January 22<sup>nd</sup>, 2021. In this briefing, we provide a short overview of the treaty, our research findings on nuclear weapons and its potential implications for investors.

## IMPACT ANALYSIS

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Before the entry into force of the TPNW, there was no specific treaty outright prohibiting the production and possession of nuclear weapons. The other key international treaty regulating nuclear weapons remains the Nuclear Non-Proliferation Treaty (NPT)<sup>2</sup>. The NPT aims at limiting the spread of nuclear weapons and ultimately eliminating them through a process of complete nuclear disarmament.

The TPNW aims at strengthening the obligation to pursue nuclear disarmament under the NPT and at creating an international norm outlawing nuclear weapons. It also prohibits assisting anyone, in any way, to engage in any activity prohibited by the Treaty, including the production of nuclear weapons. The prohibition on assistance is formulated in the same way as the norms prohibiting assistance to the production of anti-personnel mines and cluster munitions in the 1997 Mine Ban Treaty and 2008 Convention on Cluster Munitions.

Several states interpret the prohibition on assistance as including financial assistance, and have enacted legislation criminalising investments in companies producing anti-personnel mines and cluster munitions. Therefore, with the entry into force of the TPNW, national-level laws prohibiting the financing of companies producing nuclear weapons could become more widespread. Some financial institutions who divest from nuclear weapons **already** refer to the TPNW as a basis of

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1 The Treaty requires at least 50 States agreeing to be bound by it before it can come into effect.

2 This treaty has been ratified by 191 States

their decision, arguing that nuclear weapons are banned under the TPNW. The TPNW could thus become a new reference standard for investors as an appropriate legal framework to develop comprehensive investment policies, and effectively manage compliance, as well as reputational risks.

Divesting from companies involved in activities considered controversial for their humanitarian impact remains among the most dominant sustainable and responsible strategies used by investors, particularly in Europe. As a legally binding instrument, the TPNW could give a stronger voice to the growing number of civil society organisations whose mission has been to advocate for complete nuclear disarmament<sup>3</sup>.

## V.E RESEARCH FINDINGS

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V.E screens over 53,000 issuers for their involvement in 10 types of illegal and controversial weapons, including nuclear weapons. As of October 27<sup>th</sup>, 2020, we have identified 328 issuers involved in nuclear weapons. The majority of these issuers are based in North America or Europe. This includes 190 Manufacturers (defined as any company that, directly or through a subsidiary or joint venture, designs, develops or produces nuclear weapons or their parts or provides services for them). This includes 144 Shareholders (defined as companies owning 1-49.99% shares in one or more manufacturer).

## CONCLUSIONS

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The entry into force of the TPNW raises new risks for investors with ties to entities involved in any activity prohibited by the treaty. Whilst nine States known to possess nuclear weapons have not ratified the treaty and will not be subject to its prohibitions, as an internationally binding law, the TPNW has the potential to create compliance and reputational risks for investors that they will need to be more mindful of as this treaty comes into force in early 2021.

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<sup>3</sup> For example, the International Campaign Against Nuclear Weapons (ICAN) that received the 2017 Nobel Peace prize and has helped expand the reach and prominence of nuclear divestment campaigns into a global issue.

# AUTHORS

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**MAILA BENIERA**, HEAD OF SPECIALISED RESEARCH, [maila.beniera@vigeo-eiris.com](mailto:maila.beniera@vigeo-eiris.com)

**LUCA MOTTA**, WEAPONS RESEARCH SPECIALIST, [luca.motta@vigeo-eiris.com](mailto:luca.motta@vigeo-eiris.com)

**NICOLO SCARPAT**, WEAPONS RESEARCH SPECIALIST, [nicolo.scarpat@vigeo-eiris.com](mailto:nicolo.scarpat@vigeo-eiris.com)

**ZAIN HUSSAIN**, WEAPONS RESEARCH SPECIALIST, [zain.hussain@vigeo-eiris.com](mailto:zain.hussain@vigeo-eiris.com)

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