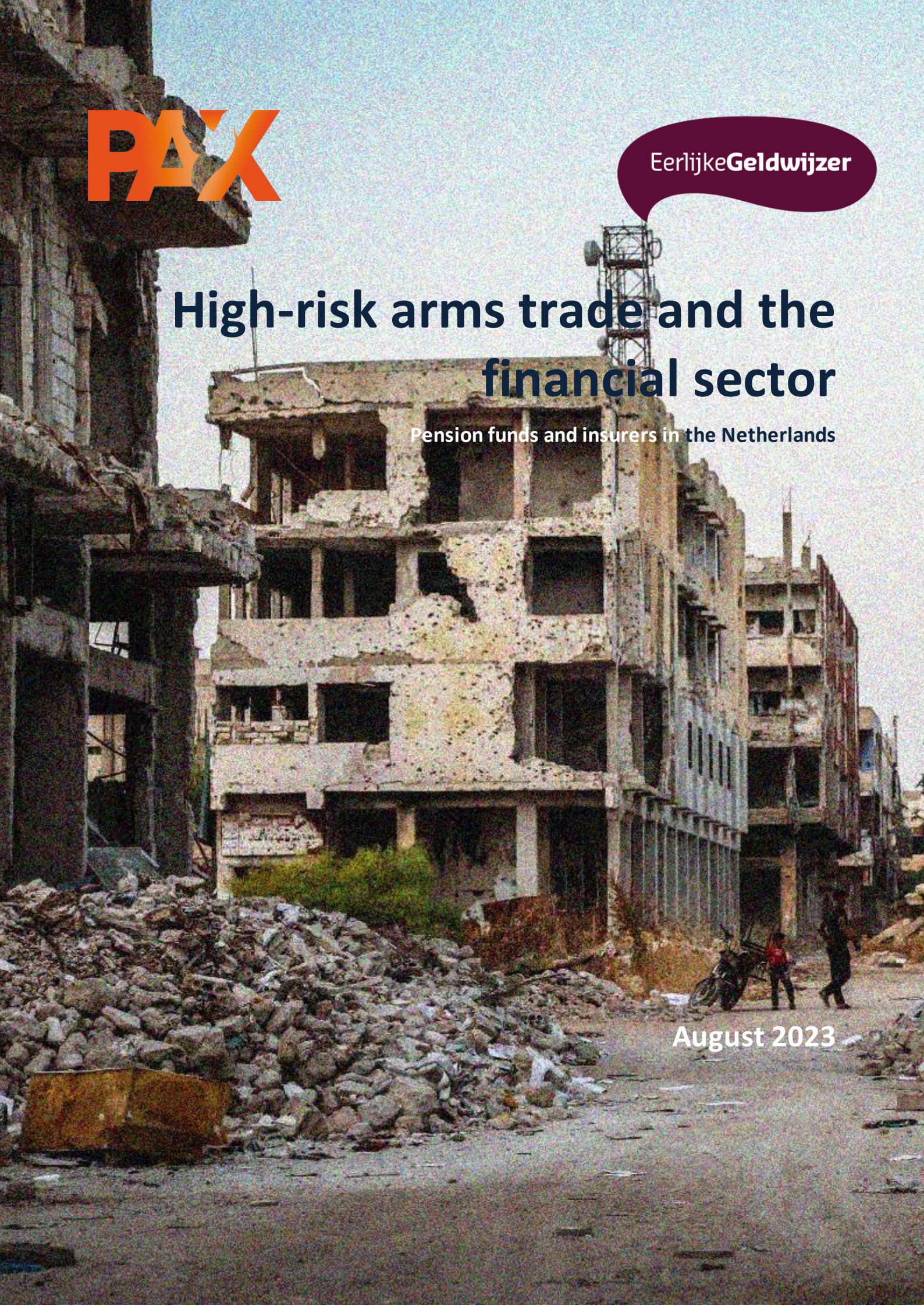

High-risk arms trade and the financial sector

Pension funds and insurers in the Netherlands

August 2023

About this report

Arms companies worldwide still export weapons to countries where there is the risk of those weapons being used in violation of international humanitarian law and human rights. This report examines which of the 15 largest European banks are providing financial services to the largest arms companies involved in controversial arms trade. It focuses on the policies of those banks to prevent these companies from exporting weapons to controversial destinations. The aim is to influence banks to improve their policies with a view to halting the trade in weapons to controversial destinations.

This report was researched and written by Cor Oudes and Frank Slijper, from PAX' team working on humanitarian disarmament and business, conflict & human rights. Harriët Meiborg conducted parts of the research. The financial research was carried out by Profundo.

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Table of contents

Chapter 1 Introduction 10

The issue 10

1.1 International Standards 11

Arms Trade Treaty 11

EU Common Position on Arms Export Controls 12

International Human Rights Standards and the Arms Trade 12

1.2 Responsibility of investors 13

Chapter 2 States at Risk 14

Indicators 14

2.1 Case: the war in Yemen 17

International response 19

2.2 Ukraine 19

Case-specific note 19

Methodological note 20

Chapter 3 Selection of Companies 21

3.1 Guidance for the Selection of Companies 21

Transfer list of military goods 22

Engagement with arms producers 22

3.2 Airbus 22

Response from Airbus 25

3.3 BAE Systems 25

3.4 Boeing 27

3.5 General Dynamics 29

Response from General Dynamics 29

3.6 General Electric 30

Response from General Electric 31

Engagement with GE 31

3.7 Honeywell 32

3.8 Leonardo 33

Response from Leonardo 36

3.9 Lockheed Martin 37

Response from Lockheed Martin 38

3.10 Northrop Grumman 39

3.11 Raytheon Technologies 39

3.12 Rheinmetall 42

3.13 Rolls-Royce 43

Response from Rolls-Royce 44

3.14 Saab **45**
3.15 Textron **45**
3.16 Thales **46**
3.17 Responsibility of Arms Companies **48**
Chapter 4 Investments in shares and bonds by pension funds in the Netherlands **49**
4.1 ABP **49**
ABP's response 49
4.2 BPFBouw **50**
BPFBouw's response 50
4.3 BPL Pensioen **50**
BPL Pensioen's response 51
4.4 Pensioenfonds Detailhandel **51**
4.5 Pensioenfonds Detailhandel did not respond **51**
4.6 Pensioenfonds Horeca&Catering **52**
Pensioenfonds Horeca&Catering response 52
4.7 Pensioenfonds Vervoer **52**
Pensioenfonds Vervoer's response 53
4.8 PFZW **53**
PFZW's response 53
4.9 PME **53**
PME's response 54
4.10 PMT **54**
PMT's response 54
4.11 STiPP **54**
Chapter 5 Investments in shares and bonds by insurers in the Netherlands **55**
5.1 Achmea **55**
Achmea's response 56
5.2 Aegon **56**
Aegon's response 56
5.3 Allianz **57**
Allianz's response 57
5.4 ASR **57**
ASR's response 57
5.5 CZ **58**
CZ's response 58
5.6 De Goudse **58**
De Goudse's response 58
5.7 DSW **58**
DSW's response 58
5.8 Klaverblad **58**

Klaverblad's response 58
5.9 Menzis 59
Menzis' response 59
5.10 NN Group (Nationale Nederlanden) 59
Nationale Nederlanden's response 59
5.11 ONVZ 59
ONVZ's response 59
5.12 Unigarant (ANWB) 60
Unigarant's response 60
5.13 Unive 60
Unive's response 60
5.14 VGZ 60
VGZ's reponse 60
5.15 ZLM 61
ZLM's response 61
5.16 Zorg en Zekerheid 61
Zorg en Zekerheid's response 61
Chapter 6 Conclusions and Recommendations 61
6.1 Conclusions regarding the financial institutions 61
Comparison with earlier studies 64
6.2 Conclusions regarding the arms companies 66
6.3 Recommendations 66
Annex 1: Table of States at Risk with Reference to the Indicators 69
Annex 2: Six criteria in detail 75
Arms embargoes 75
Human rights violations 76
Armed conflict 78
Corruption 79
Support criterion: fragile states 80
Support criterion: poverty and military spending 81
Final selection 82
Annex 3: Letter to the Arms Producers in the Survey 84
Acronyms 86
References 87

List of tables

Table 1 **Companies that supplied weapon systems to 'states at risk' 7**
Table 2 **Total value of financial services to arms companies exporting to countries at risk** Fout! Bladwijzer niet gedefinieerd.
Table 3 **Responsible investment principles and selection criteria 14**

Table 4 **Final selection of states for this report** **17**

Table 5 **Arms producers selected for this study** **21**

Table 6 **Arms companies included in this study** .....Fout! Bladwijzer niet gedefinieerd.

Table 7 **Sales of military goods by Airbus to states at risk (2016-2020)** **23**

Table 8 **MBDA sales included in Airbus table above**..... **23**

Table 9 **Sales of military goods by AVIC to states at risk (2016-2020)**Fout! Bladwijzer niet gedefinieerd.

Table 10 **Sales of military goods by BAE to states at risk (2016-2020)** **25**

Table 11 **MBDA sales included BAE Systems table above**..... **26**

Table 12 **Sales of military goods by Boeing to states at risk (2016-2020)** **27**

Table 13 **Sales of military goods by General Dynamics to states at risk (2016-2020)** **29**

Table 14 **Sales of military goods by General Electric to states at risk (2016-2020)** .... Fout! Bladwijzer niet gedefinieerd.

Table 15 **Sales of military goods by Honeywell to states at risk (2016-2020)**..... **32**

Table 16 **Sales of military goods by L3Harris to states at risk (2016-2020)** Fout! Bladwijzer niet gedefinieerd.

Table 17 **Sales of military goods by Leonardo to states at risk (2016-2020)** **33**

Table 18 **MBDA sales are included in the Leonardo table above** **34**

Table 19 **Sales of military goods by Lockheed Martin to states at risk (2016-2020)** **37**

Table 20 **Sales of military goods by Northrop Grumman to states at risk (2016-2020)**... **39**

Table 21 **Sales of military goods by Raytheon to states at risk (2016-2020)** **40**

Table 22 **Sales of military goods by Rolls-Royce to states at risk (2016-2020)** **43**

Table 23 **Sales of military goods by Safran to states at risk (2016-2020)**Fout! Bladwijzer niet gedefinieerd.

Table 24 **Sales of military goods by Thales to states at risk (2016-2020)** **46**

Table 25 **Total of loans and underwritings in the 15 arms companies, by the 15 largest European banks (in € million)** **61**

Table 26 **Full table of states at risk**..... **69**

Table 27 **Role of the six criteria**..... **75**

Table 28 **Entities under an arms embargo by the EU and/or UN between January 2016 and December 2020** **75**

Table 29 **Countries selected for human rights violations based on the Freedom in the World Index and the Democracy Index**..... **77**

Table 30 **States in armed conflict**..... **79**

Table 31 **States with very high or critical risk of corruption**..... **80**

Table 32 **States considered fragile** **81**

Table 33 **States with a low level of development and relatively high military expenditure** **82**

Table 34 **Final selection of states for the report** **82**

Executive Summary

This study shows that large Dutch investors continue invest in arms producers that supply weapons to states where there is a high risk of the weapons being used against civilians. The total amount invested surpasses 5,7 billion. Twelve financial institutions have no investments in these companies, most of them because of the risk of human rights violations. Four investors are engaging the company they invest in with the aim to change the company's behaviour around the sale of military goods.

Some of these countries are involved in serious violations of human rights and/or international humanitarian law. The conduct of Saudi Arabia and the United Arab Emirates (UAE) in Yemen, for example, shows the possible consequences of arms sales to states that pay little attention to human rights and human dignity. Over the past few years, both states have been involved in the bombing of hospitals, schools and residential areas. Recent estimates say the war in Yemen has cost 377,000 lives.

Arms companies

When selling weapons, arms companies should perform due diligence to verify whether the country that wants to purchase the systems is involved in serious violations of human rights or in armed conflict. However, our study shows that between 2018 and 2022, 15 of the largest arms producers in the world have supplied weapons to states involved in armed conflict and/or human rights violations. These 15 are the following companies:

Table 1 Companies that supplied weapon systems to 'states at risk'

Airbus	Honeywell	Rheinmetall
BAE Systems	Leonardo	Rolls-Royce
Boeing	Lockheed Martin	Saab
General Dynamics	Northrop Grumman	Textron
General Electric	Raytheon	Thales

The majority of these companies have delivered arms to Saudi Arabia or the UAE. For example, Airbus, BAE Systems and Leonardo have delivered ground attack aircraft and missiles to Saudi Arabia, whereas AVIC supplied armed Wing Loong drones to the country. The US companies Boeing, Lockheed Martin and Raytheon have transferred thousands of bombs and missiles to both Saudi Arabia and the UAE.

All these deliveries have clearly enabled Saudi Arabia and the United Arab Emirates to continue carrying out attacks on Yemen, which have involved clear violations of international humanitarian law.

The companies listed here have also delivered weapons to other countries at risk, as identified in this report. There as well, the risk of increased insecurity, or worse, violations of international humanitarian law and human rights law, is real. According to international standards on arms exports, such as the Arms Trade Treaty, arms companies should not export to such countries. This report shows that despite these norms, companies have continued to supply weapons to countries at risk.

Financial institutions

There is a very large risk that the weapons sold to states at risk may be used in controversial military actions, as in Yemen. For that reason alone, financial institutions should not maintain financial relations with these companies unless they succeed in convincing the arms companies to stop the sale of weapons to countries where there is a credible risk they will be used in violations of human rights or international humanitarian law.

Of the 26 financial institutions assessed in this report, 14 have investments in one or more of the arms producers. In total, they invest 5,7 billion euro. By far the largest amount is invested by the German insurer Allianz, which has over a million customers in the Netherlands. Allianz invests 4,3 billion euro in 14 of the fifteen companies. Other big investors are insurer Aegon (1 billion in ten companies) and pension fund ABP (134 million in three companies), Pensioenfonds Detailhandel (99 million in 11 companies) and PFZW (62 million in four companies).

Four of the financial institutions with investments in one or more of the companies engage their investee company on the issue of the transfer of military goods to high risk countries. These are Achmea, VGZ, NN Group and Pensioenfonds Vervoer. Four other investors have engagements with companies in this report as well, but on human rights in general, and there is no evidence that arms transfers are discussed in these engagements.

Twelve financial institutions (one pension fund and eleven insurers) have no investments in any of the companies in this report. In many cases, they avoid such investments out of concern of the human rights risks involved.

Comparing to the results of earlier studies, we found that in particular pension funds PME and Pensioenfonds Vervoer, as well as insurer NN Group are investing in significantly less arms producers than they did in the earlier studies. Investors that continue to invest in a large number of companies are Allianz, Aegon and Pensioenfonds Detailhandel. For other investors, like ABP, BPFBouw and PFZW there is no notable change in the number of companies they invest in.

While some insurers, and one pension fund, have investment policies that specifically address the risks around investing in arms producers, 9 out of the 10 pension funds lack such policy. About half of the insurers also lack such policy, and all are recommended to draft policies that addresses the risk of controversial arms trade and to implement them swiftly. Arms producers should not be selling weapons to states if the risk is high that these weapons will be used in human rights violations or violations of international humanitarian law. Financial institutions should make that clear to the arms producers they invest in, and abandon such investments if the arms producer does not change behavior.

Table 2 Overview of investments in arms companies by 10 pension funds and 16 insurers

Group	Airbus	BAE Systems	Boeing	General Dynamics	General Electric	Honeywell	Leonardo	Lockheed Martin	Northropp Grumman	Raytheon Technologies	Rheinmetall	Rolls-Royce	Saab	Textron	Thales	Total
Pension fund																
ABP					124							1	9			134
BPFBouw					10,9							0,6	0,8			12,3
BPL Pensioen					11						1,8					12,8
Pensioenfonds Detailhandel	19		15,2		10,1	14,2	1,9	25,3		6,5	0,7	4,7	0,5	0,8		98,9
Pensioenfonds Horeca&Catering					6,3								0,2			6,5

Pensioenfonds Vervoer					16,4											16,4
PFZW					42,7						4,3	11,5	3,9			62,4
PME											1,8					1,8
PMT											4					4
STiPP																
Insurers																
Achmea					79						0,5					79,5
Aegon		142	233	3	114	55		157	46	205		40		3		998
Allianz	21	155	2.660	32	46	85	14	80	41	306	5	802		67	6	4.320
ASR																
CZ																
De Goudse																
DSW																
Klaverblad																
Menzis																
NN Group					?											
ONVZ																
Unigarant																
Unive																
VGZ					0,5											0,5
ZLM																
Zorg en Zekerheid																
Total	**40**	**297**	**2,908**	**35**	**460,9**	**154,2**	**15,9**	**262,3**	**87**	**517,5**	**18,1**	**859,8**	**14,4**	**70,8**	**6**	**5,747**

Chapter 1 Introduction

Hundreds of billions of dollars in revenue are earned every year by arms-producing companies, a significant proportion of which is for contracts with controversial parties. India, Saudi Arabia, Egypt, China, Pakistan and Qatar are among the ten biggest arms importing countries.

This study examines these financial links between major Dutch investors (pension funds and insurers) and the companies profiting from the arms trade with controversial destinations. Investors should act responsibly in providing financial services and in line with international standards for responsible business conduct.

The report is composed as follows. This chapter introduces the subject of the international arms trade and lists the main regulatory standards in this field and in the field of responsible business conduct. Chapters 2, 3, 4 and 5 are the chapters in which the main research is presented. Each chapter presents one pillar of the research:

- Chapter 2 explains why there are high risks attached to arms sales to some states. Based on six criteria, a list of 51 states has been compiled to which military goods should not be sold because of the risks.
- Chapter 3 lists the companies that have sold military goods to one or more of the states listed in Chapter 2.
- Chapter 4 shows the 10 largest Dutch pension funds and their investments in these companies.
- Chapter 5 shows 16 insurers with their whole business or significant business entities (as is the case with Allianz) in the Netherlands.
- Finally, Chapter 6 presents the main conclusions and recommendations for the development of policy and practice concerning financial links with arms producers.

The issue

The Stockholm International Peace Research Institute (SIPRI) researches a range of issues around weapons and weapons trade. According to SIPRI, world military expenditure in 2022 rose to 2,240 billion USD, a 3.7 percent increase in comparison with 2021.[1] The combined arms sales of the world's largest arms-producing and military service companies totalled USD 531 billion in 2020—an increase of 1.3 per cent on their arms sales in 2019.[2] SIPRI estimates the financial value of arms transfers between companies and foreign states at likely higher than 112 billion for 2020.[3]

A significant number of states purchase and use military goods[i] to defend their territories. Some states actively contribute to United Nations (UN) missions worldwide, attempting to bring stability and order to regions suffering from violence and disorder. However, in many countries and regions, states use weapons for oppression or aggression, within or outside their borders. Their use of weapon systems threatens human security: the freedom of civilians to live without fear for their lives. Companies should not sell weapon systems to states that use weapons in ways that endanger human security.

Arms producers have a responsibility for the impact their products have worldwide. They should not produce weapons for states that use them to undermine human security. While most arms-producing companies in Russia and China are state-owned, many others elsewhere are privately owned, often listed on a stock exchange. Investors can contribute to the capital of the company, as shareholders, to ensure and

[i] This report uses the terms 'arms', 'weapons', 'weapon systems' and 'military goods' interchangeably, all with the meaning of 'military goods' as per the 'Wassenaar Arrangement' and the SIPRI arms transfer database methodology.

expand production. Investors can also lend money to arms producers. Investors thus profit from the business of the arms producer.

Investors have a responsibility to avoid investments in companies whose products are used to endanger human security. If they fail to do so, their profit is made at the cost of the civilians who suffer from the violence caused by these weapons.

Investors can avoid investing in arms companies that supply military goods to states at risk of endangering human security. They can exclude arms producers from their portfolios or engage with them to change their behaviour.

1.1 International Standards

States, naturally, have a significant responsibility in the area of arms control. They set the rules for the export of military goods and grant export licences for these goods. Two international standards in particular provide a framework for this role of the state: the Arms Trade Treaty (1.2.1) and the EU Common Position on Arms Export Controls (1.2.2). These standards contain clear norms to guide states in the decision-making process for arms export applications. Despite the clear norms, many states grant export licences that appear to violate these norms.[4] Moreover, many states are not part of these control regimes, and therefore do not necessarily feel bound by them. For investors, the norms laid down in the international standards should provide the basis for the development of investment policies and due diligence.

Arms Trade Treaty

The Arms Trade Treaty (ATT) is a multilateral treaty that regulates the international trade in conventional arms. On 2 April 2013, the General Assembly of the United Nations adopted the ATT by a large majority. After 50 states had ratified the treaty, it entered into force on 24 December 2014.[5] The ATT requires States Parties to establish common international standards that must be met before arms exports are authorised, and requires annual reporting of imports and exports. In particular, the treaty:

- Requires that states "establish and maintain a national control system, including a national control list" and "designate competent national authorities in order to have an effective and transparent national control system regulating the transfer of conventional arms";
- Prohibits arms transfer authorisations to states if the transfer would violate "obligations under measures adopted by the United Nations Security Council acting under Chapter VII of the Charter of the United Nations, in particular arms embargoes" or under other "relevant international obligations" or if the state "has knowledge at the time of authorization that the arms or items would be used in the commission of genocide, crimes against humanity, grave breaches of the Geneva Conventions of 1949, attacks directed against civilian objects or civilians protected as such, or other war crimes";
- Requires states to assess the potential that the arms exported would "contribute to or undermine peace and security" or could be used to commit or facilitate serious violations of international humanitarian or human rights law, acts of terrorism, or transnational organised crime; to consider measures to mitigate the risk of these violations; and, if there still remains an "overriding risk" of "negative consequences," to "not authorize the export".[6]

The ATT could be amended in future to include other military technologies as well.[7]

At the time of writing, 113 states are party to the ATT, including all EU member states. However, major exporting and importing states, such as the United States, Russia, India and Pakistan, as well as most of the Middle East and North Africa, are not yet party to the ATT.[8] A notable change is the accession of China to the treaty in 2020. On the other hand, the United States, which had signed the treaty but was not yet a State Party, 'unsigned' in 2019.[9]

EU Common Position on Arms Export Controls

Years before the ATT was concluded, the EU had recognised the need for a common system to control arms transfers. Its 1998 Code of Conduct was transformed in 2008 into a legally binding Common Position on Arms Export Controls "defining common rules governing control of exports of military technology and equipment".[10] It contains eight criteria, aimed at, among other things, preventing military exports likely to be used in the country of final destination for internal repression, in internal or international conflicts. [11] The EU arms export policy also contains measures to facilitate implementation by the member states and to improve cooperation between them. The EU criteria can be summarised as aiming to safeguard the following principles:

1. Respect for international commitments by member states, in particular sanctions decreed by the UN Security Council and the EU, as well as agreements on non-proliferation and other international obligations;
2. The respect for human rights and international humanitarian law in the country of destination;
3. The internal situation in the country of final destination, as a function of the existence of tensions or armed conflicts;
4. Preservation of regional peace, security and stability;
5. The national security of the member states and of territories whose external relations are the responsibility of a member state, as well as that of friendly and allied countries;
6. The behaviour of the buyer country with regard to the international community, as regards in particular its attitude to terrorism, the nature of its alliances and respect for international law;
7. The risk that equipment will be diverted within the buyer country or re-exported under undesirable conditions;
8. The compatibility of the arms exports with the technical and economic capacity of the recipient country, e.g. by considering the recipient country's relative levels of military and social spending, taking into account the desirability that states should achieve their legitimate needs of security and defence with the least diversion of human and economic resources towards armaments.

All EU member states are bound to embed these principles in their export licence policies and practice, although decisions on individual arms export licences remain a national responsibility.

Chapter 2 of this report operationalises these international standards further, to establish a list of states 'at risk' of endangering human security if supplied with military goods.

International Human Rights Standards and the Arms Trade

Besides the standards specifically designed for the international arms trade, other international standards have significance for the sector as well. The ATT and the EU Common Position focus on the role of states in regulating companies involved in arms production and their exports. Several international standards guide the behaviour of companies specifically in relation to the risk of human rights violations. The 2011 United Nations Guiding Principles (UNGPs)[12] were endorsed by the UN Human Rights Council. The UNGPs distinguish between the responsibilities of states (which should protect human rights) and the responsibilities of companies (which should respect human rights). These responsibilities come with different possible actions, which the UNGPs list and prescribe. The Organization for Economic Cooperation and Development (OECD) then updated its existing guidelines for responsible business conduct in its *OECD Guidelines for Multinational Enterprises*, partly to bring them into line with the UNGPs.[13]

Amnesty International conducted a study in 2018 and 2019 to establish whether arms companies had incorporated these guidelines in their internal policies. The study elaborates on the obligations of arms producers under the international standards. The report found that while some arms companies do reference adherence to international human rights standards, this reference is often superficial and focuses on the company's suppliers and the conditions of its employees, rather than the impact of its arms sales on human rights.[14]

Amnesty International points out that the UNGPs require arms companies to conduct risk assessments of the impact of their products and services on human rights. This should be done both *before* agreeing to contracts to supply military equipment and services, as well as *after* supply has taken place. The report explains how the UNGPs require arms companies to conduct due diligence on an ongoing basis to identify whether they may be causing, contributing to or directly linked to adverse human rights impacts. In summary, this means arms producers should check regularly if their customers are using the weapons they produced in accordance with human rights standards.

1.2 Responsibility of investors

Investors in and financiers of arms companies also have a responsibility, under the same international standards, to take action if an arms producer they invest in or finance does not abide by these standards. This report focuses on the role of pension funds and insurers but the principles set out herein also apply to other financial institutions.

In very general terms, the institutional investors in this report invest in companies through either shares or corporate bonds. Given their role, in most cases these investors risk becoming 'directly linked' to violations of human rights involving weapons from companies they provide financing to. The 'link' is caused by what international standards refer to as the 'business relationship' that exists because of the investment in or financing relation with the arms producer. This report considers the arms producers as either 'directly linked' or 'contributing' to severe violations of human rights. The actor involved in the actual violations described in this report is the state that has purchased weapons and used them in ways that violate human rights and international humanitarian law (IHL). Through the business relationships that constitute the 'value chain', financial institutions could be 'directly linked' to violations taking place with the use of the weapons that producers sold to these states.

Under certain circumstances, failing to take action might even lead an investor being considered responsible for remediation of the harm inflicted by the weapon systems used in the human rights violations.

Chapter 2 States at Risk

This chapter establishes which states should be considered a 'controversial' destination for the supply of weapons. In order to identify companies in the arms sector which are involved in controversial arms trade, this study looks at sales of weapons by major arms producers to destinations where there is a risk of these weapons being used in violation of human rights and international humanitarian law. The list of controversial states is based on six indicators, which are explained further below. This chapter then operationalises these indicators by linking them to specific indices. Each of the indices used was compiled by authoritative organisations working on the issue at hand. At the end of the chapter, a table provides an overview of states at risk, arms sales to which we consider to be controversial. Although this list is not static, it enables arms companies and their investors to operationalise international criteria for responsible arms trade beyond individual deals.

Indicators

Table 3 provides an overview of the principles on the arms trade that Fair Finance Guide Netherlands and PAX suggests as relevant for investors in the arms industry.[ii] These principles are also used in weapons-related research by the Fair Finance Guide Netherlands (FFG NL), of which PAX is a member, and were developed with advice from Profundo. We do not use that full list of principles here, as some are unrelated to the arms trade as such because they focus on weapons banned under international treaties, dual-use goods or responsibility for the whole chain of production. These responsible investment principles take into account the international standards listed in Chapter 2. The FFG NL and PAX suggests financial institutions to use these criteria as a minimums standard in their due diligence and to take action if arms producers in their investment universe supply military goods to states deemed at risk according to the criteria. For this study, each principle is operationalised as a selection criterion in order to establish the list of states meeting these criteria.

Table 3 Responsible investment principles and selection criteria

Investment principle	Link with international standard	Criterion
Supply of weapons to countries that are under a United Nations or relevant multilateral arms embargo, is unacceptable.	EU Common Position (criterion 1), Arms Trade Treaty (Art. 6, section 1)	Arms embargo
Supply of weapons is unacceptable if there is a clear risk that the arms will be used for serious violation of international human rights and humanitarian law.	EU Common Position (2, 3, 4, 6), Arms Trade Treaty Art. 7, Section 1(b)(1)	Armed conflict
Supply of weapons to countries that severely violate human rights, is unacceptable.	EU Common Position (2), Arms Trade Treaty Art. 7, section 1(b)(2)	Human Rights violations
Supply of weapons to parties involved in conflict is unacceptable, unless to parties acting in accordance with a UN Security Council resolution.	EU Common Position (3, 4), Arms Trade Treaty Art. 7, section 1(a)	Armed conflict

[ii] Note that the fifth criterion in the EU Common Position is not operationalized. This criterion is – in broad terms – about safeguarding the security of EU Member States and its operationalisation is not the focus of this study.

Supply of weapons to countries that are sensitive to corruption, is unacceptable.	EU Common Position (7, 8)	Corruption
Supply of weapons to countries having a failed or fragile state, is unacceptable.	EU Common Position (3, 7), Arms Trade Treaty Art. 7, section 1(a)	Fragile states
Supply of weapons to countries that spend a disproportionate part of their budget on purchases of arms, is unacceptable.	EU Common Position (8)	Poverty and military spending

The role of the investment principles and the criteria that operationalise these, are shown in the infographic below. Further details on the criteria and the methodology can be found in Annex 2.

Who finances controversial arms trade?

We determine this in 3 steps:



1 High-risk countries:
We make a list of countries where the risk of weapons being used against civilians is high.

2 Arms producers:
Who sell weapons to these countries?

3 Financers:
Who invest in these companies?



Which countries are on this list of high-risk countries?
We determine this based on 6 criteria:



Assessment based on 9 independent benchmarks.

A Does **one** of the following 3 criteria apply...

1 Is there a UN or EU **arms embargo**?

OR

2 Does the state **oppress its citizens** and violate **human rights?**

OR

3 Is the country engaged in **armed conflict**?

YES

or

B ... or do **all 3** of the following 3 criteria apply?

4 Is there **corruption** involved in arms trade?

AND

5 Is the country a **fragile state**? (Government is not in control.)

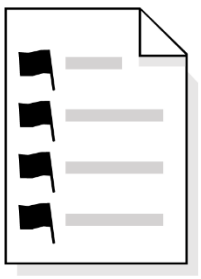
AND

6 Is the country's **defence spending** reasonable compared to it's development?

YES



Supplying weapons to countries on this list is irresponsible
Do not finance controversial arms trade!



For the time-frame researched for this report, the methodology leads to the following 'States at Risk'

In total, 52 countries were identified to which arms supplies can be considered controversial. They meet one or more of the criteria described in section 0 (arms embargoes) 0 (human rights violations) or 0 (armed conflict), or they meet all three of the criteria described in sections 0, 0 and 0.

Table 4 Final selection of states at risk for this report

Afghanistan	Democratic Republic of Congo	Lebanon	South Sudan
Azerbaijan	Egypt	Libya	Sudan
Bahrain	Equatorial Guinea	Mali	Syria
Belarus	Eritrea	Myanmar (Burma)	Tajikistan
Burkina Faso	Eswatini	Nicaragua	Turkiye
Burundi	Ethiopia	Niger	Turkmenistan
Cameroon	Haiti	Nigeria	Ukraine[iii]
Central African Republic	India	North Korea	United Arab Emirates
Chad	Iran	Palestine	Uzbekistan
China	Iraq	Pakistan	Venezuela
Colombia	Israel	Russia	Vietnam
Congo (Br)	Kazakhstan	Saudi Arabia	Yemen
Cuba	Laos	Somalia	Zimbabwe

2.1 Case: the war in Yemen

The ongoing conflict in Yemen is a stark illustration of the consequences of arms sales to states at risk of violating human rights and/or international humanitarian law. In 2011, the then president Saleh was forced by an uprising to cede power, after which his deputy, Hadi, took over. Hadi struggled to keep Yemen under control, and increasingly faced challenges from the Houthi minority population, culminating in a siege of the presidential palace in January 2015. President Hadi fled Yemen in March 2015, and at Hadi's request an international coalition led by Saudi Arabia and the UAE decided to intervene with the aim of restoring his government's power over Yemen. The conflict also reflects competition between Iran and Saudi Arabia. [15] The US, UK and France have at different times over the past years supported the Saudi-led coalition with logistics and intelligence.[16] A rare positive sign is the two-month truce agreed by the warring parties in early April 2022, which should lead to peace talks. Previous attempts so far never really materialised. The Armed Conflict Location & Event Data Project (ACLED) estimates the number of people that have died as a

[iii] See paragraph 3.3 of this report for our position on arms supplies to Ukraine

direct result of violence in Yemen stands at 150,000 mid 2022. This includes over 15,000 civilians that were killed in targeted attacks.[17] The UN estimates the total number of deaths in Yemen as a direct or indirect (hunger, disease) of the conflict is around 377,000.

The following events illustrate how different types of military goods have been deployed by Saudi Arabia and the UAE in particular, and what the consequences have been for civilians in Yemen:

- From the early days of the war, the Saudi/UAE-led coalition has blocked access to Houthi-administered areas, significantly limiting the influx of supplies such as fuel, food and medicine to these areas. According to UNICEF, the situation in Yemen remains one of the largest humanitarian crises in the world, with around 23.7 million people in need of assistance, including almost 13 million children.[18]
- A 2019 report by Yemeni organisation Mwatana, the US University Network for Human Rights and PAX documented numerous attacks on civilian targets in Yemen. The report 'Day of Judgement' provides photographic evidence of bomb fragments found on the sites of these attacks and links the bomb fragments to their manufacturers. A small selection of the attacks described in this report follows:
    - On 26 May and 9 October 2015, a primary school in the At-Tuhayat district was attacked by the Saudi-led coalition. No one was killed in the attack, but the attacks completely destroyed the school, depriving around 200 students of primary education. Around 60 of the students previously attending the school now receive education in a local mosque. The first attack, on 26 May, consisted of four separate bombs and destroyed civilian homes as well. No one was killed because the people living in the houses had gone outside after the first bomb hit the school. The researcher could not identify any military targets in the area and considered this attack indiscriminate.
    - On 14 September 2015, a farm in the Bilad Ar-Rus district was attacked, killing eight, including two children. Researchers from Mwatana did not identify any military targets in the area and consider this attack to be indiscriminate, as it seems to have targeted a civilian structure.
    - On 21 September 2016, the Saudi/UAE-led coalition attacked a residential neighbourhood in the Hawak District. At the time of the attack, a funeral was taking place in the area. Twenty-three people were killed, including five children. A presidential palace about one kilometre away from the area had been attacked shortly before the funeral. Civilians in the area assumed they were not in grave danger as their houses were in a clearly residential area. Remnants of a laser-guided bomb were found on the site. Mwatana researchers consider this attack indiscriminate. The attack may have been part of an attack on the presidential palace, but clearly failed to distinguish military targets from civilian structures.
    - On 22 April 2018, a civilian home where a wedding was taking place was bombed. The attack took place in the Bani Qais District, Hajjah Governorate. Twenty-one people were killed, including 11 children. The coalition investigated this attack and claimed that there were Houthi military experts in the area. Mwatana found no evidence of this. The nearest military structure, a checkpoint, was 25 kilometres away from the house that was bombed.[19]
- In January 2022, coalition air raids marked a dramatic escalation in the seven-year war. An attack that targeted a telecoms facility in Hodeidah killed three children and knocked out the internet nationwide for four days. The air raid coincided with an attack on a prison in Houthi rebel-held Saada, which left at least 70 people dead and wounded more than 100. The Saudi-led coalition denied bombing the prison. The internet outage affected emergency operations after the attacks as rescuers scrabbled through the rubble for survivors and the hospitals in Saada were overwhelmed. The coalition attacks followed a deadly drone-and-missile assault by Yemen's Iran-backed rebels on the UAE capital Abu Dhabi.[20]

Saudi Arabia and the UAE have committed grave human rights violations for years. Reports by PAX on investments in controversial arms trade, in 2015, in 2017 and 2020, already listed Saudi Arabia and the UAE as 'states at risk' and warned investors that investments in companies that supplied Saudi Arabia and the UAE with military goods were at risk of exposure to significant violations of international humanitarian law and human rights.[21]

International response

There have been several responses from the international community and individual countries, as well as civil society, in the context of the arms trade with the coalition led by Saudi Arabia and the UAE. A few examples are given here:

- In September 2019, the UN Group of International and Regional Eminent Experts on Yemen published a report in which it spoke of "a host of possible war crimes committed by various parties to the conflict over the past five years, including through airstrikes, indiscriminate shelling, snipers, landmines, as well as arbitrary killings and detention, torture, sexual and gender-based violence, and the impeding of access to humanitarian aid in the midst of the worst humanitarian crisis in the world". It also stated "that the governments of Yemen and the United Arab Emirates and Saudi Arabia, as well as the Houthis and affiliated popular committees have enjoyed a 'pervasive lack of accountability' for violations of international humanitarian and human rights law".[22]
- In 2019, the Court of Appeals in the United Kingdom, prompted by a case brought by parties including the Campaign Against Arms Trade (CAAT), ruled British arms sales to Saudi Arabia 'unlawful'. The judges stated that they found that three government ministers (Boris Johnson, Jeremy Hunt and Liam Fox) had illegally signed off on arms exports in 2016 without properly assessing the risk to civilians.[23]
- The Dutch government banned practically all arms exports to Saudi Arabia early in 2016.[24] In late 2018, the Dutch government also put all arms exports to the UAE and Egypt under a presumption of denial, only granting an export licence for cases where it could be shown that weapons would not be used in Yemen.[25] In 2019 however, it reversed that decision for naval exports to Egypt, arguing that it had no information that Egypt's navy was involved in the blockade any longer.[26]
- In December 2019, the European Center for Constitutional and Human Rights (ECCHR) filed a 'communication' in which it called upon the International Criminal Court (ICC) to investigate the legal responsibility of political and corporate actors in European countries, related to the supply of military goods to Saudi Arabia and the UAE. ECCHR filed the communication with organisations including Amnesty International France, Mwatana and the UK Campaign Against Arms Trade. The companies mentioned in the communication are Airbus, BAE Systems, Dassault, Leonardo, MBDA, Raytheon, Rheinmetall and Thales. Except for Dassault and Rheinmetall, all these companies are among the companies selected for this report.[27]

2.2 Ukraine

In February 2022, the Russian Federation invaded Ukraine. In response, to support its legitimate territorial self-defence, Ukraine has received large supplies of weapons from various countries, predominantly the US and European countries. Already before the invasion, the US had supplied Ukraine with weapons. The list presented in this chapter includes Ukraine as a country that should not be receiving weapons, based on the criteria applied, which do not take into account the invasion. PAX believes, however, that the Russian invasion does justify arms supplies to Ukraine. This section makes a case-specific note and a general methodological note concerning Ukraine.

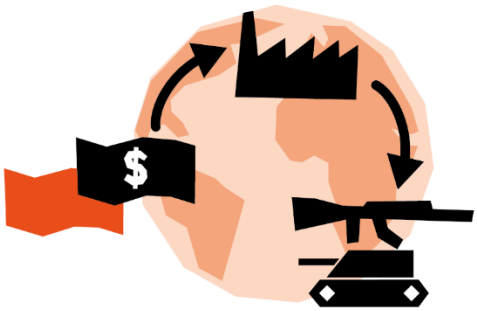
Case-specific note

Ukraine surpasses the threshold for indicator 3, armed conflict. The country scores above the threshold in the Global Peace Index, and (because of the conflict in the east of Ukraine since 2014) is listed by Uppsala

as ‘in conflict’. The rationale behind this indicator is that sending weapons to areas in which armed conflict takes place fuels the conflict. This is in line with the EU Common Position (3 and 4). Many countries in Europe were hesitant to supply weapons to Ukraine, partly for this reason. However, the invasion by Russia puts this in a different perspective: further escalation of the conflict between Russia and Ukraine is barely possible. Importantly, the standards that serve as the basis for this methodology all rightfully acknowledge the right to self-defence, in line with the UN Charter. While the concerns about escalation because of the supply of arms to Ukraine remain valid, PAX believes such supplies are in line with international standards.

Methodological note

The methodology used here attempts to identify the various risks associated with the arms trade from different angles, to get to a specific list of countries ‘at risk’. PAX has refined the methodology over the years, but it remains a model that does not always reflect reality fully. Therefore, there will always be countries on the list compiled using this methodology that are a grey area, only just making the list. The point of this report is to argue that arms producers and their investors need to assess the risks of arms trade with all destinations, in particular those listed in this report.



Chapter 3 Selection of Companies

3.1 Guidance for the Selection of Companies

This chapter contains an overview of the selected arms companies and their links to the 52 states at risk listed in the table below. For these countries, more 600 arms transfers were identified. This report focuses on the arms export by the largest companies.

This study is a follow up study for two studies that were published by the Fair Finance Guide Netherlands before. One study for the Fair Pension Guide in 2019, and one study for the Fair Insurance Guide published in 2020. Both studies had the same methodology for the selection of arms producers, but because they focused on different sectors and where published one year apart, there were small differences in the company list. This report combines the arms companies selected in both earlier reports, to allow for a comparison between the investments in 2019/2020 and 2023.

One company, United Technologies Corporation, was in both reports, but merged with Raytheon in 2020 and is no longer listed separately in this report.

This led to the selection of the following 15 companies.

Table 5 Arms producers selected for this study

Company	Country	Fair Pension Guide Study (2019)	Fair Insurance Guide Study (2020)	Selected for this study	SIPRI top 100 rank (2021)
Airbus Group	Trans-European	x	x	x	15
BAE Systems	United Kingdom		x	x	6
Boeing	United States	x	x	x	3
General Electric	United States	x	x	x	24
General Dynamics	United States		x	x	5
Honeywell International	United States	x	x	x	23
Leonardo	Italy	x	x	x	12
Lockheed Martin	United States	x	x	x	1
Northrop Grumman	United States	x	x	x	4
Raytheon	United States	x	x	x	2
Rheinmetall	Germany	x	x	x	
Rolls-Royce	United Kingdom	x	x	x	22
Saab	Sweden	x		x	
Textron	United States	x		x	

Thales	France	x	x	x	16

For the selected 15 companies, we used the following rules for financial research:

- The company list consists of parent companies. If a subsidiary or joint venture is involved in controversial arms trade, the parent company is listed here.
- If a weapon is produced by a joint venture company, transfers are listed for all relevant (selected) partners. For example, arms transfers by MBDA—a joint venture of Airbus (37.5 per cent), BAE Systems (37.5 per cent) and Leonardo (25 per cent)— have been included in the overviews of transfers of all those three companies.

Transfer list of military goods

Sections 3.2 to 3.16 show tables with supplies by the 15 companies to states at risk. These tables are based on SIPRI's Arms Transfer Database, as published in March 2023.[28] This database contains arms transfers on a country-to-country basis. As the SIPRI arms transfer database does not specify the companies involved in the production of the military goods, PAX added this information itself.

The SIPRI database is based on many different sources. In some cases, the exact quantities of weapons or years of order or delivery are not certain. For this report, any datapoints marked by SIPRI as uncertain are preceded here by '+'. The transfers themselves have passed the scrutiny of SIPRI and can be considered as certain.

Engagement with arms producers

PAX sent each of the 15 arms producers listed above a letter with an overview of arms transfers as found by PAX and asked them three questions:

1. If you are of the view that the listing of arms transfers by your company in appendix I is incorrect, could you please provide us with relevant documentation to elaborate your view?
2. Does your company have a human rights due diligence policy in place that relates to arms transfers , and could you elaborate on that policy and its relation to the arms transfers listed in appendix I ?
3. If such a policy is currently not in place, is your company planning to put such a policy in place in order to guide arms transfers in the future?

We received replies from a clear majority of the arms companies: Airbus, General Dynamics, General Electric, Leonardo, Lockheed Martin, Northrop Grumman and Rolls-Royce. Their responses are discussed in the relevant sections below, except when the company refused permission for that.

The companies below are listed in alphabetical order.

3.2 Airbus

Airbus Group is an aerospace and defence corporation based in various countries including France, Germany and Spain and registered in the Netherlands. The military products of Airbus include fighter aircraft, transport aircraft, unmanned aircraft, attack helicopters and missiles.[29]

In the SIPRI top 100 of arms-producing companies, Airbus ranks 15th with total annual arms sales of USD 10,8 billion (EUR 10.5 billion), accounting for 18 per cent of its total sales in 2021.[30]

The involvement of Airbus Group in controversial arms deals, in the period from January 2018 to December 2022, is summarised in the table below.

Table 6 Sales of military goods by Airbus to states at risk (2018-2022)

Recipient/	No. Ordered	designation	Weapon description	year order	Years delivery	number delivered
Burkina Faso	1	C-295	Transport aircraft	2019	2021	1
China	..	AS565S Panther	ASW Helicopter	est 1980/1988	1989-2022	est 51+452
India	8	SA-316B Alouette-3	light helicopter	2017	2019-20	est 8
India	10	SA-315B Lama	light helicopter	est 2018	2021-22	est 3
India	56+6	C-295 (incl. 6 MPA)	transport ac	2020-21		
Kazakhstan	2	A400M Atlas	transport aircraft	2021		
Mali	1	C-295	transport aircraft	2020	2022	1
Saudi Arabia	7	AS-532 Cougar/AS-332	Transport helicopter	est 2019	2020-21	7
Saudi Arabia	23	EC145	Light helicopter	2016	2017-18	est 23
Saudi Arabia	2	C-295MPA	MP aircraft	2015	2018	2
Türkiye	10	A400M Atlas	Transport aircraft	2003	2014-22	10
UAE	2	Helios-2	Recce satellite	2015	2020	1
UAE	12	EC725 Super Cougar	anti-ship helicopter	2021		
UAE	2	A-330 MRTT	Tanker/transport ac	2021		
UAE	5	C-295	Transport aircraft	2017	2019	est 5
Uzbekistan	est 3	EC725 Super Cougar	transport helicopter	2018	2019	est 3
Vietnam	2	C-212	Transport ac	est 2010	2018	2

Information (except company name) from the Stockholm International Peace Research Institute (SIPRI), https://www.sipri.org/databases/armstransfers

Table 7 MBDA sales table[iv]

Recipient/	No. Ordered	designation	Weapon description	year order	Years delivery	number delivered
Egypt	est 50	MM-40-3 Exocet	Anti-ship MI/SSM	est 2014	2017-22	est 30
Egypt	est 60	MM-40-3 Exocet	Anti-ship/land attack missile	est 2019	2022	est 50

[iv] As noted above SIPRI lists MBDA as a separate company. However, as a joint venture owned by Airbus (37.5%), BAE Systems (37.5%) and Leonardo (25%), all MBDA arms transfers are considered as sales by all three companies, and therefore relevant transfers are listed below the tables of arms transfers of those (parent) companies.

Egypt	est 100	MICA	BVRAAM	2015	2017-22	est 75
Egypt	est 150	MICA	BVRAAM	2015	2015-2018	est 150
Egypt	est 200	MICA	BVRAAM	2020	2022	est 50
Egypt	4	MICA	naval SAM system	2021	2022	1
Egypt	est 50	Storm Shadow/SCALP	ASM	est 2015	2021-22	est 50
Egypt	est 50	ASTER-15 SAAM	SAM	2020	2020-21	est 50
India	est 24,730	MILAN	anti-tank missile	est 1979	1984-2022	est 23,500
India	36	SM-39 Exocet	anti-ship missile	2005	2017-22	est 277
India	493	MICA	BVRAAM	2012	2014-21	est 493
India	est 350	MICA	BVRAAM	2017	2021-22	est 220
India	est 200	Meteor	BVRAAM	est 2016	2020	est 100
India	est 200	Storm Shadow/Scalp	ASM	2017	2020-22	est 200
India		Mistral	portable SAM	est 2019	2022	est 25
India	200	Meteor	BVRAAM	2017	2020-22	est 200
Nigeria	est 40	Mistral	portable SAM	est 2021		
Pakistan	4	Albatross	naval SAM system	2021		
Saudi Arabia	est 250	MICA	BVRAAM	2013	2018-19	est 250
Saudi Arabia	est 5	VL-MICA	SAM system	2013	2018-19	est 5
Saudi Arabia	est 120	MICA	BVRAAM	est 2018	2022	est 70
Saudi Arabia	5	VL-MICA	SAM system	est 2018	2022	3
Saudi Arabia	est 1000	Brimstone	ASM	est 2015	2016-19	est 1000
Saudi Arabia	. .	Meteor	BVRAAM	est 2014	2018	est 20
Turkmenistan	1	VL-MICA	SAM system	est 2019	2021	1
Turkmenistan	est 25	MICA	BVRAAM	est 2019	2021	est 25
Turkmenistan	est 15	Otomat-2	anti-ship missile	est 2019	2021	est 15
UAE	est 30	MM-40-3 Exocet	Anti-ship MI/SSM	est 2019		
UAE	est 48	Marte-2	Anti-ship missile	2017	2018-19	est 48
Ukraine	est 90+50	Brimstone	ASM	2022	2022	est 90+50

Information (except company name) from the Stockholm International Peace Research Institute (SIPRI), https://www.sipri.org/databases/armstransfers

Response from Airbus

Airbus responded to PAX's letter (explicitly not responding on behalf of MBDA). Its response can be summarised as follows:

Airbus does not see itself as a arms company involved in controversial arms trade. In addition Airbus indicates they cannot comment on sales by MBDA as they are a minority shareholder. Airbus refers to its commitment to respect all applicable laws and regulations, including international sanctions and export regulation processes imposed by the UN, EU, UK and US. It also refers to the company supporting the UN Global Compact. Airbus writes it is currently (in 2023) piloting a due diligence procedure for its defence products that looks into country risks and intended product use.

PAX welcomes the reply from Airbus as it enables a dialogue with the company. PAX is of course of the view that companies need to respect laws, regulations and sanctions and PAX welcomes a general human rights commitment. But this is clearly not sufficient. Companies need to conduct human rights risk assessments and need to avoid causing, contributing to or being linked to human rights violations. From the transfers by Airbus, it is clear why this is so important: many of the destinations clearly enhance the risk of the Airbus products being used in contravention of international rules on arms trade, which aim to prevent violations of international humanitarian law and human rights. It is therefor positive news that Airbus is piloting such assessments, and we encourage the company to proceed by putting full human rights due diligence procedures in place.

3.3 BAE Systems

BAE Systems, headquartered in the UK, is a defence company operating in the air, maritime, land and cyber domains, working in more than 40 countries.[31] In the SIPRI top 100 of arms-producing companies, BAE Systems ranks 6th with total arms sales of USD 26 billion (EUR 21 billion), accounting for 97 per cent of its total sales in 2021.[32]

The involvement of BAE Systems in controversial arms deals, in the period from January 2018 to December 2022, is summarised in the table below.

BAE Systems did not reply to our letter. BAE did respond to a similar set of questions asked by PAX in 2022. BAE's response can be found in the report 'High-Risk Arms Trade and the Financial Sector'.[33]

Table 8 Sales of military goods by BAE to states at risk (2018-2022)

Recipient/	No. Ordered	designation	Weapon description	year order	Years delivery	number delivered
Bahrain	56	WGU-59 APKWS	ASM	2018	2022	est 28
Colombia	18	L-118 105mm	towed gun	2017	2017-18	est 18
India	145	UFH/M-777 155mm	towed gun	2016	2017-22	est 145
India	est 600	WGU-59 APKWS	anti-tank missile/ASM	2019	2022	est 25
India	est 1200	M-982 Excalibur	guided shell	2019	2019-20	est 1200
Iraq	est 2000	WGU-59 APKWS	ASM	est 2015	2016-2018	est 2000
Lebanon	est 2000	WGU-59 APKWS	ASM	2016	2019-22	est 2000
Lebanon	2	M-88A2 Hercules	ARV	2017	2019	2
Nigeria	est 400	WGU-59 APKWS	ASM	2019	2021	est 400

Pakistan	3+3	Seaspray	MP aircraft radar	est 2016; 2020	2018-22	3
Saudi Arabia	22	Hawk-100	Trainer/combat ac	2015	2019-21	est 22
Saudi Arabia	est 20	M-88A2 HERCULES	ARV	est 2016	2019-20	est 20
UAE	2	SAK-70 Mk-2 57mm	Naval gun	2013	2017-18	2
Ukraine	est 8	M-88A2 Hercules	ARV	est 2022		
Ukraine	est 300	WGU-59 APKWS	Anti-tank missile/ASM	2022		

Information (except company name) from the Stockholm International Peace Research Institute (SIPRI), https://www.sipri.org/databases/armstransfers

Table 9 MBDA sales included BAE Systems table[v]

Recipient/	No. Ordered	designation	Weapon description	year order	Years delivery	number delivered
Egypt	est 50	MM-40-3 Exocet	Anti-ship MI/SSM	est 2014	2017-22	est 30
Egypt	est 60	MM-40-3 Exocet	Anti-ship/land attack missile	est 2019	2022	est 50
Egypt	est 100	MICA	BVRAAM	2015	2017-22	est 75
Egypt	est 150	MICA	BVRAAM	2015	2015-2018	est 150
Egypt	est 200	MICA	BVRAAM	2020	2022	est 50
Egypt	4	MICA	naval SAM system	2021	2022	1
Egypt	est 50	Storm Shadow/SCALP	ASM	est 2015	2021-22	est 50
Egypt	est 50	ASTER-15 SAAM	SAM	2020	2020-21	est 50
India	est 24,730	MILAN	anti-tank missile	est 1979	1984-2022	est 23,500
India	36	SM-39 Exocet	anti-ship missile	2005	2017-22	est 277
India	493	MICA	BVRAAM	2012	2014-21	est 493
India	est 350	MICA	BVRAAM	2017	2021-22	est 220
India	est 200	Meteor	BVRAAM	est 2016	2020	est 100
India	est 200	Storm Shadow/Scalp	ASM	2017	2020-22	est 200
India		Mistral	portable SAM	est 2019	2022	est 25

[v] As noted above SIPRI lists MBDA as a separate company. However, as a joint venture owned by Airbus (37.5%), BAE Systems (37.5%) and Leonardo (25%), all MBDA arms transfers are considered as sales by all three companies, and therefore relevant transfers are included in the tables of arms transfers of those (parent) companies.

India	200	Meteor	BVRAAM	2017	2020-22	est 200
Nigeria	est 40	Mistral	portable SAM	est 2021		
Pakistan	4	Albatross	naval SAM system	2021		
Saudi Arabia	est 250	MICA	BVRAAM	2013	2018-19	est 250
Saudi Arabia	est 5	VL-MICA	SAM system	2013	2018-19	est 5
Saudi Arabia	est 120	MICA	BVRAAM	est 2018	2022	est 70
Saudi Arabia	5	VL-MICA	SAM system	est 2018	2022	3
Saudi Arabia	est 1000	Brimstone	ASM	est 2015	2016-19	est 1000
Saudi Arabia	. .	Meteor	BVRAAM	est 2014	2018	est 20
Turkmenistan	1	VL-MICA	SAM system	est 2019	2021	1
Turkmenistan	est 25	MICA	BVRAAM	est 2019	2021	est 25
Turkmenistan	est 15	Otomat-2	anti-ship missile	est 2019	2021	est 15
UAE	est 30	MM-40-3 Exocet	Anti-ship MI/SSM	est 2019		
UAE	est 48	Marte-2	Anti-ship missile	2017	2018-19	est 48
Ukraine	est 90+50	Brimstone	ASM	2022	2022	est 90+50

Information (except company name) from the Stockholm International Peace Research Institute (SIPRI), https://www.sipri.org/databases/armstransfers

3.4 Boeing

Boeing, based in the US, is the world's largest aerospace company and a leading manufacturer of jetliners and military, space and security systems. Military products sold by Boeing include fighter aircraft, transport aircraft, unmanned aircraft, transport and attack helicopters and missiles.[34]

According to the latest SIPRI top 100 arms-producing companies, Boeing ranks 3rd with total arms sales of USD 33.4 billion (EUR 28.1 billion), accounting for 54 per cent of its total sales in 2021.[35]

The involvement of Boeing in controversial arms deals, in the period from January 2018 to December 2022, is summarised in the table below.

Boeing did not respond to our inquiries. For the investors invested in this company, it should serve as a red flag that a company involved in activities which have high risks for violations of international norms, does not engage on the topic with civil society organisations.

Table 10 Sales of military goods by Boeing to states at risk (2018-2022)

Recipient/	No. Ordered	designation	Weapon description	year order	Years delivery	number delivered
Afghanistan	65	ScanEagle	UAV	2015	2016-18	est 65
Afghanistan	est 5	ScanEagle	UAV	2017	2018	est 5
Afghanistan	35	ScanEagle	UAV	2018	2019	est 35
Cameroon	est 2	ScanEagle	UAV	2015	2016	est 2
Egypt	20	RGM-84L Harpoon-2	Anti-ship MI/SSM	est 2016	2017-20	est 20
Egypt	est 43	AH-64E Apache	combat helicopter	2020		
Egypt	12	CH-47F Chinook	transport helicopter	2022		
India	4	P-8A Poseidon	ASW ac	2016	2020-22	4
India	22	AH-64E Apache Guardian	combat helicopter	2015	2019-20	22
India	6	AH-64E Apache Guardian	combat helicopter	2020		
India	12	RGM-84L Harpoon-2	Anti-ship MI/SSM	2016	2018	12
India	15	CH-47F Chinook	transport helicopter	2015	2019-20	est 15
India	1	C-17A Globemaster-3	heavy transport ac	2017	2019	1
Iraq	est 12	Scan Eagle	UAV	2017	2018	est 12
Israel	4100	GBU-39 SDB	Guided bomb	est 2017	2018-22	est 4100
Israel	est 1588	JDAM	Guided bomb	est 2016	2019	est 1588
Israel		GBU-39 SDB	Guided bomb	est 2021		
Israel		JDAM	Guided bomb	est 2021		
Israel	4	KC-46A Pegasus	Tanker/transport ac	2021		
Lebanon	6	ScanEagle	UAV	2017	2019	6
Saudi Arabia	84	F-15 Advanced Eagle	FGA aircraft	2011	2016-20	est 84
Saudi Arabia	68	F-15 Advanced Eagle	FGA aircraft	2011	2016-22	est 27
Saudi Arabia	est 400	RGM-84L Harpoon-2	Anti-ship MI/SSM	est 2012	2016-20	est 400
Saudi Arabia	402	RGM-84L Harpoon-2	Anti-ship MI/SSM	est 2016	2020-22	est 170
Saudi Arabia	650	AGM-84H SLAM-ER	ASM	est 2018	2021-22	est 1352
Saudi Arabia	1000	GBU-39 SDB	Guided bomb	est 2013	2017-21	est 1000
Saudi Arabia	24	AH-6S	Combat helicopter	2014	2016-2018	est 24
Saudi Arabia	est 2645	JDAM	Guided bomb	2016	2018	est 2645
Saudi Arabia	24	AH-64E Apache Guardian	Combat helicopter	2015	2021-22	est 24
Saudi Arabia	8	CH-47F Chinook	Transport helicopter	2017	2022	est 8

Türkiye	4	CH-47F Chinook	Transport helicopter	2015	2018-19	est 4
Türkiye	est 1300+100+658	JDAM	Guided bomb	2015-18	2017-21	est 1300+100+658
Turkmenistan	est 2	ScanEagle	UAV	est 2019	2021	est 2
UAE	est 5000	GBU-39 SDB	Guided bomb	est 2014	2015-2019	est 5000
UAE	est 3504	JDAM	Guided bomb	est 2016	2017-18	est 3504
UAE	1500	JDAM	Guided bomb	2017	2018	est 1500
UAE	38	AH-64E Apache Guardian	combat helicopter	2018	2022	12
UAE	est 5	ScanEagle	UAV	2019	2020	est 5
Vietnam	6	ScanEagle	UAV	2019		

Information (except company name) from the Stockholm International Peace Research Institute (SIPRI), https://www.sipri.org/databases/armstransfers

3.5 General Dynamics

General Dynamics, with headquarters in the US, provides business aviation, combat vehicles, weapon systems and munitions, IT and C4ISR solutions, and shipbuilding and ship repair.[36]

According to the SIPRI list of top 100 arms-producing companies, General Dynamics ranks 5th with total arms sales of USD 26.4 billion (EUR 22.6 billion), accounting for 69 per cent of its total sales in 2021.[37]

The involvement of General Dynamics in controversial arms deals, in the period from January 2018 to December 2022, is summarised the table below.

Response from General Dynamics

General Dynamics has responded briefly to our questions. The company states it complies with export regulation policy of the US, and refers to its human rights policy and Sustainability Report.

Table 11 Sales of military goods by General Dynamics to states at risk (2018-2022)

Recipient/	No. Ordered	designation	Weapon description	year order	Years delivery	number delivered
Colombia	50	Piranha-3	APC	est 2022		
Egypt	125	M-1A1 Abrams	Tank	2011	2015-2020	est 125
Israel	est 386	Namer	APC/IFV	2011	2014-22	est 386
Israel	1	Gulfstream-5	light transport ac	2017		
Saudi Arabia	385	LAV-700	APC	2014	2018-22	est 380
Saudi Arabia	119	LAV-700 AT	Tank destroyer	2014	2018-22	est 47
Saudi Arabia	119	LAV-700 FSV	AFSV	2014	2019-22	est 55

Saudi Arabia	119	LAV-700 IFV	IFV	2014	2019-22	119
Saudi Arabia	est 153	M-1A2S	Tank	2016	2018-20	est 153
Ukraine	39	Piranha LAV-6	APC	2022	2022	est 39

Information (except company name) from the Stockholm International Peace Research Institute (SIPRI), https://www.sipri.org/databases/armstransfers

3.6 General Electric

General Electric (GE), based in the US, provides products in areas including power, healthcare, oil and gas, aviation, transportation and lighting. The military products of General Electric include engines and other components for combat aircraft, transport aircraft, helicopters, unmanned aircraft and warships. [38]

GE is actively involved in servicing its engines once they are in operation. [39] For example, the company stated on its website (last seen in 2022, now no longer online) that it works with Saudi partners in establishing engine overhaul capabilities in Saudi Arabia:

> "The Royal Saudi Air Force is another major GE Aviation customer — possessing the largest international fleet of F110 engines in the world, in addition to the T700 and other military engines. Recently, the Military Systems Operation (MSO) team partnered with Saudia Aerospace Engineering Industries (SAEI), a division of Saudi Arabian Airlines, to establish engine overhaul capability within the Kingdom. The project includes organic capabilities for the disassembly, inspection, repair, assembly and testing of the F110 and T700 engines that will be performed at SAEI's facility in Jeddah. The partnership supports GE's commitment to invest in the Kingdom's aviation industry and strengthen its workforce by introducing jobs in technical fields."[40]

The F110 engines are used in F-15 fighter jets. The T700 is the engine used in the Black Hawk helicopter as well as in the Apache attack helicopters. In 2022, GE Aviation was awarded a contract by the US government to provide support for maintenance of these engines for the US and foreign air forces. These include the air forces of Saudi Arabia, Bahrein and Egypt amongst others. [41]

According to the latest SIPRI top 100 arms-producing companies, General Electric ranks 33th with total arms sales of USD 4.1 billion (EUR 4 billion), accounting for 6 per cent of its total sales in 2021. [42]

The involvement of General Electric in controversial arms deals, in the period from January 2018 to December 2022, is summarised in the table below.

Table 12 Sales of military goods by General Electric to states at risk (2018-2022)

Recipient/	No. Ordered	designation	Weapon description	year order	Years delivery	number delivered
Bahrain	est 2	T-700-701C	aircraft engine	est 2018	2022	est 1
Egypt	2	LM-2500	Gas turbine	2020	2020-21	2
Egypt	4	LM-2500	Gas turbine	2019	2022	1
India	4 + 14	LM-2500	ship engine	est 2004/2017	2022	4
India	24	F-404	aircraft engine	2007	2016-21	est 24
India	est 20	F-404	aircraft engine	est 2016	2022	est 8

India	99	F-404	aircraft engine	2021		
India	est 6	T-700	aircraft engine	est 2015	2019-20	est 6
Israel	est 4	T-408-GE-400	aircraft engine	2021		
Pakistan	4	LM-2500	Gas Turbine	2020		
Saudi Arabia	est 25	F110	aircraft engine	est 2012	2017-19	est 25
Türkiye	4	LM-2500	Gas turbine	est 2016		
Türkiye	2	LM-2500	Gas turbine	2015	2018-19	2

Information (except company name) from the Stockholm International Peace Research Institute (SIPRI), https://www.sipri.org/databases/armstransfers

Response from General Electric

General Electric replied extensively to the letter by PAX.

GE pointed to the fact that it abides by US regulations and US and international sanction regimes. The company also points to its Human Rights Statement of Principles. Furthermore, GE mentions that it has a specific policy regarding military sales. GE refers to its 2021 Human Rights report as well.

PAX welcomes the reply from GE as it enables a dialogue with the company.

PAX is of course of the view that companies need to respect laws, regulations and sanctions and PAX welcomes a general human rights commitment. But this is clearly not sufficient. Companies need to conduct human rights risk assessments and need to avoid causing, contributing to or being linked to human rights violations. From the transfers by GE, it is clear why this is so important: many of the destinations clearly enhance the risk of the GE products being used in contravention of international rules on arms trade, which aim to prevent violations of international humanitarian law and human rights. And in the case of some of GE's servicing contracts, it is difficult to see how these can continue while respecting the norms that GE says it wants to abide by.

For that, it would be of significant added value if GE were to explicitly make clear in its military sales policy that the OECD Guidelines and the UNGPs apply not only to its contractors and providers but to these military sales and their end use as well. It is also essential that GE ceases to provide maintenance and overhaul services to regimes that continue to violate international norms on a structural basis.

GE's 2021 Human Rights report is a good step, but the report did not include information on downstream due diligence for customers of military aviation products. Given the significant human rights risk involved in this product line, it is important that future Human Rights reports published by the company do report on how GE prevents, mitigates and if needed remediates the human rights risks involved with this activity. These risks (and their possible materialization) are outlined in first chapters of this report.

Engagement with GE

The Fair Finance Guide Netherlands organization that is co-publishing this report, PAX, is advising a number of investors in their engagement with General Electric. This engagement is led by Actiam (which is changing into Cardano momentarily). The engagement is focused on the supply of military goods to high-risk countries. Some of the investors in chapters 4 and 5 make a reference to this specific engagement. PAX has an advisory role at the request of Actiam. The goals of the engagement are as follows:

- GE should improve its human rights due diligence policy to avoid and address the supply of its products or services to countries or regimes that contravene the law of war and where there is a high risk that the products or services will be used against civilians.
- GE should establish a proactive screening process in line with the OECD Due Diligence guidelines and the UN Guiding Principles prevent the delivery of goods or services to regimes where there is a high risk of weapons being used against civilians. The process steps should go beyond what is required by national export regulations.
- GE should stop selling engines for fighter aircrafts and helicopters and related services to regimes where there is a high risk that these systems and services will be used against civilians and contribute to serious human rights violations and violations of international humanitarian law.
- GE should develop a policy to improve access to remediation and remedy, as outlined in the OECD Guidelines and UN Guiding Principles. In cases where there is strong evidence that GE has provided systems and services that were instrumental in breaches, the company should actively implement these actions.

The engagement started in 2021 and is ongoing.

3.7 Honeywell

Honeywell International, based in the US, "operates as a diversified technology and manufacturing company". The company's business units are aerospace, building technologies, safety and productivity solutions and performance materials and technologies.[43] The military products of Honeywell include engines for military aircraft.[44]

According to the SIPRI list of top 100 arms-producing companies, Honeywell ranks 23th with total arms sales of USD 5.2 billion (EUR 5.1 billion), accounting for 15 per cent of its total sales in 2021.[45]

The involvement of Honeywell in controversial arms deals, in the period from January 2018 to December 2022, is summarised in the table below.

While we note that Honeywell has responded to a set of similar questions in earlier years, we deplore it has chosen not to do so this time.

Table 13 Sales of military goods by Honeywell to states at risk (2018-2022)

Recipient/	No. Ordered	designation	Weapon description	year order	Years delivery	number delivered
India	88	TPE-331	aircraft engine	est 2022		
Nigeria	est 48	F124	aircraft engine	est 2021		
Türkiye	est 100+66	T-800	aircraft engine	2008+2017	2016-2022	est 94+30
Turkmenistan	est 12	F-124	aircraft engine	est 2019	2021	est 12

Information (except company name) from the Stockholm International Peace Research Institute (SIPRI), https://www.sipri.org/databases/armstransfers

3.8 Leonardo

Leonardo, based in Italy, develops products and services in the fields of aerospace, military and security. [46] The military products of Leonardo include attack and transport helicopters, unmanned systems, turrets for land vehicles, naval guns and combat systems as well as large-calibre ammunition.[47]

According to the latest SIPRI top 100 arms-producing companies, Leonardo ranks 12th with total arms sales of USD 13.9 billion (EUR 9.8 billion), accounting for 83 per cent of its total sales in 2021.[48]

The involvement of Leonardo in controversial arms deals, in the period from January 2018 to December 2022, is summarised in the table below.

Table 14 Sales of military goods by Leonardo to states at risk (2018-2022)

Recipient/	No. Ordered	designation	Weapon description	year order	Years delivery	number delivered
Bahrain	6	Orion RTN-25X	fire control radar	2015	2018-22	est 6
Bahrain	6	SPS-732	sea search radar	2015	2018-22	est 6
Egypt	4	Super Rapid 76mm	Naval gun	2014	2017-22	3
Egypt	4	127/64LW 127mm	Naval gun	est 2019	2022	1
Egypt	32	AW149	helicopter	2019	2020-22	est 25
Egypt	est 50	MU90 IMPACT	ASW torpedo	2020	2021	est 50[vi]
India	est 4+4	Super Rapid 76mm	naval gun	est 2003&2011	2014-22	6
India	1	RAN-40L	air search radar	est 2011	2022	1
India	est 13	127/64LW	naval gun	est 2022		
Israel	4	Super Rapid 76mm	naval gun	2015	2022	2
Israel	12	AW119 Koala	light helicopter	2019		
Nigeria	2	Super Rapid 76mm	naval gun	2021		
Nigeria	6	A-109K	light helicopter	est 2018	2019-20	4
Nigeria	1	AW139	helicopter	est 2019	2021	
Nigeria	est 24	M-346FA	FGA aircraft	est 2021		

[vi] This transfer is attributed to Leonardo, Naval Group and Thales

Pakistan	est 5+15	AW139	helicopter	2016-17	2016-19	est 20
Pakistan	4	Super Rapid 76mm	naval gun	est 2018		
Saudi Arabia	est 5+5	Super Rapid 76mm	Naval gun	est 2017+2018	2022	3
Türkiye	50	T129B ATAK	Combat helicopter	est 2008	2016-22	est 48
Türkiye	est 24	T129B ATAK	Combat helicopter	est 2017	2018-22	est 13
Türkiye	9	T129B ATAK	Combat helicopter	2017	2021	3
Türkiye	6	ATR-72MP	ASW aircraft	2005	2020-22	5
Türkiye	2	Super Rapid 76mm	Naval gun	est 2014	2018-19	2
Türkiye	15	AW119 Koala	light helicopter	2021		
Turkmenistan	1	Super Rapid 76mm	Naval gun	est 2019	2021	1
Turkmenistan	est 2	C27J Spartan	transport aircraft	est 2019	2021	2
Turkmenistan	1	Kronos	Multifunction radar	est 2019	2021	1
Turkmenistan	est 6	M-346FA	FGA aircraft	est 2019	2021	6
UAE	2	Super Rapid 76mm	Naval gun	est 2019		
UAE	2+1+2	Seaspray	MP aircraft radar	2015-21	2020-21	2+1
Ukraine	255	Vulcano-GLR	guided shell	2022[vii]		

Information (except company name) from the Stockholm International Peace Research Institute (SIPRI), https://www.sipri.org/databases/armstransfers

Table 15 MBDA sales are included in the Leonardo table[viii]

Recipient/	No. Ordered	designation	Weapon description	year order	Years delivery	number delivered

[vii] This transfer is attributed to Leonardo and Diehl

[viii] As noted above SIPRI lists MBDA as a separate company. However, as a joint venture owned by Airbus (37.5%), BAE Systems (37.5%) and Leonardo (25%), all MBDA arms transfers are considered as sales by all three companies, and therefore relevant transfers are included in the tables of arms transfers of those (parent) companies.

Egypt	est 50	MM-40-3 Exocet	Anti-ship MI/SSM	est 2014	2017-22	est 30
Egypt	est 60	MM-40-3 Exocet	Anti-ship/land attack missile	est 2019	2022	est 50
Egypt	est 100	MICA	BVRAAM	2015	2017-22	est 75
Egypt	est 150	MICA	BVRAAM	2015	2015-2018	est 150
Egypt	est 200	MICA	BVRAAM	2020	2022	est 50
Egypt	4	MICA	naval SAM system	2021	2022	1
Egypt	est 50	Storm Shadow/SCALP	ASM	est 2015	2021-22	est 50
Egypt	est 50	ASTER-15 SAAM	SAM	2020	2020-21	est 50
India	est 24,730	MILAN	anti-tank missile	est 1979	1984-2022	est 23,500
India	36	SM-39 Exocet	anti-ship missile	2005	2017-22	est 277
India	493	MICA	BVRAAM	2012	2014-21	est 493
India	est 350	MICA	BVRAAM	2017	2021-22	est 220
India	est 200	Meteor	BVRAAM	est 2016	2020	est 100
India	est 200	Storm Shadow/Scalp	ASM	2017	2020-22	est 200
India		Mistral	portable SAM	est 2019	2022	est 25
India	200	Meteor	BVRAAM	2017	2020-22	est 200
Nigeria	est 40	Mistral	portable SAM	est 2021		
Pakistan	4	Albatross	naval SAM system	2021		
Saudi Arabia	est 250	MICA	BVRAAM	2013	2018-19	est 250
Saudi Arabia	est 5	VL-MICA	SAM system	2013	2018-19	est 5
Saudi Arabia	est 120	MICA	BVRAAM	est 2018	2022	est 70
Saudi Arabia	5	VL-MICA	SAM system	est 2018	2022	3
Saudi Arabia	est 1000	Brimstone	ASM	est 2015	2016-19	est 1000
Saudi Arabia	. .	Meteor	BVRAAM	est 2014	2018	est 20
Turkmenistan	1	VL-MICA	SAM system	est 2019	2021	1
Turkmenistan	est 25	MICA	BVRAAM	est 2019	2021	est 25
Turkmenistan	est 15	Otomat-2	anti-ship missile	est 2019	2021	est 15
UAE	est 30	MM-40-3 Exocet	Anti-ship MI/SSM	est 2019		
UAE	est 48	Marte-2	Anti-ship missile	2017	2018-19	est 48
Ukraine	est 90+50	Brimstone	ASM	2022	2022	est 90+50

Information (except company name) from the Stockholm International Peace Research Institute (SIPRI), https://www.sipri.org/databases/armstransfers

Response from Leonardo

Leonardo responded extensively to the letter sent by PAX.

- Leonardo points to guidelines of the Aerospace and Defence Industries Association of Europe. The guidelines referred to deal with the risk of corruption (criterion 4 in Chapter 2 of this report).[49] The company also points to its joining the UN Global Compact in 2018.
- Second, Leonardo points to its compliance programme, which aims to ensure full compliance with applicable regulations. As an example, the company refers to Italian regulation, which is largely in line with the European Common Position (see 0).
- Leonardo indicates that it carried out a human rights impact assessment in 2021, as core element of its Trade Compliance Program. The HRIA could not be found online.
- Leonardo furthermore refers to its Group Policy on Human Rights, in which it reaffirms its commitment to various human rights standards, including the Universal Declaration and the OECD Guidelines.[50] Article 4.3 of this policy deals with the sale of products to 'sensitive countries'. The criteria used to identify countries as 'sensitive' match some of the criteria used in the current report, including criteria on being in conflict and violations of human rights. This list is available on Leonardo's website, contains 31 countries at the time of writing, and has some overlap with the list presented in Chapter 2, but also some striking differences.[51]
- Examples of countries on Leonardo's list include Iraq, Belarus, Russia, the UAE and Ukraine. Leonardo puts measures in place to mitigate risks if sales to countries on this list are considered. The company states in its letter that a sale will not be processed if the risks are unacceptable in any one of these four areas: export controls; sanctions; know your customer; and territory. 'Sensitive countries' are not necessarily prohibited from buying military equipment from Leonardo.
- Lastly, the company points out that some of the systems in the list are not weapons, but military goods. In reply to this last point only, it is explained in the methodology section that this report uses the terms 'arms', 'weapons', 'weapon systems' and 'military goods' interchangeably, all with the meaning of 'military goods' as per the 'Wassenaar Arrangement' and the SIPRI arms transfer database methodology.

PAX welcomes the reply from Leonardo as it enables a dialogue with the company. PAX is of course of the view that companies need to respect laws, regulations and sanctions and PAX welcomes a general human rights commitment made by Leonardo. But this is clearly not sufficient. In our previous reports, we recommended Leonardo would do a human rights impact assessment. We commend the company for doing that. However, it is unclear if and how Leonardo will change its sales practice based on identified risks. As the HRIA appears not to public, it is also not possible to verify if all risks listed in this report have been identified by the company. Many of the destinations Leonardo still sells weapons to, even as recent as last year, clearly enhance the risk of the Leonardo products being used in contravention of international rules on arms trade, which aim to prevent violations of international humanitarian law and human rights. This also appears to be in contravention of Leonardo's own extensive policies on the issue.

It is clear that Leonardo does have significant due diligence procedures in place to deal with the risks related to selling military goods. In these systems, consideration of risks of human rights violations by the client appears to play a role, though it is unclear how much weight this carries in the final decision. Compliance with applicable regulations seems to play a bigger role. In the end, the question is how Leonardo evaluates the sales listed above.

Leonardo seems to have taken important steps to evaluate the risks of where its products end up and how they are used. However, significant improvements in the implementation are needed to ensure that its products are not used in violations of human rights and international humanitarian law.

Lastly, Leonardo directed PAX towards MBDA for the transactions by that company. But as explained before, we view that Leonardo has a significant interest in the MBDA joint venture and therefore should use its position to implement its strong policies in that company as well.

3.9 Lockheed Martin

Lockheed Martin, based in the US, focuses on aeronautics, space systems, electronic systems and information systems. Its most important divisions are aerospace and defence, information technology and new technologies.[52] The military products of Lockheed Martin include fighter aircraft, attack helicopters, unmanned aircraft, air defence systems, missiles and warships.[53]

According to the latest SIPRI top 100 arms-producing companies, Lockheed Martin ranks 1st with total arms sales of USD 60.3 billion (EUR 51 billion), accounting for 90 per cent of its total sales in 2021.[54]

The involvement of Lockheed Martin in controversial arms deals, in the period from January 2018 to December 2022, is summarised in the table below.

Table 16 Sales of military goods by Lockheed Martin to states at risk (2018-2022)

Recipient/	No. Ordered	designation	Weapon description	year order	Years delivery	number delivered
Afghanistan	53	S-70 Black Hawk	transport helicopter	2016	2017-20	est 53
Bahrain	est 110	ATACMS Block-1A	SSM	est 2019	2021-22	est 110
Bahrain	est 720	GMLRS	Guided rocket	est 2018	2021	est 720
Bahrain	est 25	AAQ-33 Sniper	Aircraft EO system	2017		
Bahrain	16	F-16V	FGA aircraft	2017		
Bahrain	est 14	AGM-114L HELLFIRE	anti-tank missile	est 2018	2022	est 7
Colombia	1	S-70/UH-60L	helicopter	2018	2019	1
India	est 1354	AGM-114K/L Hellfire	anti-tank missile	2015	2019-20	est 1352
India	est 1354	AGM-114A Hellfire	anti-tank missile	est 2020	2021	est 10
India	24	MH-60R Seahawk	ASW helicopter	2020	2021-22	6
India	1	C-130J-30 Hercules	transport ac	est 2018	2019	1
Iraq	1	TPS-77	air search radar	2019	2022	1
Israel	19	F-35A JSF	FGA aircraft	2010	2016-19	19
Israel	14	F-35A JSF	FGA aircraft	2015	2019-22	14
Israel	17	F-35A JSF	FGA aircraft	2017	2022	3
Israel	est 700	Paveway	guided bomb	2015	2018-19	est 700
Israel	est 1000	GMLRS	guided rocket	2016	2017-18	est 1000
Israel	12	CH-53K King Stallion	transport helicopter	2021		
Lebanon	est 1000	AGM-114K HELLFIRE	Anti-tank missile	est 2017	2019-21	est 1000
Saudi Arabia	est 193	AAQ-13 LANTIRN	Combat ac radar	est 2011	2016-22	est 184
Saudi Arabia	est 158	AAQ-33 Sniper	Aircraft EO system	2012	2016-22	est 102

Saudi Arabia	4	MMSC	Frigate	2017		
Saudi Arabia	est 10	PTDS	AGS aerostat	2017		
Saudi Arabia	320	MIM-104F PAC-3[ix]	ABM	2015	2017-19	est 320
Saudi Arabia	est 3	Patriot PAC-3	SAM/ABM system	2015	2017-19	est 3
Saudi Arabia	130	MIM-104F PAC-3	ABM	2017	2020	est 130
Saudi Arabia	est 20	MIM-104F PAC-3	ABM	2018		
Saudi Arabia	est 130	MIM-104F PAC-3	ABM	2018	2022	est 100
Saudi Arabia	est 7	THAAD	ABM system	2018		
Saudi Arabia	360	THAAD missile	ABM missile	2018		
Saudi Arabia	10	MH-60R Seahawk	ASW helicopter	2015	2018-19	est 10
Saudi Arabia	est 57	S-70 Black Hawk	Helicopter	2017	2018-22	est 57
Türkiye	86	Black Hawk	Helicopter	2014	2022	3
UAE	12	M-142 HIMARS	Self-propelled MRL	2015	2018	12
UAE	100	MGM-140B ATACMS	SSM	2015	2018-19	est 100
UAE	est 60+452	MIM-104F PAC-3	ABM	2018-19	2020-22	est 60+200
UAE	est 4	Patroit PAC-3	ABM system	2018	2021-22	est 3
UAE	est 1000+1000	AGM-114K HELLFIRE	Anti-tank missile	2017+2021	2018+2022	est 1000+300
UAE	192	THAAD missile	ABM	2012	2015-2019	est 192
UAE	est 13640	Paveway	Guided bomb	2017	2018-22	est 13640
UAE	est 10	AAQ-33 Sniper	Aircraft EO system			est 10
UAE	331	FGM-148 Javelin	Anti-tank missile	2020	2020	est 331
Ukraine	est 150+180+300	FGM-148 Javelin	AT-missile	2019-21	2020-22	est 630

Information (except company name) from the Stockholm International Peace Research Institute (SIPRI), https://www.sipri.org/databases/armstransfers

Response from Lockheed Martin

Lockheed Martin responded extensively to our questions. The company refers to its recent Human Rights report, and explains that all its military sales are regulated by the US government. The company points to

[ix] The Patriot PAC-3 is a system that we consider in this study as produced by both Raytheon and Lockheed Martin. Sources suggest that both companies play a role in the support for and maintenance of the same systems in different countries. See for instance: https://www.upi.com/Defense-News/2019/02/04/Raytheon-Lockheed-contracted-for-Patriot-systems-for-foreigncustomers/6401549291993/

its commitment to human rights throughout the supply chain. And in its response the company explains which procedures are in place to ensure any sales are in line with applicable laws and company regulations.

That Lockheed Martin publishes Human Rights reports is a good step. As the company states in its response letter to us though, the human rights reports refers the human rights risks involved in misuse of weapons it sells to other countries to the US government. As we have stated in other responses, we believe (in line with the OHCHR Working Group on Business and Human Rights) the company has a distinct responsibility to prevent, mitigate and remediate human rights risks.

In its human rights report, Lockheed Martin writes that it is exploring conducting a human rights impact assessment. Such an assessment could be an important step towards identifying human rights risks involved in the sales of weapons. We recommend the company to include this explicitly in its HRIA.

3.10 Northrop Grumman

Northrop Grumman, based in the US, provides products, services and solutions in the military aerospace, electronics, information systems and shipbuilding sectors.[55] The military products of Northrop Grumman include autonomous systems, strike aircraft, naval systems, missiles and ammunition.

According to the latest SIPRI top 100 arms-producing companies, Northrop Grumman ranks 4th with total arms sales of USD 29.9 billion (EUR 26.6 billion), accounting for 84 per cent of its total sales in 2020.[56]

The involvement of Northrop Grumman in controversial arms deals, in the period from January 2018 to December 2022, is summarised in the table below.

Northrop Grumman did not want its response to be included in this report, which means that its response cannot be read by the investors of Northrop Grumman and that engagement is much more difficult on a topic so closely related to high risks for violations of international norms.

Table 17 Sales of military goods by Northrop Grumman to states at risk (2018-2022)

Recipient/	No. Ordered	designation	Weapon description	year order	Years delivery	number delivered
India	12	APG-78 Longbow	combat heli radar	2016	2019-20	est 12

Information (except company name) from the Stockholm International Peace Research Institute (SIPRI), https://www.sipri.org/databases/armstransfers

3.11 Raytheon Technologies

Raytheon, based in the US, mainly provides military electronics, mission systems integration and other capabilities in the areas of sensing and command, control, communications and intelligence systems as well as a broad range of mission support services.[57] The military products of Raytheon include missiles and air defence systems.

In October 2019, the shareholders of United Technologies Corporation (UTC) and Raytheon approved a merger between UTC's aerospace business with Raytheon. The merger has materialized over the course of 2020, forming the new company Raytheon Technologies.[58] Pre-merger data for UTC are listed under Raytheon in this study.

According to the SIPRI top 100 of arms-producing companies, Raytheon ranks 2nd with total arms sales of USD 41.9 billion (EUR 32.2 billion), accounting for 65 per cent of its sales.[59]

The involvement of Raytheon in controversial arms deals, in the period from January 2018 to December 2022, is summarised in the table below.

Raytheon Technologies did not reply to our letter. The company did respond to a similar set of questions asked by PAX in 2022. Raytheon Technologies' response can be found in the report 'High-Risk Arms Trade and the Financial Sector'.[60]

Table 18 Sales of military goods by Raytheon to states at risk (2018-2022)

Recipient/	No. Ordered	designation	Weapon description	year order	Years delivery	number delivered
Afghanistan	est 6	PT6	aircraft engine	2017	2018	est 6
Bahrain	est 50	AGM-88 HARM	ARM	2019		
Bahrain	est 32	AIM-9X Sidewinder	BVRAAM	est 2019		
Bahrain	est 32	AIM-120D AMRAAM	BVRAAM	est 2019		
Bahrain	est 264	BGM-71 TOW	Anti-tank missile	2016	2017-18	est 264
Bahrain	est 221	BGM-71F TOW-2B	Anti-tank missile	2017	2018	est 221
Bahrain	6	DB-110	aircraft recce systems	2019		
Bahrain	36	MIM-104C PAC-2	SAM	2019	2022	est 18
Bahrain	60	MIM-104F PAC-3	ABM	2019	2022	est 30
Bahrain	est 2	Patriot PAC-3[x]	SAM/ABM system	2019	2022	est 1
Burkina Faso	est 2	PW100	aircraft engine	2019	2021	est 2
Chad	3	aircraft engine	aircraft engine	2022		
Colombia	est 11	PT-6A-68	aircraft engine	2020	2021-22	6
Egypt	est 330	AIM-9L/I-1 Sidewinder	SRAAM	est 2017	2018-20	est 330
Egypt	8	MPQ-64 Sentinel	Air search radar	2017	2019-21	est 8
Egypt	est 168	RIM-116A RAM Block 2B	SAM	2021		
India	est 10	PT6	aircraft engine	est 2018		
India	est 124	PW100	aircraft engine	2021		
India	est 245	FIM-92 Stinger	Portable SAM	est 2013	2019-20	est 245
India	est 1200	M-982 Excalibur	guided shell	2019	2019-20	est 1200

[x] The Patriot PAC-3 is a system that we consider in this study as produced by both Raytheon and Lockheed Martin. Sources suggest that both companies play a role in the support for and maintenance of the same systems in different countries. See for instance: https://www.upi.com/Defense-News/2019/02/04/Raytheon-Lockheed-contracted-for-Patriot-systems-for-foreigncustomers/6401549291993/

Israel	est 28	AIM-9X Sidewinder	SRAAM	2014	2016-20	est 28
Israel	est 700	Paveway	guided bomb	2015	2018-19	est 700
Lebanon	est 8	PT6	Turboprop/turboshaft	2015	2017-18	est 8
Lebanon	est 1500	BGM-71 TOW-2B	Anti-tank missile	2017	2018-20	est 1500
Mali	est 4	PT6	aircraft engine	2015	2018	4
Mali	2	PW100	aircraft engine	2020	2022	2
Niger	est 2	PT-6A-68	aircraft engine	2021		
Nigeria	est 12	PT6	aircraft engine	2018	2021	12
Saudi Arabia	est 8	PW127G	aircraft engine	2015	2015-2018	8
Saudi Arabia	est 20000	Paveway	Guided bomb	2019	2019-20	est 20000
Saudi Arabia	est 500	Paveway	Guided bomb	2019	2020	est 500
Saudi Arabia	320	MIM-104F PAC-3	ABM	2015	2017-19	est 320
Saudi Arabia	est 3	Patriot PAC-3	SAM/ABM system	2015	2017-19	est 3
Saudi Arabia	est 600	AGM-88 HARM	ARM	est 2011	2018-22	est 500
Saudi Arabia	est 300	AIM-9X Sidewinder	SRAAM	est 2011	2012-2019	est 300
Saudi Arabia	est 500	AIM-120C AMRAAM	BVRAAM	2013	2015-2019	est 500
Saudi Arabia	est 355	AGM-154 JSOW	Guided bomb	2014	2016-2018	est 355
Saudi Arabia	618	AGM-154 JSOW	Guided bomb	2017	2019-22	est 618
Saudi Arabia	est 100	RIM-116A RAM	SAM	est 2017		
Saudi Arabia	est 512	RIM-162 ESSM	SAM	est 2017		
Saudi Arabia	est 7	THAAD	ABM system	2018		
Saudi Arabia	est 4941	BGM-71F TOW-2B	Anti-tank missile	est 2014	2015-2018	est 4941
Saudi Arabia	est 10747	BGM-71 TOW	Anti-tank missile	2014	2015-2018	est 10747
Türkiye	est 15	PT6	aircraft engine	est 2013	2018-19	est 15
Türkiye	est 16	PW127M	aircraft engine	2005	2013-2022	est 14
Türkiye	4	Mk-15 Phalanx	CIWS	est 2011	2017-18	4
Türkiye	est 145	AIM-120C AMRAAM	BVRAAM	est 2014	2016-2019	est 145
Türkiye	est 125	RIM-116A RAM	SAM	est 2007	2011-19	est 125
Türkiye	est 150	RIM-116A RAM	SAM	est 2016		
Türkiye	2	Mk-15 Phalanx	CIWS	est 2015		
Türkiye	4	Mk-15 Phalanx	CIWS	est 2015	2017-18	est 4
Türkiye	4	Mk-15 Phalanx	CIWS	est 2016		

Turkmenistan	est 5	PT6	aircraft engine	est 2019	2021	est 5
UAE	est 24	PT6	aircraft engine	2019		
UAE	10	PW127G	aircraft engine	2017	2019	est 10
UAE	est 96	RIM-162 ESSM	SAM	2016	2018-19	est 96
UAE	est 200	RIM-116A RAM	SAM	est 2016	2018-20	est 200
UAE	est 2000	Talon	ASM	2013	2015-2018	est 2000
UAE	100+150	MIM-104C PAC-2	SAM	2017+2019	2019-22	est 185
UAE	est 13640	Paveway	Guided bomb	2017	2018-22	est 13640
UAE	300	AIM-9X Sidewinder	SRAAM	2018	2019-21	est 300
UAE	2	DB-110	Aircraft recce system	est 2017	2018-19	2
UAE	331	FGM-148 Javelin	Anti-tank missile	2020	2020	est 331
Ukraine	8 +1	NASAMS	SAM system	2022	2022	2
Ukraine	est 150+180+300	FGM-148 Javelin	AT-missile	2019-21	2020-22	est 630
Ukraine	24	TPQ-36 Firefinder	Arty loc. Radar	2022		
Ukraine	est 16	MPQ-64 Sentinel	air search radar	2022	2022	est 4

Information (except company name) from the Stockholm International Peace Research Institute (SIPRI), https://www.sipri.org/databases/armstransfers

3.12 Rheinmetall

Rheinmetall, headquartered in Germany, provides modules and systems for the automotive sector, as well as military and security technology. Products include military vehicles, vehicle protection, ammunition and naval protection amongst others. The military products of Rheinmetall consist among others of armoured vehicles, turrets, air defence systems, ground robots and ammunition.

According to the SIPRI top 100 of arms-producing companies, Rheinmetall ranks 31st with total arms sales of USD 4.5 billion (EUR 4.3 billion), accounting for 66 per cent of its total sales in 2021.[61]

Rheinmetall did not respond to our inquiry.

Recipient/	No. Ordered	designation	Weapon description	year order	Years delivery	number delivered
China	est 400	GDF 35 mm	AA gun	est 1995	1997-2018	est 400
China	est 200	Skyguard	fire control radar	est 1995	1997-2018	est 200
Saudi Arabia	est 2	Skyguard	fire control radar	est 2017	2019	est 2

Information (except company name) from the Stockholm International Peace Research Institute (SIPRI), https://www.sipri.org/databases/armstransfers

3.13 Rolls-Royce

Rolls-Royce, based in the United Kingdom, provides power supply systems such as engines for civil and military aviation, as well as other power systems.[62] The military products of Rolls-Royce include engines for fighter aircraft, land vehicles and warships.[63]

According to the SIPRI top 100 of arms-producing companies, Rolls-Royce ranks 26th with total arms sales of USD 5 billion (EUR 4.3 billion), accounting for 33 per cent of its total sales in 2020.[64]

Rolls-Royce is actively involved in servicing its engines once they are in operation. For example, the company supported development of engine overhaul capabilities in Saudi Arabia until 2016.[65] The center involved is called the 'Middle East Propulsion Company'. In June 2021, this center celebrated further cooperation with (amongst others) Rolls Royce for the maintenance of the engines of Typhoons, one of the main fighter aircraft used by Saudi Arabia.[xi])

The involvement of Rolls-Royce in controversial arms deals, in the period from January 2018 to December 2022, is summarised in the table below.

Table 19 Sales of military goods by Rolls-Royce to states at risk (2018-2022)

Recipient/	No. Ordered	designation	Ultimate Parent Weapon producer	Weapon description	year order	Years delivery	number delivered
China	est 50	MTU-956	Rolls-Royce	naval diesel engines	est 2010	2014-22	est 44
China		Spey	Rolls-Royce	aircraft engine	est 1975	1998-2022	est 540
Egypt	8	diesel engine	Rolls-Royce	ship engine	2014	2017-22	6
Egypt		MT-881	Rolls-Royce	vehicle engine	est 2021		
India	10	20V8000 M-71L	Rolls-Royce	ship engine	est 2016	2020-22	10
India	est 100	MT-881	Rolls-Royce	vehicle engine	2017	2018-21	est 100
India	est 118	MTU-838	Rolls-Royce	vehicle engine	2021		
India	est 4	AE-3007	Rolls-Royce	aircraft engine	2008	2017-19	4
Israel		MT-883 Ka-501	Rolls-Royce	vehicle engine	est 2000	2002-2022	est 1060
Israel		possibly 6V-890	Rolls-Royce	vehicle engine	est 2019	2022	est 10
Kazakhstan	8	TP-400	Rolls-Royce, Safran a.o.	aircraft engine	2021		
Pakistan	8	MTU-595	Rolls-Royce	ship engine	est 2018		

[xi] MEPC on Twitter, *https://twitter.com/MEPCSA/status/1415655216553287688,* accessed May 2022.

Saudi Arabia	20	MTU-1163	Rolls-Royce	ship engine	2018	2022	est 12
Saudi Arabia	8	MT-30	Rolls-Royce	Gas turbine	2017		
Türkiye	est 40	TP400-D6	Safran, Rolls-Royce, MTU	aircraft engine	2003	2014-2022	est 40
Türkiye	4	MTU-16V-195	Rolls-Royce	ship engine	est 2014	2018-19	4
Türkiye	est 100+66	T-800	Rolls-Royce/ Honeywell	aircraft engine	2008+2017	2016-2022	est 94+30
UAE	4	BR-710	Rolls-Royce	aircraft engine	est 2012	2018-19	4
UAE	4	BR-710	Rolls-Royce	aircraft engine	2015	2020	est 2
UAE	2	BR-710	Rolls-Royce	aircraft engine	2017		
UAE	est 4	BR-710	Rolls-Royce	aircraft engine	2021		
UAE	4	Trent-772B	Rolls-Royce	aircraft engine	2021		
Ukraine	est 54	MT-881	Rolls-Royce	vehicle engine	2022	2022	est 5
Vietnam	est 12	FJ44-4	Rolls-Royce	aircraft engine	est 2020		

Information (except company name) from the Stockholm International Peace Research Institute (SIPRI), https://www.sipri.org/databases/armstransfers

Response from Rolls-Royce

Rolls-Royce replied to PAX's queries containing questions on its human rights policies in relation to these arms sales.

First of all, Rolls-Royce indicates it has not sold military goods to China. Rolls-Royce maintains that it is not an arms company, even though it acknowledges that its power and propulsion systems are manufactured for both civil and military purposes.

The company further stated 'We operate in accordance with human rights requirements through strict compliance with strategic export laws and sanctions regulations in the countries where we operate.' It also states that it is committed to investigating where its activities may have adverse human rights impacts. The company explains that in 2022 it launched a human rights development program to strengthen its due diligence throughout the value chain. Human rights due diligence is embedded in the trade compliance program, for which the company has 'destination policies'.

While we acknowledge the importance of compliance with export laws, this is clearly not sufficient. Companies need to conduct human rights risk assessments and need to avoid causing, contributing to or being linked to human rights violations. From the transfers by Rolls-Royce, it is clear why this is so important: many of the destinations clearly enhance the risk of the Rolls-Royce products being used in contravention of international rules on arms trade, which aim to prevent violations of international humanitarian law and human rights. We commend the company for launching a human rights development program recently, and for applying human rights policy to the value chain (instead of only to the supply chain). The 'destination policies' found online on Rolls-Royce's website focus, in line with the statement provided in the letter, on compliance with various arms export regimes and arms embargoes.

3.14 Saab

Saab, based in Sweden, serves the global market with products, services and solutions from military defence to civil security. The military products of Saab consist among others of fighter jets, missile systems and warships.[66]

According to the SIPRI top 100 of arms-producing companies, Saab ranks 34nd with total arms sales of USD 4.1 billion (EUR 4.3 billion), accounting for 90 per cent of its total sales in 2021.[67]

Recipient/	No. Ordered	designation	Weapon description	year order	Years delivery	number delivered
Azerbaijan	10	MFI-17 Supporter	Trainer aircraft[xii]	2017	2018	est 10
Pakistan	est 1500	RBS-70	portable SAM	est 1985	1988-2018	est 1500
Pakistan	est 3	Erieye	AEW&C system	est 2017	2019-21	est 3
UAE	2	Erieye SRSS	AEW&C/AGS system	2015	2020	2
UAE	2	Erieye SRSS	AEW&C/AGS system	2021		
UAE	1	Erieye SRSS	AEW&C/AGS system	2017	2021	1

Information (except company name) from the Stockholm International Peace Research Institute (SIPRI), https://www.sipri.org/databases/armstransfers

3.15 Textron

Textron is a US-based company engaged in aircraft, military, industrial and finance businesses. Military related business sections include Textron Systems and Bell Helicopter. The military products of Textron consist among others of air, land and sea vehicles, unmanned systems, small arms and missiles.[68]

According to the SIPRI top 100 of arms-producing companies, Textron ranks 41st with total arms sales of USD 3.4 billion (EUR 4.3 billion), accounting for 27 per cent of its total sales in 2021.[69]

Recipient/	No. Ordered	designation	Weapon description	year order	Years delivery	number delivered
Afghanistan	est 55	ASV-150/M-1117 Guardian	armored security vehicle	2017	2018-19	55
Afghanistan	est 55	ASV-150/M-1117 Guardian	armored security vehicle	est 2019	2020	est 55

[xii] This concerns a license built aircraft, built in Pakistan on a license by Saab

Afghanistan	10	Cessna-208 Caravan	light transport ac	2018	2018-20	est 10
Bahrain	12	AH-1Z Viper	combat helicopter	2018	2022	6
Cameroon	2	Cessna-208 Caravan	light transport ac	2016	2018	2
Colombia	est 8	Cessna-172	Trainer/light ac	2020	2021-22	8
Colombia	1	King Air-350i	light transport ac	est 2020	2021	1
Colombia	1	Bell-412	helicopter	2021	2022	1
Colombia	est 11	PC-9	trainer aircraft	2020	2021-22	6
Nigeria	2	King Air-360I	light transport ac	2022		
Pakistan	2	Cessna-208 Caravan	light transport ac	est 2019	2020	2
Pakistan	2	King Air-350 ISR	AGS aircraft	est 2011	2013-18	est 2
Saudi Arabia	est 2	King Air-350 ISR	AGS aircraft	2016	2019-20	est 2

Information (except company name) from the Stockholm International Peace Research Institute (SIPRI), https://www.sipri.org/databases/armstransfers

3.16 Thales

Thales is a French-headquartered, pan-European company engaged in aerospace, defence, ground transportation, security and space.[70] The main shareholders of Thales are the French state (25.7 per cent) and aircraft manufacturer Dassault Aviation (24.7 per cent). The military products of Thales include communications, command and control systems, and combat systems for air, land and naval systems.[71]

According to the SIPRI top 100 of arms-producing companies, Thales ranks 16th with total arms sales of USD 9.8 billion (EUR 7.9 billion), accounting for 51 per cent of its total sales in 2021.[72]

The involvement of Thales in controversial arms deals, in the period from January 2018 to December 2022, is summarised in the table below.

In 2022, after the Russian invasion of Ukraine, a French NGO (Disclose) reported that Thales had continued the supply of military goods to Russia up until 2019. This was five years past the illegal annexation of Crimea by Russia. According to the NGO, Thales had supplied thermal imaging cameras as part of a contract closed first in 2007 and then again in 2012. The French government issued export licenses for the cameras.[73] This arms deal is not in the list below as the system is not a 'major subsystem', as SIPRI defines it, and is therefor not available in the SIPRI database on arms transfers.

Thales did not reply to our letter. The company did respond to a similar set of questions asked by PAX in 2022. Thales's response can be found in the report 'High-Risk Arms Trade and the Financial Sector'.[74]

Table 20 Sales of military goods by Thales to states at risk (2018-2022)

Recipient/	No. Ordered	designation	Weapon description	year order	Years delivery	number delivered
Egypt	est 12	TALIOS	Aircraft EO system	2015	2016-2018	est 12

Egypt	2	UMS-4110 BlueMaster	ASW sonar	2020	2020-21	2
Egypt	est 50	MU90 IMPACT	ASW torpedo	2020	2021	est 50
Egypt	4	SMART	Air search radar	est 2014	2017-22	est 3
Egypt	1	SMART	Air search radar	2017	2018	est 1
Egypt		NS-100	Air search radar	2019	2022	1
Egypt	4	STING	Fire control radar	2019	2022	1
Egypt	4	STING	Fire control radar	est 2014	2017-22	est 3
India	24	FLASH	ASW sonar	2021	2021-22	6
India	7	LW-08	air search radar	est 2006	2014-22	5
Iraq	4	Ground Master-403	air search radar	2022	2022	est 2
Iraq	12	Ground Master-200	air search radar	est 2021		
Kazakhstan	est 20	Ground Master-400	air search radar	2014		
Pakistan	4	SMART	Air search radar	est 2020		
Pakistan	8	STING	fire control radar	2020		
Saudi Arabia	est 4	COBRA	Arty locating radar	est 2014	2019	est 4
Saudi Arabia	5	CAPTAS-2	ASW sonar	2018	2022	3
Saudi Arabia	est 10	FLASH	ASW sonar	2015	2018-19	est 10
Saudi Arabia	est 180	LMM Marlet	anti-ship missile/ASM/SAM	2020	2022	est 90
Türkiye	15	Ocean Master	MP aircraft radar	2002	2013-22	est 14
Türkiye	2	STING	Fire control radar	est 2014	2018-19	2
Türkiye	8	STING	Fire control radar	est 2016		
Türkiye	2	SMART	Air search radar	est 2011	2017-18	2
Türkiye	2	SMART	Air search radar	est 2014	2018-19	2
Türkiye	1	SMART	Air search radar	est 2015		
Türkiye	4	SMART	Air search radar	est 2016		

UAE		RDY	combat ac radar	2019		
UAE	3	COBRA	Arty loc. Radar	est 2016	2019	est 3
Ukraine	1	Ground Master-200	air search radar	2022		
Ukraine	est 300	LMM Marlet	anti-ship missile/ASM/SAM	2022	2022	est 300

Information (except company name) from the Stockholm International Peace Research Institute (SIPRI), https://www.sipri.org/databases/armstransfers

3.17 Responsibility of Arms Companies

The arms producers, through their sales of military goods to high-risk states, provide states with the means to kill and cause damage. In some cases, states abuse the equipment to kill and cause damage in violation of human rights and/or international humanitarian law.

Like any other company, arms companies are within the scope of responsible business standards like the UNGPs and the OECD Guidelines. The UNGPs stipulate the responsibility of companies if they are connected to an impact, whereby a distinction is made between situations where companies are directly linked, contributing to or causing the violation. In the case of these arms companies, it is clear that their involvement is at least 'directly linked' to the violations: the companies have a business relationship with the party causing violations (states violating human rights and/or international humanitarian law) and their products and services are connected to the activities of the countries causing these violations.

Furthermore, companies that have provided military goods to states where violations take place of human rights and international humanitarian law in which these military goods play an active role should be seen as 'contributing' to the violations. The OECD Guidelines define 'contribution' as follows:

"For the purposes of this recommendation, 'contributing to' an adverse impact should be interpreted as a substantial contribution, meaning an activity that causes, facilitates or incentivises another entity to cause an adverse impact and does not include minor or trivial contributions."[75]

The arms companies in Chapter 3 that have supplied military goods to Saudi Arabia and the UAE should be seen as 'contributing' to the violations in Yemen, because by providing the military systems that build the military capacities of these states, they *facilitated* the violation by providing the means for the specific violations of international humanitarian law. In practice, this concerns most of the companies in this chapter. For the other companies, the same holds as they have supplied military goods to other states with known violations. Maintenance, delivering subsystems and other ways of supplying the war effort should all be seen as 'contributing' to violations.

Financial institutions that deliver financial services to or invest in these companies, in the logic of the UNGPs, would be 'directly linked' to the violations because of their business relation with the companies listed here. Chapters 4 and 5 focuses on pension funds and insurers in the Netherlands, their investments in the arms companies listed above and if and how they mitigate risks of human rights violations.

Chapter 4 Investments in shares and bonds by pension funds in the Netherlands

The previous chapters have shown the behaviour of arms companies and the risks for financial institutions of providing financial services to these companies. This chapter looks into how Dutch pension funds deal with arms companies as part of their investment policy and practice. This chapter lists the investments founds per pension fund. Each pension fund was sent a short set of questions (see Annex 3), this chapter also provides a summary of the replies.

Profundo analysed the portfolios of the pension funds and summarized investments in the companies listed in chapter 4.

We applied a threshold of 100.000 euro, meaning that all investments under 100.000 euro are not listed in this report.

In communication materials around the publication of this report, a colour scheme is used to visualize how financial institutions have been assessed:

- Green means the financial institution does not have investments in the companies in this report.
- Orange means the financial institution does have investments in one or more of the companies, but is in engagement with all companies it holds investments in about the issue of arms trade.
- Red means the financial institution has investments in one or more companies in this report, and is not engaging with any, or with all of the companies it has investments in.

4.1 ABP

ABP invests in 4 out of the 15 companies in this report. In the 2022 policy assessment of the Fair Pension Guide, ABP's policy on weapons was assessed with a 4. ABP has no policy on arms trade, its policy on weapons is limited to controversial weapons and does not address the risks involved in arms trade with high risk destinations.

The table below summarizes the investments by ABP. The FFG NL study published in 2019 found that ABP invested 569,5 million euro in two companies; General Electric and UTC. ABP's investments in General Electric seem decreased, but the investment in Rolls-Royce was not found in 2019. The 2019 study did not include Saab.

Table 21 Investments of ABP (in million EUR)

Group	Group country	Bondholding	Shareholding	Total
General Electric	United States	13	111	124
Rolls-Royce	United Kingdom		1	1
Saab	Sweden		9	9
Total		**13**	**121**	**134**

Sources:
ABP (2023), Overzicht beursgenoteerde beleggingen, as of 31 December 2022, retrieved on 12 April 2023
ABP (2023), Overzicht bedrijfsobligaties, as of 31 December 2022, retrieved on 12 April 2023

ABP's response

ABP provided a short response by email and did not fill out the questionnaire. ABP indicates it engages with General Electric. The overview ABP provides on its website shows that ABP engages GE on an issue labelled as 'other' (the labels being environment, labour conditions, human rights, company ethics, governance and sustainable financing). ABP further explains that as pension fund for army and police it does not have policy

the comprehensively bans investments in weapons. Lastly, as indicated above, ABP explains it has a policy against investments in producers of controversial weapons.

4.2 BPFBouw

BPFBouw invests in three out of the 15 companies in this report. In the 2022 policy assessment of the Fair Pension Guide, BPFBouw's policy on weapons was assessed with a 4. BPFBouw has no policy on arms trade, its policy on weapons is limited to controversial weapons and does not address the risks involved in arms trade with high risk destinations.

The table below summarizes the investments by BPFBouw. The FFG NL study published in 2019 found that BPFBouw invested 99 million euro in two companies; General Electric and UTC. BPFBouw's investments in General Electric seem decreased, but the investment in Rolls-Royce was not found in 2019. The 2019 study did not include Saab.

Table 22 Investments of BPFBouw (in million EUR)

Group	Group country	Bondholding	Shareholding	Total
General Electric	United States	2	8,9	10,9
Rolls-Royce	United Kingdom		0,6	0,6
Saab	Sweden		0,8	0,8
Total		**2**	**10,3**	**12,3**

Sources: bpfBOUW (2023), Aandelenportefeuille, as of 31 December 2022, retrieved on 12 April 2023. bpfBOUW (2023), Bedrijfsobligaties, as of 31 December 2022, retrieved on 12 April 2023.

BPFBouw's response

BPFBouw responded briefly by email and did not fill out the questionnaire. BPFBouw does not engage with any of the three companies listed above. The pension fund applies an inclusion policy and screens companies for compliance with international standards such as the UN Global Compact.

4.3 BPL Pensioen

BPL Pensioen invests in two out of the 15 companies in this report. In the 2022 policy assessment of the Fair Pension Guide, BPL Pensioen's policy on weapons was assessed with a 4. BPL Pensioen has no policy on arms trade, its policy on weapons is limited to controversial weapons and does not address the risks involved in arms trade with high risk destinations.

The table below summarizes the investments by BPL Pensioen. The FFG NL study published in 2019 found that BPL Pensioen invested 39,1 million euro in one company; General Electric. BPL Pensioen's investments in General Electric seem decreased, but the investment in Rheinmetall seems new.

Table 23 Investments of BPL Pensioen (in million EUR)

Group	Group country	Bondholding	Shareholding	Total
General Electric	United States	11		11
Rheinmetall	Germany		1,8	1,8
Total		**11**	**1,8**	**12,8**

Source: BPL Pensioenfonds (2021), Overzicht beleggingen per 30 juni 2021, retrieved on 12 April 2022.

BPL Pensioen's response

BPL Pensioen did not reply to the questions sent out by the Fair Finance Guide Netherlands. According to its mid-year report on responsible investment published in 2022, the fund does engage Rheinmetall on human rights. Engagement started in 2020, but the report provides no further detail.[76]

4.4 Pensioenfonds Detailhandel

Pensioenfonds Detailhandel invests in 11 out of the 15 companies in this report. In the 2022 policy assessment of the Fair Pension Guide, the fund's policy on weapons was assessed with a 3. BPL Pensioen has no policy on arms trade, its policy on weapons is limited to controversial weapons and does not address the risks involved in arms trade with high risk destinations. An additional shortcoming is the exception made in its controversial weapon policy for nuclear weapon producers that are based in countries that are recognized by the NPT as possessing nuclear weapons. The policy is confusing though, as on two occasions the policy claims 'nuclear weapons' are excluded without exception.

The table below summarizes the investments by Pensioenfonds Detailhandel. The FFG NL study published in 2019 found that Pensioenfonds Detailhandel invested 124,2 million euro in 12 companies. The list is very similar to the table below.

Table 24 Investments of BPFBouw (in million EUR)

Group	Group country	Bondholding	Shareholding	Total
Airbus	United States	19,0		19,0
Boeing	United States	15,2		15,2
General Electric	United States	10,1		10,1
Honeywell	United States	14,2		14,2
Leonardo	Italy	1,9		1,9
Lockheed Martin	United States	25,3		25,3
Raytheon Technologies Corp	United States	6,5		6,5
Rheinmetall	Germany	0,7		0,7
Rolls-Royce	United Kingdom	4,7		4,7
Saab	Sweden	0,5		0,5
Textron	United States	0,8		0,8
Total		**98,7**		**98,7**

Source: Pensioenfonds Detailhandel (2023), Beleggingen Pensioenfonds Detailhandel, as of 31 December 2022, retrieved on 12 April 2023

4.5 Pensioenfonds Detailhandel did not respond

Pensioenfonds Detailhandel indicated it would not respond to our questions and was unwilling to provide further explanation. Since the fund is the only pension fund to invest is such a wide range of arms companies involved in high risk arms trade, this is deplorable. The fund's considerable investments in these companies require public explanation.

Public reporting of the fund does not indicate any engagement with the companies above.

4.6 Pensioenfonds Horeca&Catering

Pensioenfonds Horeca&Catering invests in two out of the 15 companies in this report. In the financial research, investments in Leonardo where found (listed here as '0', amounting to 0,04 million euro so also below threshold), but in the meantime Leonardo has been excluded by the fund.[77] In the 2022 policy assessment of the Fair Pension Guide, the fund's policy on weapons was assessed with a 4. Pensioenfonds Horeca&Catering has no policy on arms trade, its policy on weapons is limited to controversial weapons and does not address the risks involved in arms trade with high risk destinations.

The table below summarizes the investments by Pensioenfonds Horeca&Catering. The FFG NL study published in 2019 found that the fund invested 6,9 million euro in the same companies as below, plus Saab.

Table 25 Investments of BPFBouw (in million EUR)

Group	Group country	Bondholding	Shareholding	Total
General Electric	United States		6,3	6,3
Saab	Sweden		0,2	0,2
Total			**6,5**	**6,5**

Source: PH&C (2023), Transparantielijst aandelen, as of 31 December 2022, retrieved on 12 April 2023.

Pensioenfonds Horeca&Catering response

Pensioenfonds Horeca&Catering replied extensively to our questions, and made the following points:

- The weapons policy of the fund has recently been updated, the fund now excludes 262 companies based on concerns around weapons. In the financial research, investments in Leonardo where found, but in the meantime Leonardo has been excluded by the fund.
- The fund has a policy on controversial weapons that leads to these exclusions, not on arms trade.
- The fund engages General Electric as part of a thematic engagement focused on the electronics sectors amongst other. Engagement focuses on human rights and corporate governance. Engagement was started in 2022 and an appointment will be planned in 2023.
- The fund has at the moment not taken any action towards Saab.
- The fund indicates it would take the recommendations in this study into account in its evaluation of the investment policy later in 2023.

4.7 Pensioenfonds Vervoer

Pensioenfonds Vervoer invests in one out of the 15 companies in this report. In the 2022 policy assessment of the Fair Pension Guide, Pensioenfonds Vervoer's policy on weapons was assessed with a 4. The fund has no policy on arms trade, its policy on weapons is limited to controversial weapons and does not address the risks involved in arms trade with high risk destinations.

The table below summarizes the investments by Pensioenfonds Vervoer. The FFG NL study published in 2019 found that the fund invested an undisclosed amount in 9 of the arms companies in that report. This number has decreased significantly: Pensioenfonds Vervoer now only invests in General Electric.

Table 26 Investments of Pensioenfonds Vervoer (in million EUR)

Group	Group country	Bondholding	Shareholding	Total
General Electric	United States	1,8	14,5	16,4
Total		**1,8**	**14,5**	**16,4**

Source: Pensioenonds Vervoer, Overzicht-beleggingen, as of 31 December 2021, retrieved on 20 April 2023
Titles from source, figures provided by the pension fund

Pensioenfonds Vervoer's response

Pensioenfonds Vervoer responded to the questions extensively. It made the following points:

- The fund engages with General Electric in two ways:
    - Thematic engagement launched in December 2022, and focusing on Human Rights and Governance.
    - Collective engagement led by Actiam, and launched in 2021, which focuses specifically on the supply of military goods to high risk countries.

4.8 PFZW

PFZW invests in four out of the 15 companies in this report. In the 2022 policy assessment of the Fair Pension Guide, PFZW's policy on weapons was assessed with a 4. PFZW has no policy on arms trade, its policy on weapons is limited to controversial weapons and does not address the risks involved in arms trade with high risk destinations.

The table below summarizes the investments by PFZW. The FFG NL study published in 2019 found that PFZW invested 155,6 million euro in four companies. The investment in Rheinmetall seems new.

Table 27 Investments of PFZW (in million EUR)

Group	Group country	Bondholding	Shareholding	Total
General Electric	United States		42,7	42,7
Rheinmetall	Germany		4,3	4,3
Rolls-Royce	United Kingdom	6	5,5	12
Saab	Sweden		3,9	3,9
Total		**6**	**56,4**	**62,4**

Source: PfZW (2023), Aandelen, as of 31 January 2023, retrieved on 13 April 2023
PFZW (2023), Obligaties, as of 31 January 2023, retrieved on 13 April 2023

PFZW's response

PFZW responded extensively to the research questions and made the following comments:

- The fund's service provider is engaging General Electric on a range of topic, which includes human rights. PFZW did not indicate arms transfers were part of the engagement issues.
- The fund does not have engagement with Saab, Rheinmetall or Rolls-Royce.
- PFZW screens companies for production in and trade of controversial weapons, not for trade in weapons in general.

4.9 PME

PME invests in one out of the 15 companies in this report. In the 2022 policy assessment of the Fair Pension Guide, PME's policy on weapons was assessed with a 6. PME has a policy on controversial weapons and in addition states that it excludes companies that are involved in the transfer of weapons to countries under an arms embargo or where the risk of use against civilians or in human rights violations is significant. PME is

the only pension fund with a policy that recognizes some of the risks involved in arms trade by investee companies.

The table below summarizes the investments by PME. The FFG NL study published in 2019 found that PME Pensioen invested in nine of the 14 companies in that report. It appears many of these investments have since been discarded by PME.

Table 28 Investments of PME (in million EUR)

Group	Group country	Bondholding	Shareholding	Total
Rheinmetall	Germany		1,8	1,8
Total			**1,8**	**1,8**

Source: PME (2022), Bedrijfsobligaties, as of 31 December 2022, retrieved on 27 January 2023
PME (2022), Aandelen, as of 31 December 2022, retrieved on 27 January 2023

PME's response

PME responded to the questions the Fair Finance Guide sent to the pension fund, and wrote the following:

- PME indicates it is aware that Rheinmetall is involved in weapons production, amongst other for the Ukrainian army.
- PME further indicates that based on the findings in this report it would do an additional check on Rheinmetall and review its own policy on arms trade.

4.10 PMT

PMT invests in one out of the 15 companies in this report. In the 2022 policy assessment of the Fair Pension Guide, PMT's policy on weapons was assessed with a 4. PMT has no policy on arms trade, its policy on weapons is limited to controversial weapons and does not address the risks involved in arms trade with high risk destinations.

The table below summarizes the investments by PMT. The FFG NL study published in 2019 found that PME Pensioen invested in none of the companies in that report. The investment in Rheinmetall seems new.

Table 29 Investments of PMT (in million EUR)

Group	Group country	Bondholding	Shareholding	Total
Rheinmetall	Germany		4	4
Total			**4**	**4**

Sources: PMT (2023), Investment Grade Bedrijfsobligaties, as of 31 December 2022, retrieved on 12 April 2023
PMT (2023), High Yield Bedrijfsobligaties, as of 31 December 2022, retrieved on 12 April 2023
PMT (2023), Aandelen, as of 31 December 2022, retrieved on 12 April 2023

PMT's response

PMT did not respond to the questions asked for this research.

4.11 STiPP

StiPP invests in none of the 15 companies in this report. In the 2022 policy assessment of the Fair Pension Guide, STiPP's policy on weapons was assessed with a 4. STiPP has no policy on arms trade, its policy on weapons is limited to controversial weapons and does not address the risks involved in arms trade with high risk destinations.

Nonetheless, no investments where found. The FFG NL study published in 2019 did not provide information on the investments of StiPP as these were not available to the researchers at that time. For this study, StiPP provided an overview of its investments to the researchers that was scanned for investments in the arms companies.

Chapter 5 Investments in shares and bonds by insurers in the Netherlands

This chapter looks into how insurers in the Netherlands deal with arms companies as part of their investment policy and practice. All insurers in this chapter are Dutch, with the exception of Allianz, which is a Germany based insurer with 1,3 million customers in the Netherlands. This chapter lists the investments founds per insurer. Each insurer was sent a short set of questions (see Annex 3), this chapter also provides a summary of the replies.

Profundo analysed the Refinitiv Eikon databases on share ownership and Refinitiv eMAXX for bondholdings. Data was retrieved in April 2023, for the most recent filing data available at that moment. Unless stated otherwise, all data in this chapter is based on the Refinitive datasets. For three insurers (VGZ, Univé and Menzis), portfolios published by these insurers were analysed. In some cases, the insurer provided additional information on investments held by the insurer. Investments for CZ, De Goudse, DSW, Klaverblad, ONVZ, Unigarant, ZLM and Zorg en Zekerheid are not available in the Refinitiv databases, nor do these insurers publish their investments. We asked these insurers to report any investments to us. All these insurers replied.

As for the pension funds, we applied a threshold of 100.000 euro, meaning that all investments under 100.000 euro are not listed in this report.

In communication materials around the publication of this report, a colour scheme is used to visualize how financial institutions have been assessed:

- Green means the financial institution does not have investments in the companies in this report.
- Orange means the financial institution does have investments in one or more of the companies, but is in engagement with all companies it holds investments in about the issue of arms trade.
- Red means the financial institution has investments in one or more companies in this report, and is not engaging with any, or with all of the companies it has investments in.

5.1 Achmea

Achmea invests in two out of the 15 companies in this report. In the 2022 policy assessment of the Fair Insurance Guide, Achmea's policy on weapons was assessed with a 6. Achmea has policy to avoid investments in producers of controversial weapons. Achmea additionally has policy to avoid investments in companies that sell weapons to countries that violate human rights or are in conflict.

Financial research indicated a shareholding by Achmea in one company, General Electric, of 7 million euro. However, Achmea indicated its investments in the selected companies are as shown in the table below.

The FFG NL study published in 2020 found that Achmea invested in one of the 14 companies in that report; General Electric. The investment in Rheinmetall was not found in the 2020 report.

Table 30 Investments of Achmea (in million EUR)

Group	Group country	Bondholding	Shareholding	Total
General Electric	United States	79		79

Rheinmetall	Germany		0.5	0.5
Total			**0.5**	**79.5**

Achmea's response

Achmea responded to the survey and made the following notes:

- Achmea is engaging General Electric specifically on the issue of arms trade; the insurer's investment management branch is involved in the engagement led by Actiam.
- Achmea did not mention engagement of Rheinmetall.
- The insurer is currently updating its policy on weapons, and is expecting to publish the new policy in the second half of 2023.

5.2 Aegon

Aegon invests in ten out of the 15 companies in this report. In the 2022 policy assessment of the Fair Insurance Guide, Aegon's policy on weapons was assessed with a 4. Aegon excludes arms producers that sell weapons to countries under a EU or UN arms embargo, but besides this has no policy on arms trade.

The FFG NL study published in 2020 found that Aegon invested in 13 of the 14 companies in that report. According to our data, Aegon no longer invests in Airbus and Leonardo. One of the companies in the 2020 report, UTC, has merged with Raytheon, which explains the rest of the difference in number of companies Aegon invests in.

Table 31 Investments of Aegon (in million EUR)

Group	Group country	Bondholding	Shareholding	Total
BAE Systems	United Kingdom	20	122	142
Boeing	United States	233		233
General Dynamics	United States	0	3	3
General Electric	United States	114	0	114
Honeywell	United States	45	10	55
Lockheed Martin	United States	103	54	157
Northrop Grumman	United States	45	0	46
Raytheon Technologies Corp	United States	197	8	205
Rolls-Royce	United Kingdom	39	1	40
Textron	United States		3	3
Total		**797**	**201**	**998**

Aegon's response

Aegon responded to our questions:

- Aegon indicates the investments are in line with Aegon N.V.'s investment policy, and Aegon has not taken action beyond its standard engagements.
- Aegon's responsible investment policy is currently being updated.

5.3 Allianz

Allianz invests in 14 out of the 15 companies in this report. In the 2022 policy assessment of the Fair Insurance Guide, Allianz's policy on weapons was assessed with a 3. Allianz has no policy on arms trade, its policy on weapons is limited to controversial weapons and does not address the risks involved in arms trade with high risk destinations. In addition, Allianz's policy on nuclear weapons allows for investments in producers located in countries acknowledged by the Non-Proliferation Treaty as in possession of nuclear weapons.

The FFG NL study published in 2020 found that Allianz invested in all 14 companies in that report. The only company Allianz does not invest in is Saab.

Table 32 Investments of Allianz (in million EUR)

Airbus	**Netherlands**	**6**	**15**	
BAE Systems	United Kingdom	106	50	1
Boeing	United States	2.660	1	2.6
General Dynamics	United States	25	7	
General Electric	United States	45	2	
Honeywell	United States	77	8	
Leonardo	Italy	1	13	
Lockheed Martin	United States	78	3	
Northrop Grumman	United States	36	5	
Raytheon Technologies Corp	United States	297	9	3
Rheinmetall	Germany		5	
Rolls-Royce	United Kingdom	802		8
Textron	United States	67	0	
Thales	France	0	5	
Total		**4.200**	**121**	**4.3**

Allianz's response

Allianz indicated it would not reply to our questions.

5.4 ASR

ASR invests in none of the 15 companies in this report. In the 2022 policy assessment of the Fair Insurance Guide, ASR's policy on weapons was assessed with a 10. ASR excludes the arms sector as a whole. In the 2020 study by the Fair Insurance Guide, no investments were found for ASR either.

ASR's response

ASR responded to our questions explaining the insurer does not invest in arms manufacturers because of concern that weapons could end up in the wrong hands. ASR further explains it recognized the right of states to defend themselves, including with weapons.

5.5 CZ

CZ invests in none of the 15 companies in this report. In the 2022 policy assessment of the Fair Insurance Guide, CZ's policy on weapons was assessed with a 7. CZ excludes arms companies as a whole, but only if the company generates more than 5% revenue from military goods. In the 2020 study by the Fair Insurance Guide, no investments were found for CZ either.

CZ's response

CZ responded to our questions by confirming the insurer holds no investments in the arms producers in this report.

5.6 De Goudse

De Goudse invests in none of the 15 companies in this report. In the 2022 policy assessment of the Fair Insurance Guide, De Goudse's policy on weapons was assessed with a 8. De Goudse has extensive attention for the risks around arms trade, the only issue missing from its policy is the issue of corruption.

In 2020 De Goudse was not yet included in the Fair Insurance Guide and hence was not included in the study on arms trade that year.

De Goudse's response

De Goudse responded extensively to the questionnaire. De Goudse indicated at that all companies in this report except for Saab were on its exclusion list. The insurer added that it would add Saab to the exclusion list based on the data provided by this report.

5.7 DSW

For DSW, no investments in any of the 15 arms companies were found that are above the threshold. In the 2022 policy assessment of the Fair Insurance Guide, DSW's policy on weapons was assessed with a 4. DSW does have policy that excludes investments in the producers of controversial weapons, but has no policy that accounts for the risks of controversial arms trade.

In 2020 DSW was not yet included in the Fair Insurance Guide and hence was not included in the study on arms trade that year.

DSW's response

DSW responded to our questions. The insurer indicates it invests through investments funds. It screens for compliance with ESG principles adopted by DSW and with legislation. DSW indicates that at the moment controversial arms trade is not identified as a specific theme in DSW's ESG policy.

5.8 Klaverblad

Klaverblad invests in none of the 15 companies in this report. In the 2022 policy assessment of the Fair Insurance Guide, Klaverblads policy on weapons was assessed with a 9. Klaverblad excludes the arms sector as a whole (it scores a 9 because it does not have policy on dual-use items).

In 2020 Klaverblad was not yet included in the Fair Insurance Guide and hence was not included in the study on arms trade that year.

Klaverblad's response

Klaverblad responded briefly to our questions by indicating the insurer excludes the arms industry from investments.

5.9 Menzis

Menzis invests in none of the 15 companies in this report. In the 2022 policy assessment of the Fair Insurance Guide, Menzis' policy on weapons was assessed with a 9. Menzis excludes arms producers if the company generates more than 5% revenue from military goods.

In the 2020 study by the Fair Insurance Guide, no investments were found for Menzis either.

Menzis' response

Menzis responded to the questionnaire and indicated it excludes all 15 companies. Menzis also indicates it has a strict exclusion policy around arms, which it evaluates in its yearly review of responsible investment policies.

5.10 NN Group (Nationale Nederlanden)

Financial research showed no investments in any of the 15 companies for NN Group. However, in their response, NN Group indicated they do hold limited investments in General Electric, in the form of corporate bonds. In the 2022 policy assessment of the Fair Insurance Guide, NN Group's policy on weapons was assessed with a 5. NN Group does exclude arms producers involved in the production of controversial weapons, but has insufficient policy around arms trade. Only if companies transfer weapons in violation of an arms embargo, NN Group will exclude the company.

In the 2020 study by the Fair Insurance Guide, NN Group had investments in 6 companies, totalling almost 110 million euro. NN Group is the only investor in this report of which the investments in arms companies involved in high-risk arms trade have significantly dropped.

Nationale Nederlanden's response

As indicated above, NN Group indicated that, contrary to the findings of the financial research, it does have exposure to one of the companies. NN Group made the following comments:

- The clarification around the investment in GE is a deviation from NN Group's standard approach to not disclose such holdings.
- NN Group is engaging General Electric, specifically on the issue of the transfer of military goods to high risk destinations.
- NN Group indicates its decision to engage GE is linked to its Responsible Investment Framework, which refers to the UN Guiding Principles as well as other international standards, besides NN Group's values.
- NN Group wrote that it uses reports like this report as input for its review of RI policies.

5.11 ONVZ

ONVZ invests in none of the 15 companies in this report. In the 2022 policy assessment of the Fair Insurance Guide, ONVZ's policy on weapons was assessed with a 4. ONVZ does have policy that excludes investments in the producers of controversial weapons, but has no policy that accounts for the risks of controversial arms trade.

In 2020 ONVZ was not yet included in the Fair Insurance Guide and hence was not included in the study on arms trade that year.

ONVZ's response

ONVZ responded to our questions with a confirmation that they were correct, and indicated that it is drafting new ESG policies at the moment.

5.12 Unigarant (ANWB)

Unigarant invests in none of the 15 companies in this report. In the 2022 policy assessment of the Fair Insurance Guide, Unigarant's policy on weapons was assessed with a 4. Unigarant does have policy that excludes investments in the producers of controversial weapons, but has no policy that accounts for the risks of controversial arms trade.

In 2020 Unigarant was not yet included in the Fair Insurance Guide and hence was not included in the study on arms trade that year.

Unigarant's response

Unigarant replies to our questions, indicating they hold no investments in any of the companies in this report. The insurer explained it does screen for controversial weapons *and* supply of weapons to countries or institutions that violate human rights or IHL.

5.13 Unive

Unive indicates it invests in none of the 15 companies in this report. In the 2022 policy assessment of the Fair Insurance Guide, Unive's policy on weapons was assessed with a 9. Unive excludes the arms sector as a whole.

In 2020 Unive was not yet included in the Fair Insurance Guide and hence was not included in the study on arms trade that year.

Unive's response

Unive responded briefly to our questions, indicating they exclude the arms sector as a whole.

5.14 VGZ

VGZ invests in one out of the 15 companies in this report. In the 2022 policy assessment of the Fair Insurance Guide, VGZ's policy on weapons was assessed with a 8. VGZ has policy to avoid investments in producers of controversial weapons as well as additionally has policy to avoid investments in companies that sell weapons to countries that violate human rights or are in conflict.

Financial research indicated a shareholding by VGZ in one company, General Electric, of 0,5 million euro.

The FFG NL study published in 2020 found that VGZ invested in none of the 14 companies in that report.

Table 33 Investments of VGZ (in million EUR)

Group	Group country	Bondholding	Shareholding	Total
General Electric	United States		0,5	0,5
Total			**0,5**	**0,5**

Source: VGZ (2022), Samenstelling beleggingsportefeuille Cooperatie VGZ, as of 31 December 2022, retrieved on 4 May 2023

VGZ's reponse

VGZ responded to our questions elaborately. VGZ made the following points:

- VGZ engages GE on the issue of the transfer of military goods to high risk areas.

- VGZ notes that the engagement so far has not led to a stop of the transfers.
- The engagement with GE fits in the human rights policy VGZ maintains as part of its responsible investment policy.
- VGZ indicates it may use the outcomes of this study for evaluation of its own policy and practice and for engagement with GE.

5.15 ZLM

ZLM has no investments above the threshold in any of the 15 companies in this report. In the 2022 policy assessment of the Fair Insurance Guide, ZLM's policy on weapons was assessed with a 4. ZLM does have policy that excludes investments in the producers of controversial weapons, but has no policy that accounts for the risks of controversial arms trade.

In 2020 ZLM was not yet included in the Fair Insurance Guide and hence was not included in the study on arms trade that year.

ZLM's response

ZLM responded to our questions, and noted that while it screens for controversial weapons and excludes companies involved with these weapons. ZLM does not screen for other activities around weapons that may hold risks, and indicates it will expand its exclusion around weapons.

5.16 Zorg en Zekerheid

Zorg en Zekerheid ZLM has no investments above the threshold in any of the 15 companies in this report. In the 2022 policy assessment of the Fair Insurance Guide, Zorg en Zekerheid's policy on weapons was assessed with a 8. Zorg en Zekerheid has policy to avoid investments in producers of controversial weapons as well as policy to avoid investments in companies that sell weapons to countries that violate human rights or are in conflict.

In 2020 Zorg en Zekerheid was not yet included in the Fair Insurance Guide and hence was not included in the study on arms trade that year.

Zorg en Zekerheid's response

Zorg en Zekerheid responded to our questions. It noted that it maintains a responsible investment policy, and violations of this policy are discussed with the asset manager.

Chapter 6 Conclusions and Recommendations

6.1 Conclusions regarding the financial institutions

Chapter 5 and 6 have provided an overview of the investments by the selected pension funds and insurers in 15 of the largest companies involved in controversial arms trade. These financial relationships are problematic because they link the investors to the violations to which the arms companies are contributing or are in turn directly linked to (see 3.17). The table below summarises the investments found for the 26 investors in this study.

Table 34 Total of investments in the 15 arms companies (in million euro)

Group	Airbus	BAE Systems	Boeing	General Dynamics	General Electric	Honeywell	Leonardo	Lockheed Martin	Northropp Grumman	Raytheon Technologies	Rheinmetall	Rolls-Royce	Saab	Textron	Thales	Total

Pension fund																
ABP					124							1	9			134
BPFBouw					10,9							0,6	0,8			12,3
BPL Pensioen					11						1,8					12,8
Pensioenfonds Detailhandel	19		15,2		10,1	14,2	1,9	25,3		6,5	0,7	4,7	0,5	0,8		98,9
Pensioenfonds Horeca&Catering					6,3								0,2			6,5
Pensioenfonds Vervoer					16,4											16,4
PFZW					42,7						4,3	11,5	3,9			62,4
PME											1,8					1,8
PMT											4					4
STiPP																
Insurers																
Achmea					79						0,5					79,5
Aegon		142	233	3	114	55		157	46	205		40		3		998
Allianz	21	155	2.660	32	46	85	14	80	41	306	5	802		67	6	4.320
ASR																
CZ																
De Goudse																
DSW																
Klaverblad																
Menzis																
NN Group					?											

ONVZ																
Unigarant																
Unive																
VGZ					0,5											0,5
ZLM																
Zorg en Zekerheid																
Total	**40**	**297**	**2,908**	**35**	**460,9**	**154,2**	**15,9**	**262,3**	**87**	**517,5**	**18,1**	**859,8**	**14,4**	**70,8**	**6**	**5,747**

Under international standards such as the UNGPs and the OECD Guidelines, all companies have a responsibility to *respect* human rights. The arms companies contribute to the violations of human rights by supplying states that violate human rights with the means to do so. Their investors, which include 13 of the 26 financial institutions in this report, are directly linked to the violation and have a responsibility to mitigate this situation, as described for instance in UNGP 13. Roughly speaking, they can do so through time-bound and result-orientated engagement with the company in question or by ending their business relationship (divestment). Four investors in this report are taking up this responsibility by engaging the companies on the specific issue of the transfer of military goods. Three investors do so for all arms producers we found financial links to. Four other investors engage the companies they invest in, but it is unclear on what topic specifically, or it is labelled as 'human rights' in general.

Table 35 Engagement with the arms companies in this report

	Engagement on arms trade	**Engagement on human rights or general**
General Electric	Achmea, NN Group, VGZ, Pensioenfonds Vervoer	ABP, Pensioenfonds Horeca&Catering, Pensioenfonds Vervoer, PFZW
Rheinmetall		BPL Pensioen

Other research by the Fair Finance Guide has shown that a considerable number of insurers have policies to deal with the risks involved in arms trade specifically. For the pension funds, this is different: one pension fund has very limited policy on the issue, all the others have so far neglected to develop policy around arms transfers.

Comparison with earlier studies

It is important to note that this study is a follow up study from previous studies (for insurers in 2015, 2017 and 2020. For pension funds in 2019). The table below shows a comparison between the studies of 2019 and 2020 for the number of companies the financial institutions invest in. A comparison at the level of value of the investments would be hampered by changes in corporate structures and the value of shares. For that reason, we do not make this comparison.

The table below shows that in particular pension funds PME and Pensioenfonds Vervoer, as well as insurer NN Group are investing in significantly less arms producers than they did in the earlier studies. Investors that continue to invest in a large number of companies are Allianz, Aegon and Pensioenfonds Detailhandel. Other investors, like ABP, BPFBouw and PFZW have not changed much.

For insurer VGZ and pension fund PMT, we found an increase in the number of companies they invest in. VGZ (see below) engages the one company we found investments for in this report.

Table 36 Comparing the number of companies financial institutions invest in

Group	Number of companies the institutions invested in according to the last study (pension funds: 2019, insurers: 2020)	Number of companies the institution invests in according to this report
Pension fund		
ABP	2	3
BPFBouw	2	3
BPL Pensioen	1	2
Pensioenfonds Detailhandel	12	11
Pensioenfonds Horeca&Catering	3	2
Pensioenfonds Vervoer	9	1
PFZW	4	4
PME	9	1
PMT	0	1
STiPP	Not disclosed	0
Insurers		
Achmea	1	2

Aegon	13	10
Allianz	14	14
ASR	0	0
CZ	0	0
De Goudse	Not in the study	0
DSW	Not in the study	0
Klaverblad	Not in the study	0
Menzis	0	0
NN Group	6	1
ONVZ	Not in the study	0
Unigarant	Not in the study	0
Unive	Not in the study	0
VGZ	0	1
ZLM	Not in the study	0
Zorg en Zekerheid	Not in the study	0

In earlier studies, investors where warned that continued investment with appropriate action would lead to increased responsibility for the human rights violations these arms companies are contributing or directly linked to. In the 2020 study for the Fair Insurance Guide, we quoted the UN Principles for Responsible Investment:

The UNPRI states the following about an investors connection to an impact (outcome): 'An investor's connection to an actual or potential outcome will change over time. Three factors in particular will determine whether an investor can be said to have "contributed to" or be "directly linked to" a negative outcome:

- the extent to which an investor facilitated or incentivised human rights harm by another;
- the extent to which it could or should have known about such harm;
- the quality of any mitigating steps it has taken to address it.'[78]

The UNPRI's warning remains valid, also in the context of this research. It is clear that all institutions with investments in the companies in this report know about the human rights harm their investee companies are clearly linked to. Some investors have taken mitigating steps, while some others have not, or may have but will not report these steps. Lack of mitigating steps, despite knowing about the harm, add to the responsibility of investors and increase this even further.

6.2 Conclusions regarding the arms companies

- Fifty-two countries should be considered 'states at risk': the sale of military goods to these states forms a risk for civilians as they face significant risks of violation of their human rights and/or violation of international humanitarian law. In some countries, we see clear examples of this risk becoming reality.
- Fifteen of the largest arms companies listed on the stock market have supplied military goods (ammunition, jet fighters, tanks, vehicles, helicopters, engines, etcetera) to one or more of these 52 states at risk.
- The arms producers, through their sales of military goods to high-risk states, could be seen as 'contributing' to the negative human rights impacts, since they facilitate the violations by providing the means for the violations. Besides, most of the companies have continued to supply military goods despite clear indications that the states they service are committing violations of human rights and IHL with their armed forces. All arms companies are at least 'directly linked' to violations taking place in countries they have sold military goods to, based on their business relationship and because their products and services are connected to the activities of the countries causing these violations.
- Seven of the arms companies in this report answered to queries from the Fair Finance Guide Netherlands in the preparation of this report. Four of the other companies have responded to similar questions in previous years. Some of the responses were quite in-depth, while others were little more than a "no comment". Four of the 15 companies did not reply at all.
- Amongst the arms companies in this report, Leonardo clearly stands out in terms of policy. The company refers to international human rights standards such as the OECD Guidelines and UN Universal Declaration on Human Rights. It also has a list of countries that it does not export weapons to.
- It is encouraging to note that Leonardo and Lockheed Martin have carried out a Human Rights Impact Assessment, or are planning to carry out such assessment. While this is considerably overdue given the risk involved in arms production, and while two out of 15 companies is a low number, it is a notable change from previous years.
- Some arms companies reference human rights in their public policy, which acknowledges the potential to affect human rights adversely. Some also mention the option to terminate relationships in case of a breach of such policies. However, these policies mostly focus on suppliers, and lack reference to customers and therefore do not include what we see as the most salient risks.
- Arms companies often have long-term contracts with the recipients of their products, which, it is argued, would make it hard to avoid deliveries to controversial destinations as the world changes over time. However, precisely the fact that governments and their stance change over time is a very good reason to include clauses in all new contracts with strict wording on the prohibited use of the weapons. This would enable the company both to positively influence the behaviour of governments and to ultimately sever business relationships if ongoing involvement becomes unacceptable.

6.3 Recommendations

PAX recommends that the arms companies in this report:

1. Adopt strong internal human rights standards, including as a minimum the commitment to comply with the UNGPs and OESO Guidelines.
2. Include adequate clauses in their sales agreements which stipulate that the arms sold cannot be used for any action in contravention of international norms and the company's policy.
3. Building on the recommendations in the report of Amnesty International mentioned in Chapter 1, arms companies should:
    - Commit to international human rights standards.
    - Have policies in place which ensure strong due diligence processes, to prevent the military goods they produce and/or sell from being used in violations of human rights and/or international humanitarian law.

- Identify and assess the human rights impact of company products and services before, during and after transfer.
- Take steps to address human rights risks and impacts, if needed through remediation of negatively affected individuals and communities. This includes steps to prevent the military goods the company produces from being used again in similar violations.
- Take steps to mitigate the negative impacts in which the military goods they produced were involved.
- Be transparent about the negative impacts in which their products were (or are) involved.

PAX recommends that financial institutions:

1. Ensure that they are not providing financial services to or investing in arms companies supplying military goods (weapons, military systems) to states if the risk is substantial that these will be used in violation of human rights or international humanitarian law. This means that financial institutions should exclude these companies their investments, and/or engage with these companies based on specific and time-bound goals to improve the behaviour of the company.
2. Formulate very clearly in their responsible investment policy that they do not want any financial ties with companies involved in the production of military goods that sell these goods to parties where the following risks are present:
    a. The risk of violation of human rights and/or international humanitarian law by the end user of these goods;
    b. The risk of fuelling an armed conflict;
    c. The risks of selling military goods to a corrupt state;
    d. The risks of selling military goods to a fragile state;
    e. The risks of selling military goods to a state that spends a disproportionate share of its budget on military goods.
3. Apply this policy without making an exception for companies which have civilian activities besides their military activities.
4. Financial institutions would then need to formulate clear, specific and time-bound goals for their engagement. This engagement should take into account the above-mentioned recommendations to the arms companies.
5. Financial institutions should be transparent about the way they shape their responsible business conduct. This includes making their policy on defence and weapons publicly available and respond to questions asked by stakeholders.
6. Financial insitutions that have not done so should adopt public policies that incorporate the norms of the ATT and the EU Common Position and clarify that they will no longer finance companies that act in contravention of these norms.
7. PAX recommends that all financial institutions engage with the arms companies they are invested in to make these companies stop selling arms to states at risk, to prevent adverse human rights impacts in line with the UNGPs and the OECD Guidelines. If such engagement turns out not to lead to time-bound results, the financial institutions should sever the ties with these companies.
8. As with all human rights norms, financial institutions (like arms companies) cannot rely on government approvals of arms deals. To realise that point, one only need look at all the weapons that have been approved for delivery to Saudi Arabia, the UAE and Russia after these countries already had a track record of violations of IHL and IHRL. And the result of the lack of adequate control mechanisms is also deplorably clear: civilians pay the price and become victims of the misuse of weapons.

This report should first of all serve as a pointer to financial institutions that still lack comprehensive policies on arms trade that they need to rectify this in short order. The wars in Yemen and Ukraine can serve as an

example of how weapons in the hands of governments that do not respect international norms can have horrific impacts on civilians.

We recommend all financial institutions in this report with financial links to companies that sold or delivered weapons to such governments revisit the impacts of these wars and reconsider whether they want to remain in a financial relationship with the arms companies fuelling these wars.

Annex 1: Table of States at Risk with Reference to the Indicators

The table below provides an overview of all states that pass one or more thresholds for one of the six indicators. All data that shows a passing of the threshold is in a dark red cell. If a state is considered 'at risk' by this report, the whole row is marked light red.

States which are listed in a white row were not selected as high-risk countries even though they are mentioned in one of the indices, they do not fit the criteria for selection mentioned in the methodology. If a criterion is made up of two thresholds (i.e. Conflict and Defence Spending), then the country is only listed if it scores at least on the first of these thresholds.

Table 37 Full table of states at risk

Institution	UN and EU	Freedom House	Economist DIU	Institute for Economics and Peace	Uppsala	Transparency International	The Fund for Peace	UNDP	SIPRI spending
Criterion	Embargo	Human Rights		Conflict		Corruption	Fragility	Defense spending	
Threshold	Embargo	6.5 or 7 *and* AR		≥2.375 *and* in conflict		Very high or critical corruption risk	≥90.0	Low Human Development (LHD) *and* defense spending ≥7.0%	
Afghanistan		7	AR	3.554	2018-2021		106.6	LHD	4.97%
Algeria		5.5	AR	2.146		Critical corruption risk	70.0	HHD	13.30%
Angola		5.5	AR	1.982		Critical corruption risk	86.9	MHD	6.9%
Azerbaijan		7	AR	2.437	2017, 2020-2021	Critical corruption risk	72.7	HHD	14.92%
Bahrain		6.5	AR	2.085		Critical corruption risk	65.1	VHHD	10.80%
Bangladesh		5.0	HR	2.067		Very high corruption risk	85.2	MHD	7.70%
Belarus	EU	7	AR	2.259			69.9	VHHD	32.12%
Benin		4.0	HR	2.125		High corruption risk	73.3	LHD	3.03%
Botswana		2.5	FD	1.801		High corruption risk	55.3	MHD	8.07%

Burkina Faso		5.5	AR	2.786	2019-2021 (own territory, but IS)	Critical corruption risk	94.0	LHD	12.43%
Burundi		6.5	AR	2.470	2019-2021		94.2	LHD	7.22%
Brazil		2.5	FD	2.465	No conflict	Moderate corruption risk	74.5	HHD	2.87%
Cambodia		6.0	AR	1.882			80.3	MHD	7.66%
Cameroon		6.0	AR	2.709	2017, 2020 (IS)	Critical corruption risk	94.0	MHD	5.57%
Central African Republic	UN EU	7.0	AR	3.021	2017-2021		105.7	LHD	8.96%
Chad		6.5	AR	2.591	2018, 2020-2021		104.6	LHD	17.52%
China	EU	6.5	AR	2.010		Very high corruption risk	65.1	HHD	4.79%
Colombia		2.5	FD	2.729	2018-2021	Moderate corruption risk	78.1	HHD	9.18%
Comoros		4.5	AR	No data			82.2	MHD	No data
Congo (Br)		6.5	AR	2.184			90.7	MHD	10.13%
Côte d'Ivoire		4.0	HR	2.144		Very high corruption risk	87.1	MHD	No data
Cuba		6.5	AR	2.083			59.5	HHD	No data
Democratic Republic of Congo	UN EU	6.5	AR	3.166	2017-2021	No data	107.2	LHD	No data
Djibouti		6.0	AR	2.213			82.2	LHD	No data
Egypt	EU	6.0	AR	2.342		Critical corruption risk	81.6	HHD	4.34%
Equatorial Guinea		7.0	AR	1.863			84.4	MHD	8.03%
Eritrea	UN EU	7.0	AR	2.494	2017-2021	No data	94.5	LHD	No data
Eswatini		6.5	AR	2.033			79.1	MHD	No data

Ethiopia		6.0	AR	2.806	2020-2021	No data	100.4	LHD	6.15%
Gabon		6.0	AR	1.973			65.5	HHD	8.49%
Gambia		4	HR	1.792			76.1	LHD	2.96%
Ghana		2.0	FD	1.759		Very high corruption risk	62.3	MHD	1.54%
Guinea		5.5	AR	2.332			98.5	LHD	11.33%
Guinea-Bissau		4.5	AR	2.156			89.9	LHD	7.24%
Haiti	UN	5.5	AR	2.254			102.9	LHD	0.69%
Honduras		4.0	HR	2.269			79.6	MHD	5.61%
India		3.0	FD	2.578	2017-2021	Moderate corruption risk	74.1	MHD	8.26%
Iran	UN EU	6.5	AR	2.687	2017-2021	Critical corruption risk	85.4	HHD	17.32%
Iraq	UN EU	5.5	AR	3.157	2017-2021 (IS, own territory)	Critical corruption risk	91.4	MHD	4.12%
Israel		2.5	FD	2.576	2018-2021	Moderate corruption risk	44.1	VHHD	12.17%
Jordan		5.5	AR	1.849		Critical corruption risk	75.7	HHD	15.08%
Kazakhstan		6.5	AR	2.071			60.6	VHHD	2.45%
Kenya		4.0	HR	2.303		High corruption risk	87.8	MHD	4.08%
Kuwait		5.0	AR	1.739		Very high corruption risk	51.2	VHHD	11.58%
Laos		6.5	AR	1.809			74.7	MHD	No data
Lebanon	UN EU	4.5	AR	2.615	2017 (IS)	Very high corruption risk	91.8	HHD	13.84%
Liberia		3.5	HR	1.973			88.9	LHD	1.61%
Libya	UN EU	6.5	AR	2.930	2017, 2019-2020		96.1	HHD	No data
Madagaskar		3.5	HR	1.995			81.7	LHD	3.15%

Malawi		3.0	HR	1.895			83.2	LHD	2.86%
Mali		5.5	AR	2.911	2017-2021 (IS, own territory)	Very high corruption risk	99.5	LHD	11.43%
Mauritania		5.0	HR	2.193			87.0	MHD	12.20%
Mexico		3.5	HR	2.612	No conflict	Very high corruption risk	69.8	HHD	2.22%
Morocco		5.0	HR	1.969		Critical corruption risk	68.2	MHD	12.06%
Mozambique		4.5	AR	2.316			94.0	LHD	4.73%
Myanmar (Burma)	EU	6.5	AR	2.631	2017-2021	Critical corruption risk	100.2	MHD	14.24%
Nicaragua		6.5	AR	2.334			77.7	MHD	1.97%
Niger		4.0	AR	2.655	2021 (IS, own territory)	Very high corruption risk	93.4	LHD	7.21%
Nigeria		4.5	HR	2.725	2017-2021 (2021 other, rest IS own territory)	Very high corruption risk	98.0	LHD	4.22%
North Korea	UN EU	7.0	AR	2.942	No conflict		87.0	No data	No data
Oman		5.5	AR	1.889		Critical corruption risk	48.7	VHHD	17.60%
Palestine		6	AR	2.552	2018, 2019, 2021	Very high corruption risk	87.9	HHD	No data
Pakistan		5.0	HR	2.789	2017-2020		89.9	LHD	17.89%
Philippines		3.5	FD	2.339		Moderate corruption risk	77.8	MHD	3.86%
Qatar		5.5	AR	1.533		Critical corruption risk	40.5	VHHD	23.84%

Russia	EU	6.5	AR	3.275	2017-2021	High corruption risk	80.7	VHHD	10.35%
Rwanda		6.0	AR	1.945			82.3	LHD	4.48%
Saudi Arabia		7.0	AR	2.288	2017-2021	Critical corruption risk	65.3	VHHD	27.79%
Senegal		3.0	HR	1.916			71.5	LHD	6.37%
Sierra Leone		3.0	HR	1.803			81.4	LHD	2.71%
Somalia	UN EU	7.0	No data	3.125	2018 (and 2017-2021 IS, own territory)		111.9	No data	20.37%
South Sudan	UN EU	7.0	No data	3.184	2017-2021	Critical corruption risk	108.5	LHD	5.47%
Sri Lanka		4.0	FD	2.020			90.3	HHD	8.57%
Sudan	UN (Darfur) EU	6.5	AR	3.007	2017, 2018, 2020, 2021	Critical corruption risk	106.2	LHD	9.5%
Syria	EU	7.0	AR	3.356	2017-2021		107.1	MHD	No data
Tajikistan		7.0	AR	2.031			74.2	MHD	3.79%
Tanzania		5.0	HR	2.001		Very high corruption risk	76.6	LHD	5.80%
Thailand		5.5	FD	2.098		Very high corruption risk	68.0	VHHD	4.58%
Togo		4.5	AR	2.094			82.1	LHD	17.51%
Turkiye		5.5	HR	2.785	2017-2021	Very high corruption risk		VHHD	4.4%
Turkmenistan		7.0	AR	2.116			64.5	HHD	No data
Uganda		5.5	HR	2.309		High corruption risk	91.5	LHD	10.06%
Ukraine		4.0	HR	2.971	2017-2021	High corruption risk	95.9	HHD	7.32%
United Arab Emirates		6.5	AR	1.865		Very high corruption risk	37.0	VHHD	No data

Uzbekistan		6.5	AR	2.001			66.8	HHD	No data
Venezuela	EU	6.5	AR	2.798	No conflict	Critical corruption risk	90.5	MHD	No data
Vietnam		6.5	AR				58.3	HHD	No data
Yemen	UN EU	6.5	AR	3.394	2017-2021		108.9	LHD	No data
Zambia		4.0	HR	1.841			81.8	MHD	3.96
Zimbabwe	EU	5.5	AR	2.350		Very high corruption risk	96.9	MHD	5.26%

Annex 2: Six criteria in detail

For a viable due diligence that prioritises the most prominent risks, we distinguish between 'primary criteria' and 'support criteria'. The table directly below shows which criteria fall in which category and how the elements lead to selection of a state for the list of states that should not be supplied with weapons.

Table 38 Role of the six criteria

	Primary criteria	Support criteria
	• Arms embargo • Human rights violations • Armed conflict	• Corruption • Fragile states • Poverty and military spending
How the criteria lead to selection:	Surpass the threshold on **any** criterion = selection	Surpass the threshold on **all three** criteria = selection

In the prioritisation of risks, the first three principles are the focus. The last three principles have important value as part of a responsible investment framework; these principles point to important risks associated with investments in the arms sector. The table at the end will show that most states that were selected based on the first three criteria also meet the last three criteria.[xiii] The following paragraphs provide details on the states at risk based on the selection criteria. The infographic on the next page summarises and visualises the application of the criteria as well.

Note that for the following paragraphs, the most up-to-date information at the time when the research was conducted was retrieved from various indices. In some cases, newer information became available by the time of publication of this report.

Arms embargoes



The first criterion selects countries that were under an arms embargo imposed by the EU or the UN during all or part of the research period, from January 2017 to December 2021. While there are other organisations that also impose arms embargoes, we consider UN and EU embargoes as the most authoritative. They may cover both governments and non-governmental forces (NGF), or only NGF.

Table 39 Entities under an arms embargo by the EU and/or UN between January 2017 and December 2021

Country/entity	Embargo EU	Embargo UN	Remarks
Belarus	Yes		EU: since 20 June 2011

[xiii] If a criterion is made up of two thresholds (i.e. Conflict and Defence Spending), then the country is only listed if it scores at least on the first of these thresholds.

Central African Republic	Yes	Yes	EU: since 23 December 2013; UN: since 5 December 2013
China	Yes		
DRC	Yes	Yes	EU: NGF since 2003
Egypt	Yes		EU: since 21 August 2013
Eritrea	Yes	Yes	EU: Lifted 12 December 2018 UN: lifted 14 November 2018
Haiti		Yes	UN: since 21 October 2022
Iran	Yes	Yes	
Iraq	Yes	Yes	EU and UN: NGF since 2004
Lebanon	Yes	Yes	EU and UN: NGF
Liberia	Yes	Yes	EU: lifted 20 June 2016 UN: lifted 26 May 2016
Libya	Yes	Yes	
Myanmar (Burma)	Yes		EU: since 29 July 1991
North Korea (DPRK)	Yes	Yes	
Russia	Yes		EU: since 31 July 2014
Somalia	Yes	Yes	
South Sudan	Yes	Yes	
Sudan	Yes	Yes	UN: Darfur region
Syria	Yes		
Ukraine			EU: 20 February 2014 until 16 July 2014
Venezuela	Yes		EU: since 13 November 2017
Yemen	Yes	Yes	EU: since 8 June 2015 UN: since 14 April 2015 (NGF)
Zimbabwe	Yes		

Table 1 is based on: https://www.sipri.org/databases/embargoes (viewed May 2023)



Human rights violations

The second criterion selects the most unfree countries in the world. Our assessment is based on the Freedom House Index and the Economist Intelligence Unit's Democracy Index.

Freedom House is a US-based non-profit organisation. Its annual report 'Freedom in the World' assesses more than 200 countries and territories with regard to their political and civil rights, assigning scores to each country or territory. There are two scores (for political rights and for civil rights) on a scale from 1 to 7, which are then averaged. The most unfree countries scored a 6.5 or 7 for political and civil rights.[79]

The Economist Intelligence Unit's Democracy Index provides a snapshot of the state of democracy worldwide for 165 independent states and two territories. This covers almost the entire population of the

world and the vast majority of the world's states (microstates are excluded). The Democracy Index is based on five categories:[80]

- Electoral process and pluralism;
- Civil liberties;
- The functioning of government;
- Political participation;
- Political culture.

Countries are classified into four types of regimes: full democracies, flawed democracies, hybrid regimes and authoritarian regimes. In this study, we will focus on the countries with a score below four: these are considered authoritarian regimes.

To create a selection of countries that is as comprehensive as possible, these two indices are combined. The countries that have been incorporated in the final selection both score an average of 6.5 or 7 for political and civil rights in the 2023 edition of the Freedom in the World Index and are considered authoritarian states according to the 2022 Democracy Index.

The countries selected based on the two indices have been incorporated in the final selection of countries. This concerns the states presented in the table below.

Table 40 Countries selected for human rights violations based on the Freedom in the World Index and the Democracy Index

Afghanistan	Eritrea	South Sudan
Azerbaijan	Eswatini	Sudan
Bahrein	Kazakhstan	Syria
Belarus	Laos	Tajikistan
Burundi	Libya	Turkmenistan
Central African Republic	Myanmar	United Arab Emirates
Chad	Nicaragua	Uzbekistan
China	North Korea	Venezuela
Congo (Br)	Russia	Yemen
Cuba	Saudi Arabia	
Democratic Republic of Congo	Somalia	
Equatorial Guinea		

Armed conflict



The third criterion selects states involved in armed conflicts. Two datasets are used for the selection of countries. The first dataset used is the Global Peace Index of the Institute for Economics and Peace (IEP), an Australian research institute. The IEP is an independent institute, which works with the OECD, UN, World Bank and a long list of other partners. The Global Peace Index assesses the extent to which states are in peace or are caught up in conflicts, using 22 indicators for its assessments. The index categorises the overall score into five levels of peacefulness, namely very high, high, borderline, low and very low.[81] A score above 2.375 falls in the category 'low'. Therefore any state scoring over 2.375 was selected for a second check on armed conflict.

The second step involved checking whether the states above the threshold were in armed conflict in one or more years during the research period from 2017 to 2021. We used the Uppsala Conflict Data Program database of Uppsala University to establish whether a country was in conflict.[82]

For this case study, the selected countries have both a 'low' or 'very low' (>2.375) state of peace according to the Global Peace Index 2020 *and* are mentioned in the Uppsala Conflict Data Program as a country involved in conflict in the years 2017, 2018, 2019 and/or 2021. An assessment of the two indices resulted in the selection of the states presented in Table 11.

A relevant principle in the methodology is that involvement in armed conflicts should be acceptable if this is in accordance with a United Nations Security Council (UNSC) resolution. Therefore, the final list only contains states involved in armed conflict that are not part of UN-mandated missions. We operationalise this as follows: we consider actions as 'in accordance' with a UNSC resolution if:

- The resolution contains a mandate under Chapter VII of the UN Charter; and
- The state participates in a UN mission.

We check this passively: a check is made only for states in armed conflict to establish whether this should lead to selection, or not because the involvement is based on a UNSC resolution.

Table 41 States in armed conflict

Afghanistan	Eritrea	Myanmar	Sudan
Azerbaijan	Ethiopia	Niger	Syria
Burkina Faso	India	Nigeria	Turkey
Burundi	Iran	Pakistan	Ukraine
Cameroon	Iraq	Palestine	Yemen
Central African Republic	Israel	Philippines	
Chad	Lebanon	Russia	
Colombia	Libya	Somalia	
DRC	Mali	South Sudan	



Corruption

The fourth criterion selects states where the risk is high that the purchase of military goods is marred by corruption. Corruption in the purchase of military goods presents multiple risks. One of them is that it is likely to create a dynamic in which these purchases become a goal in themselves, serving the interests of a few people directly involved while creating stockpiles of weapons that may not fulfil the needs of the military, and wasting considerable sums of public money.

Transparency International's (TI) Government Defence Anti-Corruption Index, used in previous reports, is being transformed in the 'Government Defence Integrity Index'. The index assesses the quality of institutional controls to manage the risk of corruption in defence and security institutions. TI is an international non-profit organisation that campaigns against the destructive influence corruption has on the lives of people all over the world. The Government Defence Integrity Index is the first global analysis of corruption risk in defence establishments worldwide. The index assesses and compares levels of corruption risk and vulnerability across countries. It places the countries in six different categories to indicate their level of corruption risk. The categories range from very low, low and moderate to high, very high and critical. In this research we focus on the countries with the highest risk levels: very high or critical corruption risk.[83] As the index is currently undergoing an transformation, not all country assessments are published. In this study we only use the country assessments that where published.

The countries with a very high or critical risk of corruption are presented in the table below. Note that states that meet the threshold for this criterion will only be listed included in the final selection of countries if they also meet both the other two supporting criteria, or if they meet any of the first three criteria.

Table 42 States with very high or critical risk of corruption

Algeria	Egypt	Morocco	Sudan
Angola	Ghana	Myanmar (Burma)	Tanzania
Azerbaijan	Iran	Niger	Thailand
Bahrain	Iraq	Nigeria	Turkiye
Bangladesh	Jordan	Oman	United Arab Emirates
Burkina Faso	Kuwait	Palestine	Venezuela
Cameroon	Lebanon	Qatar	Zimbabwe
China	Mali	Saudi Arabia	
Côte d'Ivoire	Mexico	South Sudan	

Support criterion: fragile states



The fifth criterion lists countries with a fragile state. According to the 2023 Fragile States Index, 31 countries can be identified as fragile states. This index is published by Foreign Policy magazine and the Fund for Peace, an American research institute. The 2023 Fragile States Index assesses 178 states, using 12 social, economic, political and military indicators to determine which states are most vulnerable to violent internal conflicts and social decline. The Index has 11 categories, from very sustainable to very high alert.[84]

The selected countries in this report are those countries exceeding the critical boundary of 90 (out of 120) points and falling into the three worst categories: alert, high alert or very high alert. According to the Fragile States Index, the countries in these categories can be considered fragile states. These countries are presented in Table 13.

Table 43 States considered fragile

Afghanistan	Eritrea	**Myanmar**	**Ukraine**
Burkina Faso	Ethiopia	Niger	Venezuela
Burundi	Guinea	Nigeria	Yemen
Cameroon	Haiti	Somalia	Zimbabwe
Central African Republic	Iraq	South Sudan	
Chad	Lebanon	Sri Lanka	
Cote d'Ivoire	Libya	Sudan	
Congo (Br.)	Mali	Syria	
Democratic Republic of Congo	Mozambique	Uganda	



Support criterion: poverty and military spending

The sixth criterion selects countries in a low stage of development that spend a large share of their national budget on arms. The risk we want arms suppliers to pay attention to is that the purchase of military goods is disproportionate and hence threatens the economic and social development of a country.

There is no international standard to define the threshold percentage above which governments' spending on military equipment harms the sustainable development of a country. We therefore combine two indices. The development of a country is based on the Human Development Index of the United Nations Development Programme (UNDP).[85] For this criterion, all countries with a low level of human development according to the UNDP have been pre-selected. To determine military spending, data have been used from SIPRI, an internationally recognised research institute. Among many other things, they publish data on levels of military spending as a proportion of total government expenditure. To establish which countries spend a disproportionally large share of their government budget on military equipment, the SIPRI military expenditure list has been used.[86] A relatively high threshold of 7 per cent of total government spending has been used in this report.

The countries that are identified as having a low level of development *and* have military expenditure that is over 7 per cent of their total government spending are considered at risk. This is the case for the eleven countries presented in the table below. They are selected if they meet the two other support criteria as well. States included in the final selection can be found in the table below.

Table 44 States with a low level of development and relatively high military expenditure

Burkina Faso	Guinea-Bissau
Burundi	Mali
Central African Republic	Niger
Chad	Pakistan
Guinea	Sudan
	Uganda

Final selection

In total, 52 countries were identified to which arms supplies can be considered controversial. They meet one or more of the criteria described in section 0 (arms embargoes) 0 (human rights violations) or 0 (armed conflict), or they meet all three of the criteria described in sections 0, 0 and 0.

Table 45 Final selection of states for the report

Afghanistan	Democratic Republic of Congo	Lebanon	South Sudan
Azerbaijan	Egypt	Libya	Sudan
Bahrain	Equatorial Guinea	Mali	Syria
Belarus	Eritrea	Myanmar (Burma)	Tajikistan
Burkina Faso	Eswatini	Nicaragua	Turkiye
Burundi	Ethiopia	Niger	Turkmenistan
Cameroon	Haiti	Nigeria	Ukraine[xiv]
Central African Republic	India	North Korea	United Arab Emirates
Chad	Iran	Palestine	Uzbekistan
China	Iraq	Pakistan	Venezuela
Colombia	Israel	Russia	Vietnam
Congo (Br)	Kazakhstan	Saudi Arabia	Yemen

[xiv] See paragraph 3.3 of this report for our position on arms supplies to Ukraine

Cuba	Laos	Somalia	Zimbabwe

Annex 3: Letter to the Arms Producers in the Survey

Ref: Your company's involvement in controversial arms trade

Dear ….

I am writing you on behalf of PAX, a Dutch peace organisation. PAX is preparing two studies into investments of financial institutions in Europe and the US in weapons producers involved in controversial arms trade. The study lists your company as involved in this activity.

With 'controversial arms trade' we refer to trade in military goods to countries or parties that match one or more of the following criteria:

- countries that are under a United Nations or EU multilateral arms embargo;
- countries that severely violate human rights;
- parties involved in conflict, unless to parties acting in accordance with a UN Security Council resolution;
- countries that are sensitive to corruption;
- countries that can be considered as failed or fragile state;
- countries that spend a disproportionate part of the government budget on purchases of arms.

We have analysed supply of military goods to 52 countries that meet these criteria. In appendix I of this letter, you will find an overview of the trade deals we found and that we relate to your company. This overview is based on SIPRI's Arms Transfers Database. If you would like to receive the full analysis that led to the selection of the 52 countries, please reach out to me by email via the address provided below.

The study we aim to publish focuses on the investments of financial institutions in your company, and has as overarching goal to convince your company to sell military goods only to countries of which the risk of abuse of these goods is minimal. We are of the view that just compliance with arms export regulations of States of incorporation are not sufficient to minimize that risk.

As your company plays a prominent role in our upcoming report, I would like to reach out to you to enable you to clarify your position on the issue we aim to address. I would like to invite you to react on the following three questions:

4. If you are of the view that the listing of arms transfers by your company in appendix I is incorrect, could you please provide us with relevant documentation to elaborate your view?
5. Does your company have a human rights due diligence policy in place that relates to arms transfers , and could you elaborate on that policy and its relation to the arms transfers listed in appendix I ?
6. If such a policy is currently not in place, is your company planning to put such a policy in place in order to guide arms transfers in the future?

We would very much welcome your answers to these questions. We would like to include these, where possible, in our report due to be published late August 2023. If you would want to respond, but would not want (parts of) your response to be published in the report, please indicate this and we will respect your preference.

We would like to receive your reaction **before July 24, 2023.**

Thank you again for your time, and if you have any questions please do not hesitate to get in touch.

Yours sincerely,

Annex 3 Questions sent to financial institutions

Survey Fair Finance Guide case study 'Controversial Arms Trade'

9 May 2023

Deadline: 30 May 2023

1. *Is the information concerning investments in arms companies correct? If applicable, see the table attached to the email for the financial data we retrieved.*

If you do not hold any investments in the selected companies, you can continue with question 5 and 6.

2. *Have you taken any action towards the selected companies in which you hold investments, either through (collective) engagement, through voting on shareholder meetings or by reducing investments in the company, to persuade the company in question to:*
    a. *Adopt a human rights policy in line with existing standards such as the UN Guiding Principles on Business and Human Rights? And / or;*
    b. *Specifically change its policy and practice around the supply of military goods to the countries listed in this report?*

3. *If you have taken any action, could you provide more information about the actions you have taken, specifically:*
    a. *The goals of the action*
    b. *The results so far*
    c. *The timeframe you have established for your actions*
    d. *The way you have communicated about your actions. If possible, please provide us with a link. Please respond for each company separately if applicable.*

    If you have taken no action, could you explain why not?

4. *How does the action you have taken relate to your investment policies?*

5. *Will you take measures (in policy or practice) based on this study?*

6. *Most pension funds were and insurers are part of the RBC-agreements. As part of these agreements, frameworks were drafted to offer assistance on responsible investment around the theme of controversial weapons and arms trade. You can find the frameworks here: insurers and pension funds. Could you indicate what has changed or will change in your policy or practice as result of this framework?*

Acronyms

ABM	Anti-Ballistic Missile
AC	Aircraft
AD	Air Defence
AEW&C	Airborne Early-Warning and Control
AFSV	Armoured Fire Support Vehicle
APC	Armoured Personnel Carrier
ASM	Air to Surface Missile
ASW	Anti-Submarine Warfare
ATT	Arms Trade Treaty
BVRAAM	Beyond-Visual Range Air-to-Air Missile
ESG	Environmental, Social, Governance
EO	Electro-Optical
EU	European Union
EU CP	European Union Common Position (defining common rules governing control of exports of military technology and equipment)
FATF	Financial Action Task Force
FGA	Fighter/Ground Attack
FFG	Fair Finance Guide
GDP	Gross Domestic Product
IFV	Infantry Fighting Vehicle
IHL	International Humanitarian Law
IHRL	International Human Rights Law
MRL	Multiple Rocket Launcher
OECD	Organization for Economic Cooperation and Development
RBC	Responsible Business Conduct
SAM	Surface to Air Missile
SSM	Surface to Surface Missile
SRAAM	Short-Range Air-to-Air Missile
UAE	United Arab Emirates
UAV	Unmanned Aerial Vehicle
UK	United Kingdom
UN	United Nations
UNGP	United Nations Guiding Principles (on Business and Human Rights)
US	United States

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The Fair Insurance Guide is a coalition of Amnesty International, Milieudefensie, Oxfam Novib, PAX and World Animal Protection.









