

Controversial arms trade and investments of insurers

Fair Insurance Guide

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PAX

Eerlijke
Verzekeringswijzer



Fair Insurance Guide

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Research by: Frank Slijper and Cor Oudes (PAX). Profundo carried out the financial research.



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)
FGA	Fighter / Ground Attack
FFG	Fair Finance Guide
GDP	Gross Domestic Product
IFV	Infantry Fighting Vehicle
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

Table of contents

Chapter 1	Introduction.....	13
1.1	The issue	13
1.2	International standards	14
1.2.1	Arms Trade Treaty	14
1.2.2	EU Common Position on Arms Export Controls.....	14
1.3	International human rights standards and arms trade	15
1.4	Agreement for International Responsible Investment in the insurance sector ..	16
Chapter 2	States at risk	17
2.1	Indicators	17
2.1.1	Primary criterion: Arms embargoes	20
2.1.2	Primary criterion: Unfree countries.....	21
2.1.3	Primary criterion: Armed conflict	22
2.1.4	Support criterion: Corruption	23
2.1.5	Support criterion: Fragile states	24
2.1.6	Support criterion: Poverty and military spending	25
2.1.7	Final selection	26
2.1.8	Account of changes to the methodology for the selection of states	27
2.1.9	Case: the war in Yemen	27
2.1.10	International response	28
Chapter 3	Selection of companies	30
3.1	Guidance for the selection of companies	30
3.1.1	Source transfer list of military goods.....	32
3.2	Engagement with arms producers	32
3.3	Airbus	32
3.4	BAE Systems	34
3.5	Boeing.....	36
3.6	General Dynamics.....	38
3.6.1	Response of General Dynamics	39
3.7	General Electric	39
3.8	Honeywell	40
3.8.1	Response of Honeywell	41
3.9	Leonardo	41
3.9.1	Response of Leonardo	44
3.10	Lockheed Martin.....	44
3.11	Northrop Grumman	47
3.12	Raytheon.....	47

3.13	Rheinmetall	50
3.14	Rolls-Royce.....	51
3.15	Thales	52
3.16	United Technologies Corporation	53
3.17	Responsibility of arms companies	54
Chapter 4	Investments by the selected insurers	56
4.1	Developments in policy and practice of the selected insurers since 2015	56
4.2	Methodology research investment practice	57
4.3	Achmea	58
4.4	Aegon.....	58
4.4.1	Aegon NL.....	60
4.5	Allianz	61
4.6	ASR	62
4.7	CZ.....	62
4.8	Menzis	63
4.9	NN Group	63
4.10	Vivat	64
4.11	VGZ	64
4.12	Investor's responsibility	65
Chapter 5	Conclusions and recommendations	68
5.1	Conclusions	68
5.2	Recommendations.....	69

List of tables

Table 1	Bedrijven die wapens leverden aan 'states at risk'	8
Table 2	Arms supplies to Saudi Arabia, the UAE and Egypt since 2015.....	8
Table 3	Overzicht investeringen 9 verzekeraars in 14 wapenbedrijven	9
Table 4	Companies that supplied weapon systems to 'states at risk'	10
Table 5	Arms supplies to Saudi Arabia, the UAE and Egypt since 2015.....	11
Table 6	Overview of investments by the insurers in the fourteen arms companies	12
Table 7	Responsible investment principles and selection criteria	17
Table 8	Role of the six criteria.....	18
Table 9	Entities under an arms embargo by the EU and/or UN 2015-01 until 2019-12.20	
Table 10	Selected unfree states as defined by the Freedom in the World Index and the Democracy Index	22
Table 11	Selected states in armed conflict.....	23
Table 12	States with very high or critical corruption	24

Table 13	States considered fragile	25
Table 14	Selected states for poverty and military spending	26
Table 15	Final selection of states for the case study	26
Table 16	Arms producers (14) selected in this study	30
Table 17	Sales of military goods to states at risk 2015-2019 by Airbus	33
Table 18	Sales of military goods to states at risk 2015-2019 by BAE Systems	35
Table 19	Sales of military goods to states at risk 2015-2019 by Boeing	36
Table 20	Sales of military goods to states at risk 2015-2019 by General Dynamics.....	38
Table 21	Sales of military goods to states at risk 2015-2019 by General Electric	40
Table 22	Sales of military goods to states at risk 2015-2019 by Honeywell	40
Table 23	Sales of military goods to states at risk 2015-2019 by Leonardo	42
Table 24	Sales of military goods to states at risk 2015-2019 by Lockheed Martin.....	45
Table 25	Sales of military goods to states at risk 2015-2019 by Northropp Grumman ...	47
Table 26	Sales of military goods to states at risk 2015-2019 by Raytheon.....	48
Table 27	Sales of military goods to states at risk 2015-2019 by Rheinmetall	50
Table 28	Sales of military goods to states at risk 2015-2019 by Rolls Royce	51
Table 29	Sales of military goods to states at risk 2015-2019 by Thales	52
Table 30	Sales of military goods to states at risk 2015-2019 by United Technologies Corporation	54
Table 31	Policy assessment scores of the Fair Insurance Guide for ‘arms’	56
Table 32	Investments found for Achmea in the 14 arms companies	58
Table 33	Investments found for Aegon in the 14 arms companies.....	58
Table 34	Invesments for Aegon Investment Management B.V. in the 14 arms companies	60
Table 35	Investments found for Allianz in the 14 arms companies	61
Table 36	Investments found for NN Group in the 14 arms companies	63
Table 37	Investments found for Vivat in the 14 arms companies	64
Table 38	Total investments in shares and bonds of the 14 arms companies, by the 9 insurance companies	65
Table 39	States at high risk	71

Samenvatting

In Nederland hebben miljoenen mensen een verzekering. Verzekeraars investeren de verzekeringspremie die deze mensen betalen onder andere in bedrijven. Dat is vooral het geval bij zogeheten ‘kapitaalverzekeringen’, waarbij de verzekeraar een som geld opbouwt voor de verzekerde. Veel verzekeraars beschikken over een vermogensbeheerder, die ook voor andere partijen geld belegt, zoals bijvoorbeeld voor pensioenfondsen. Het maakt uit in welk bedrijf een verzekeraar geld belegt. Vanzelfsprekend moet de verzekeraar zorgen dat de beleggingen rendement opleveren. Daarnaast zouden verzekeraars er echter zorg voor moeten dragen dat zij niet beleggen in bedrijven die schade toebrengen aan mens of milieu.

Dit onderzoek gaat in op de vraag of verzekeraars investeren in bedrijven die profiteren van een risico waartegen veel mensen zich niet kunnen verzekeren: oorlog. De Eerlijke Verzekeringswijzer onderzocht hoe de 9 grootste verzekeraars op de Nederlandse markt omgaan met investeringen in wapenbedrijven. Het gaat dan in het bijzonder om wapenbedrijven die wapens leveren aan landen die in conflict zijn of waar mensenrechten worden geschonden: controversiële wapenhandel.ⁱ

Landen

Uit dit onderzoek blijkt dat van de 9 grootste verzekeraars in Nederland, 5 verzekeraars miljarden investeren in 14 wapenproducenten die militaire goederen leveren aan landen waar mensenrechten ernstig worden geschonden. Deze landen voldoen aan een of meer van de volgende 6 criteria:

1. Het land staat onder een wapenembargo
2. In het land worden mensenrechten ernstig geschonden
3. Het land is betrokken bij een ernstig conflict
4. Het land is zeer corrupt
5. Het land is zeer fragiel
6. Het land geeft te veel uit aan defensie

Uit een groot aantal onderzoeken komt naar voren dat een aantal landen daadwerkelijk betrokken is bij ernstige schendingen van mensenrechten en/of het internationaal oorlogsrecht. Het optreden van vooral Saoedi-Arabië en de Verenigde Arabische Emiraten (VAE) in Jemen laat zien wat de gevolgen zijn van de verkoop van wapens aan staten die weinig oog hebben voor mensenrechten en menselijke waardigheid. In Jemen zijn onder leiding van beide landen ziekenhuizen, scholen en woonwijken aangevallen. In totaal heeft de oorlog in Jemen intussen aan meer dan 120.000 mensen het leven gekost.

Wapenbedrijven

Bij de verkoop van wapensystemen zouden producenten moeten nagaan of het land dat de systemen wil kopen betrokken is bij ernstige schendingen van mensenrechten of in conflict is. Maar uit ons onderzoek blijkt dat 14 van de grootste wapenbedrijven ter wereld de afgelopen 5 jaar wapensystemen leverden aan landen waar dat wel voor geldt. De meeste van deze bedrijven leverden de afgelopen jaren wapens aan bijvoorbeeld Saoedi Arabië en de VAE, beide betrokken bij de oorlog in Jemen. Het gaat om de volgende bedrijven:

ⁱ Dit rapport gebruikt de termen ‘wapens’, ‘wapensystemen’ en ‘militaire goederen’ uitwisselbaar. Alle militaire goederen in dit rapport zijn ofwel wapens, of (deel van) militaire voertuigen, vliegtuigen of vaartuigen.

Table 1 Bedrijven die wapens leverden aan 'states at risk'

Airbus	General Electric	Northrop Grumman	Thales
BAE Systems	Honeywell	Raytheon	United Technologies Corporation
Boeing	Leonardo	Rheinmetall	
General Dynamics	Lockheed Martin	Rolls-Royce	

Van de 14 wapenbedrijven in dit rapport, hebben de onderzochte verzekeraars het meeste geïnvesteerd in Boeing (609 miljoen euro), General Electric (1,377 miljoen euro) en United Technologies Corporation (972 miljoen euro). De laatste twee bedrijven maken motoren voor gevechtsvliegtuigen en zijn ook uitgebreid betrokken bij het onderhoud van die motoren ter plaatse. Boeing produceert verschillende wapensystemen, van gevechtsvliegtuigen tot bommen. Tabel 5 laat zien welke wapensystemen deze 3 bedrijven hebben geleverd aan Saoedi Arabië en de VAE. De tabel laat zien welke systemen zij van deze 3 bedrijven ontvingen sinds het begin van de oorlog in Jemen in 2015.

Table 2 Arms supplies to Saudi Arabia, the UAE and Egypt since 2015

Bedrijf	Land	Aantal en type	Systeem
Boeing	Saoedi-Arabië	±48 AH-64E Apache Guardian	Gevechtshelikopter
	Saoedi Arabië	±86 F-15SG	Gevechtsvliegtuig
	Saoedi Arabië	±3245 JDAM	Geleide bom
	Saoedi Arabië	±600 GBU-39 SDB	Geleide bom
	Saoedi Arabië	±24 AH-6S	Gevechtshelikopter
	VAE	±12 CH-47F Chinook	Transporthelikopter
	VAE	±5000 GBU-39 SDB	Geleide bom
	VAE	±8604 JDAM	Geleide bom
	VAE	2 C-17A Globemaster-3	Zwaar transportvliegtuig
General Electric	Saoedi Arabië	±6 CF-6/F-103	Motor transportvliegtuig
	Saoedi Arabië	± 20 F110	Motor F-15 gevechtsvliegtuig
United Technologies Corporation	Saoedi Arabië	8 PW100	Motor transportvliegtuig
	Saoedi Arabië	±55 PT6	Motor transportvliegtuig
	VAE	±24 PT6	Motor Archangel gevechtsvliegtuig
	Saoedi Arabië	±10 DB-110	Radar F-15 gevechtsvliegtuig

Er is een groot risico dat deze wapensystemen voor oorlogshandelingen, zoals die in Jemen, worden gebruikt. Alleen al om die reden zouden verzekeraars niet meer moeten investeren in deze wapenbedrijven, tenzij zij deze bedrijven ervan kunnen overtuigen te stoppen met de verkoop van wapensystemen aan landen die in oorlog zijn of mensenrechten ernstig schenden.

Verzekeraars

Voor deze studie is onderzocht of de 9 grootste verzekeraars in Nederland investeren in de 14 wapenbedrijven. We vroegen de verzekeraars ook of zij actie hebben ondernomen (engagement, stemmen op aandeelhoudersvergaderingen) richting de wapenbedrijven om te zorgen dat die meer verantwoord omgaan met wapenhandel. Geen van de verzekeraars wilde daarop reageren.

ASR heeft geen investeringen in de 14 bedrijven, en dat is duidelijk een gevolg van het beleid van ASR. CZ, Menzis en VGZ hebben geen beleid rond wapenhandel, maar voor hen werden ook geen investeringen in een van de bedrijven gevonden.

Achmea en Vivat hebben enige investeringen in 1 van de 14 wapenbedrijven: General Electric. Het beleid van Achmea en Vivat is juist heel goed, het is daarom onduidelijk hoe de verzekeraars tot deze investeringen zijn gekomen.

Allianz, Aegon en NN Group hebben investeringen in meerdere van de wapenbedrijven. Allianz investeert zelfs in alle 14 wapenbedrijven met in totaal 3,8 miljard euro. Aegon investeert 1,1 miljard euro in 13 van de 14 wapenbedrijven, en NN Group 109 miljoen euro in 6 van de 14 wapenbedrijven. Allianz stemde wel voor een aandeelhouders resolutie die bij 1 wapenbedrijf werd ingediend en het bedrijf vroeg om een *human rights impact assessment* uit te voeren. Allianz is daarnaast in gesprek (engagement) met 3 van de bedrijven waarin het investeert, maar het is onduidelijk waarover, omdat Allianz dat niet wilde zeggen. Het handelen van Allianz (voor zover publiek bekend) schiet zeer tekort vergeleken met de enorme investeringen die Allianz heeft in deze bedrijven. Van Aegon en NN Group is niet bekend of zij enige actie ondernemen richting de wapenbedrijven waarin zij investeren. Concluderend stellen we dat deze verzekeraars op dit punt niet in lijn met internationale mensenrechtenstandaarden handelen. Het risico van beleggingen in wapenbedrijven is hen al in 2015 duidelijk gemaakt in een eerdere versie van dit rapport. Dat deze risico's bekend waren bij deze verzekeraars vergroot hun verantwoordelijkheid.

Als duidelijk is dat wapenbedrijven militaire goederen verkopen aan staten waarbij het risico groot is dat die worden ingezet bij schendingen van mensenrechten en / of het oorlogsrecht, zouden verzekeraars ofwel dringend met deze bedrijven in gesprek moeten gaan, of hun investeringen beëindigen. Als een wapenbedrijf na gesprekken met de verzekeraar niet meer verantwoord gaat handelen, moet de verzekeraar alsnog de investering beëindigen en het bedrijf uitsluiten.

Table 3 Overzicht investeringen 9 verzekeraars in 14 wapenbedrijven (in € miljoen)

Company	Achmea	Aegon	Allianz	ASR	CZ	Menzis	NN Group	Vivat	VGZ	Total (in €mln)
Airbus		24,59	128,13				28,91			181,64
BAE Systems		123,17	139,10							262,27
Boeing		150,41	440,49				18,90			609,81
General Dynamics		7,38	62,83							70,22
General Electric	6,27	121,68	1192,49				21,15	35,62		1377,21
Honeywell		73,89	474,95				33,28			582,13
Leonardo		0,88	24,03				0,31			25,22
Lockheed Martin		256,82	222,63							479,45
Northrop Grumman		42,33	77,19							119,52
Raytheon		25,08	217,43							242,50
Rheinmetall			23,40							23,40
Rolls-Royce		37,39	53,26							90,64
Thales		1,66	35,73							37,40
United Technologies Corp		234,15	731,11				6,77			972,06
Total (in € mln)	6,27	1099,44	3822,78	0	0	0	109,32	35,60	0	5073,47

Summary

In the Netherlands, millions of people have an insurance to cover for risk. Insurers invest these premiums in companies. This is in particular the case with so-called 'endowment insurances', in which the insurer builds up a large sum of money for the insured. Many insurers have investment managers, which also invest on behalf of third parties, for instance pension funds. It matters in which company an insurer invests. Naturally, the insurer should look for investments with financial return. However, insurers should also avoid making investments that 'do harm', for instance in companies that hurt other people.

This study looks at the investments of insurers in companies that profit from a risk that many cannot find insurance for: war. The Fair Insurance Guide has investigated how the 9 largest insurers on the Dutch insurance market deal with investments in arms companies, specifically if these companies supply weapon systems to regimes that are in armed conflict or violate human rights: controversial arms trade.ⁱⁱ

States

This study shows that of the 9 largest insurers in the Netherlands, 5 have investments in arms producers which supply weapon systems to states where the risk of these weapons being used against civilians is high. These countries meet one or more of the following 6 criteria:

1. An arms embargo applies to the country
2. Severe human rights violations take place in the country
3. The country is involved in armed conflict
4. The country has high rates of corruption
5. The country is unstable (fragile)
6. The country overspends on defense

A significant number of studies indicate some countries are in fact involved in serious violations of human rights and/or international humanitarian law. The conduct of primarily Saudi Arabia and the United Arab Emirates (UAE) in Yemen show the possible consequences of arms sales to states with little attention for human rights and human dignity. Over the past years both states have been involved in the bombing of hospitals, schools and residential areas. Recent estimates say the war in Yemen has cost 120.000 lives.

Arms companies

When selling weapon systems, producers 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 14 of the largest arms producers in the world have, in the past 5 years, supplied weapon systems to states involved in armed conflict and/ or human rights violations. Most of these companies have also supplied weapon systems to for instance Saudi Arabia and the UAE, both involved in the war in Yemen. These are the following companies:

Table 4 Companies that supplied weapon systems to 'states at risk'

Airbus	General Electric	Northrop Grumman	Thales
BAE Systems	Honeywell	Raytheon	United Technologies Corporation
Boeing	Leonardo	Rheinmetall	
General Dynamics	Lockheed Martin	Rolls-Royce	

ⁱⁱ This report used the terms 'arms', 'weapons', 'weapon systems' and 'military goods' interchangeably. All military goods listed in this report are either weapons or (part of) military vehicles, aircraft or vessels.

Of the 14 companies in this report, insurers active in the Netherlands have invested most in the companies Boeing (609 million euro), General Electric (1,377 million euro) and United Technologies Corporation (972 million euro). The latter 2 companies produce engines for fighter jets and are also heavily involved in maintaining these systems once in operation. Boeing produces a wide range of weapons systems. Table 5 shows which weapon systems these three companies have supplied to Saudi Arabia and the UAE. These countries are involved in the war in Yemen, the table shows the systems they received since the start of the war in Yemen in 2015.

Table 5 Arms supplies to Saudi Arabia, the UAE and Egypt since 2015

Company	Country	Number and type	System
Boeing	Saudi Arabia	±48 AH-64E Apache Guardian	Combat helicopter
	Saudi Arabia	±86 F-15SG	Fighter jet
	Saudi Arabia	±3245 JDAM	Guided bomb
	Saudi Arabia	±600 GBU-39 SDB	Guided bomb
	Saudi Arabia	±24 AH-6S	Combat helicopter
	UAE	±12 CH-47F Chinook	Transport helicopter
	UAE	±5000 GBU-39 SDB	Guided bomb
	UAE	±8604 JDAM	Guided bomb
	UAE	2 C-17A Globemaster-3	Heavy transport aircraft
General Electric	Saudi Arabia	±6 CF-6/F-103	Engine transport aircraft
	Saudi Arabia	± 20 F110	Engine F-15 fighter jets
United Technologies Corporation	Saudi Arabia	8 PW100	Engine transport aircraft
	Saudi Arabia	±55 PT6	Engine transport aircraft
	UAE	±24 PT6	Engine Archangel fighter jets
	Saudi Arabia	±10 DB-110	Radar F-15 fighter jets

There is a very large risk that these weapons systems are or will be used in military actions, such as those taking place in Yemen. For that reason alone, insurers should no longer invest in these companies, unless they succeed in convincing these companies to stop the sale of weapon systems to countries that severely violate human rights or are involved in armed conflict.

Insurers

This study investigated whether the 9 largest insurers in the Netherlands invest in the 14 companies. We asked the insurers to indicate whether they take any action (engagement, voting) towards arms companies to positively change their policy and practice on arms sales. None of the insurers was willing to indicate if they had taken any action.

ASR has no investments in any of the 14 companies, and this is clearly a result of the quality of its policy. CZ, Menzis and VGZ lack any policy on the issue of controversial arms trade, but have no investments in any of the 14 companies either.

Achmea and Vivat have limited investments in 1 of the 14 companies, General Electric. As their policies on the issue of arms trade are quite good, it is unclear how this investment came about.

Allianz, Aegon and NN Group hold investments in multiple companies. Allianz invests in all 14 companies and is the largest investor (3,822 million euro). Aegon invests 1,099 million euro in 13 out of 14 companies and NN Group 109 million euro in 6 companies. Allianz did vote in favour of a shareholder resolution filed with 1 arms company which asked for a human rights impact assessment. Allianz also does engage with 3 of the companies it invests in, though it is unclear what the engagement is about, as Allianz did not want to clarify this further. Allianz' action (for as far as publicly known) is way too little compared to the exposure it has to these companies fuelling wars across the globe. Nothing is known about any action Aegon or NN Group may have taken to act on their exposure to these arms companies. Based on what is public about their actions, we therefore conclude that on this issue these insurers do not act in line with human rights standards. The risk of exposure to controversial arms trade through investments in arms companies was already pointed out to these insurers in 2015, which adds to their responsibility to act.

If it becomes clear that companies sell weapon systems to states at risk of violating human rights or international humanitarian law, insurers should either divest from these companies or try to influence policy and practice of these companies through engagement. If an arms company does not change its behavior, insurers should decide to exclude this company from investments.

Table 6 Overview of investments by the insurers in the fourteen arms companies (in € million)

Company	Achmea	Aegon	Allianz	ASR	CZ	Menzis	NN Group	Vivat	VGZ	Total (in €mln)
Airbus		24.59	128.13				28.91			181.64
BAE Systems		123.17	139.10							262.27
Boeing		150.41	440.49				18.90			609.81
General Dynamics		7.38	62.83							70.22
General Electric	6.27	121.68	1192.49				21.15	35.62		1377.21
Honeywell		73.89	474.95				33.28			582.13
Leonardo		0.88	24.03				0.31			25.22
Lockheed Martin		256.82	222.63							479.45
Northrop Grumman		42.33	77.19							119.52
Raytheon		25.08	217.43							242.50
Rheinmetall			23.40							23.40
Rolls-Royce		37.39	53.26							90.64
Thales		1.66	35.73							37.40
United Technologies Corp		234.15	731.11				6.77			972.06
Total (in € mln)	6.27	1099.44	3822.78	0	0	0	109.32	35.60	0	5073.47

Chapter 1 Introduction

This study examines whether insurers with activities on the Dutch insurance market have investments in arms companies involved in controversial arms trade. We define controversial arms trade as the supply of military goods to states with whom the risk is high that these weapons will be used in violation of human rights or international humanitarian law. Insurers invest the insurance premiums of their customers. In this role as investor, they should act responsibly and in line with international standards on responsible business conduct. This study examines whether they do so.

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

- Chapter 2 explains for which states the risks of arms sales to the state is high. Based on six criteria, a list of 49 states is composed to which military goods should, given the risks, not be sold.
- Chapter 3 lists the companies that have sold military goods to one or several of the states listed in Chapter 2.
- Chapter 4 presents which Dutch insurance companies invest in any of these companies, and for how much.

Chapter 5 presents the main conclusions and recommendations on the development of policy and practice around investments in arms producers. The study examines the insurers Achmea, Aegon, Allianz, ASR, CZ, Menzis, NN Group, Vivat and VGZ.

1.1 The issue

Global military expenditure, in 2019, grew to US\$ 1,917 billion.¹ The global arms production by the top 100 arms producers worldwide amounted to US\$ 442 billion in 2018.² That is more than the GDP of Israel, New Zealand or Portugal. These figures provide some indication of the size of international arms trade.

Each individual weapon system is designed to apply violence: to kill or destroy. A significant number of states purchases and uses weapons or other military goods to defend its 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 these weapons against human security. While certainly in Russia and China most arms producing companies are state-owned, elsewhere many others are privately held, often listed at a stock exchange. Investors can contribute to the capital of the company, as shareholder, to ensure and 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 which products are used to endanger human security. If they fail to do so, their profit is made at the cost of civilians that suffer from the violence caused by these weapons.

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

1.2 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 clearly violate these norms.³ 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 development of investment policies and due diligence.

1.2.1 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 with a large majority of votes. After 49 states had ratified, the treaty entered into force on 24 December 2014.⁴ The ATT requires states-parties to establish common international standards that must be met before arms exports are authorized, 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 authorizations 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 organized 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”.⁵

The ATT could in the future be amended to include other military technologies as well.⁶

At the time of writing, 110 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.⁷ 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 no state party yet, ‘unsigned’ in 2019.⁸

1.2.2 EU Common Position on Arms Export Controls

Years before the ATT was concluded, the EU had recognized 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”.⁹ It contains eight criteria, aimed at, among others, preventing military exports likely to be used in the country of final destination for internal repression, in internal or international conflicts.¹⁰ 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 summarized as:

1. Respect for international commitments of 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 behavior 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, taking into account the desirability that states should achieve their legitimate needs of security and defense with the least diversion for armaments of human and economic resources, e.g. through considering the recipient country's relative levels of military and social spending.

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

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

1.3 International human rights standards and 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 around the risk of human rights violations. The United Nations Guiding Principles (UNGPs, 2011)¹¹ were endorsed by the UN Human Rights Council. 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 these in line with the UNGPs.

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 'fleeting', and focuses on the company's suppliers and the conditions of its employees, rather than the impact of its arms sales on human rights.¹²

Amnesty International sent letters to 22 arms companies to inquire about their human rights policies and processes. Only eight companies responded, and the response mostly focused on compliance with national export licensing procedures and requirements. This is also the experience of PAX, with letters sent to a largely similar selection of companies for this report.

Amnesty International points out that the UNGPs require arms companies to conduct risk assessments on 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.

The report in front of you now, states that investors in arms companies also have a responsibility, under the same international standards, to take action if an arms producers they invest in doesn't abide by these standards. In most cases, investors will risk becoming 'directly linked' to companies that are either also directly linked, or contributing to violations. The 'link' is caused by the business relationship that exists because of the investment or financing relation. Under certain circumstances, failing to take action might even lead an investor to be considered responsible for remediation of the harm inflicted by the weapon systems used in the human rights violations.

1.4 Agreement for International Responsible Investment in the insurance sector

Since 2018 the Dutch insurers has signed 'Responsible Business Conduct Agreement' with several business sectors and stakeholders. In 2019, such an agreement ('convenant', in Dutch) was signed between the branch organization for Dutch insurers (representing the Dutch branches of all insurers in this studyⁱⁱⁱ), the Dutch government and a number of civil society organizations (including PAX). The agreement aims to address ESG-issues in the value chains of which the investments of the Dutch insurers are part.

As part of the agreement, the participants started drafting frameworks around specific themes. They combined their expertise and provided input from their specific perspectives on how insurers could handle ESG-risks on specific issues. This resulted in the publication of 5 thematic frameworks, including one on arms trade with high risk countries. The frameworks were developed over the course of 2019, and published in 2020.

The framework on controversial weapons and arms trade with high risk countries points to the risks of investments in companies involved in either. In its recommendations on how to identify the risk of investing in companies involved in controversial arms trade, the framework mostly applies the same methodology that is used in this report as well. In its recommendations on how to deal with these risks, the framework points to the options in voting, engagement and exclusion.¹³ As part of the RBC-agreement, in 2019a 'lessons learned' session was organized on the issue of arms trade. A summary of this session was published in 2020. These conclusions state the following, amongst other things:

*'Arms trade with high-risk countries that have a longstanding involvement in human rights violations bring about ESG-risks in the area of human rights. Investments in companies that take these risks without mitigation, require action from the investor (the insurer) according to the OECD Guidelines and the UNGP's. They can take action by starting meaningful and timebound engagement, or by exclusion of the company.'*¹⁴

ⁱⁱⁱ See: <https://www.imvoconvenanten.nl/en/insurance>. Note that the agreement was signed by the insurers that are a member of the branch organizations. This excludes the overseas activities of insurers like Aegon and NN Group. For Allianz, the Dutch branch participates in the agreement, not the whole Allianz group. Achmea, Aegon and NN Group signed a declaration to signal their intent to follow the aims and goals of the agreement, but they didn't undersign the agreement at group level.

Chapter 2 States at risk

This chapter establishes to which states the supply of weapons should be considered ‘controversial’. In order to select 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 operationalizes these indicators by linking them to specific indices. Each of the indices used is compiled by authoritative organizations working on the issue at hand. At the end of the chapter, a table provides an overview of states at risk, to which we consider arms sales as controversial.

2.1 Indicators

Table 7 provides an overview of the principles on arms trade the Fair Finance Guide International suggest as relevant for investors in the arms industry. Principles not related to arms trade but to controversial weapons production, dual-use goods or responsibility for the whole chain of production, are not listed here. These responsible investment principles take into account the international standards listed in chapter 1. The Fair Insurance Guide expects insurance companies to use these criteria in their due diligence and to take action if arms producers in their investment universe supply military goods to states that meet the criteria. For this study, to establish the list of states meeting these criteria, each principle is operationalised into a selection criteria.

Table 7 Responsible investment principles and selection criteria

Investment principle	Link with international standard	Criterion
Supply of arms and weapon systems, military transport systems, and other military goods to countries that are under a United Nations or relevant multilateral arms embargo, is unacceptable.	EU Common Position (criterion 1), Arms Trade Treaty	Arms embargo
Supply of arms and weapon systems, military transport systems, and other military goods is unacceptable if there is an overriding 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	Armed conflict
Supply of arms and weapon systems, military transport systems, and other military goods to countries that severely violate human rights, is unacceptable.	EU Common Position (2), Arms Trade Treaty	Human Rights violations
Supply of arms and weapon systems, military transport systems, and other military goods to parties involved in conflict is unacceptable, unless to parties acting in accordance with a UN Security Council resolution.	EU Common Position (3, 4)	Armed conflict
Supply of arms and weapon systems, military transport systems, and other military goods to countries that are sensitive to corruption, is unacceptable.	EU Common Position (7, 8)	Corruption
Supply of arms and weapon systems, military transport systems, and other military goods to countries having a failed or fragile state, is unacceptable.	EU Common Position (3, 7)	Fragile states

Supply of arms and weapon systems, military transport systems, and other military goods to countries that spend a disproportionate part of their budget on purchases of arms, is unacceptable.	EU Common Position (8)	Poverty and military spending
--	------------------------	-------------------------------

Note that the fifth criterion in the EU Common Position is not operationalized. This criterion is broadly formulated, and its operationalization is not the focus of this study.

For a viable due diligence that prioritizes the most eminent risks, we distinguish between ‘primary criteria’ and ‘support criteria’. Table 8 shows which criteria fall in which category and how the elements lead to selection of a state on the list of states that should not be supplied with weapons.

Table 8 Role of the six criteria

	Primary criteria	Support criteria
	<ul style="list-style-type: none"> Arms embargo Human Rights violations Armed conflict 	<ul style="list-style-type: none"> 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

Their use as support for the first four criteria does not limit the value of the last three principles as part of a responsible investment framework. These principles do point at important risks associated with investments in the arms sector. However, in a prioritization of risks the first three principles are a focus. The table at the end will show that most states that were selected based on the first four criteria, also score on the last three criteria. The following paragraphs provide details on the states at risk, based on the selection criteria. The infovisual on the next page summarizes and visualizes the above 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 several indices. In some cases, newer information might be available at the time of publication of this report.



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?



2



Does the state oppress its citizens and violate human rights?



3



Is the country engaged in armed conflict?



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

4



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



5



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



6



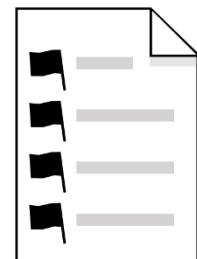
Is the country's **defence spending** reasonable compared to it's development?

YES

YES



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



2.1.1 Primary criterion: Arms embargoes



The first criterion selects the countries that were under an arms embargo of the EU or the UN during (part of) the research period from January 2015 to December 2019. While there are more organisations that have arms embargoes, we consider UN/EU embargoes as most authoritative. They may cover both governments and non-governmental forces (NGF), or only NGF.

Table 9 Entities under an arms embargo by the EU and/or UN 2015-01 until 2019-12

Country/entity	Embargo EU	Embargo UN	Remarks
Belarus	Yes		EU: since 20 June 2011
Central African Republic	Yes	Yes	EU: since 23 December 2013; UN: since 5 December 2013
China	Yes		
Cote d'Ivoire	Yes	Yes	EU: lifted 9 June 2016 UN: lifted 28 April 2016
DRC	Yes	Yes	EU: NGF since 2003
Egypt	Yes		EU: since 21 August 2013
Eritrea	Yes	Yes	EU: since 1 March 2010. UN: lifted 14 November 2018
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		
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 September 2020)

There are four states that have not been under an arms embargo for the whole period of January 2015 to December 2019: Cote d'Ivoire, Liberia, Venezuela, and Yemen. Because the embargoes against Venezuela and Yemen are still in place at the time of writing, these states have been incorporated in the final selection.

For Cote d'Ivoire and Liberia, an existing embargo was lifted during the research period. For these countries an arms embargo is not considered an absolute criterion, based on which a it is placed in the final selection. However, if these states also meet three out of three criteria in section 2.1.4 to 2.1.6, they have still been incorporated in the final selection.

2.1.2 Primary criterion: Unfree countries



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

Freedom House is a US based non-profit organization; its annual report “Freedom in the World” assesses more than 200 countries and territories with regard to their political and to their civil rights, which receive a score each. The two scores (for political rights and for civil rights) are based on a scale from 1 to 7, and then averaged. The most unfree countries scored a 6.5 or 7 on political and civil rights.¹⁵

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 (micro states are excluded). The Democracy Index is based on five categories:¹⁶

- electoral process and pluralism;
- civil liberties;
- the functioning of government;
- political participation; and
- political culture.

Countries are designated one of four types of regimes: full democracies, flawed democracies, hybrid regimes, and authoritarian regimes. In this research 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 score both an average of 6.5 or 7 on political and civil rights in the 2018 edition of the Freedom in the World Index, and are considered authoritarian states, according to the Democracy Index of 2019.

The selection of countries based on the two indices has been incorporated in the final selection of countries. This concerns the 28 states presented in Table 10.

Table 10 Selected unfree states as defined by the Freedom in the World Index and the Democracy Index

Azerbaijan	Eritrea	Swaziland
Bahrein	Ethiopia	Syria
Belarus	Laos	Tajikistan
Burundi	Libya	Turkmenistan
Central African Republic	North Korea	United Arab Emirates
Chad	Russia	Uzbekistan
China	Saudi Arabia	Venezuela
Cuba	Somalia	Yemen
Democratic Republic of Congo	South Sudan	
Equatorial Guinea	Sudan	

2.1.3 Primary criterion: Armed conflict



The third criterion selects states in armed conflicts. Two datasets are used for the selection of countries. The first dataset used is that of 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.^{iv} The Global Peace Index assesses the extent to which states are in

peace or are caught up in conflicts by using twenty-two indicators for its assessments. The index categorises the overall score into five levels of peacefulness, namely very high, high, borderline, low and very low.¹⁷ A score over 2.375 falls in the category 'low', any state scoring over 2.375 was selected for a second check on armed conflict.

The second step checked whether the states above the threshold were in armed conflict in one or more years during the research period from 2015 to 2019. We used the database of the Uppsala Conflict Data Program of the Uppsala University, to establish whether a country was in conflict.¹⁸

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 2015, 2016, 2017, 2018 or 2019. An assessment of the two indices results in the selection of the following states presented in Table 11.

^{iv} In 2015 the IEP used its portal 'Vision of Humanity' to publish its index. Therefore, the 2015 Fair Insurance Guide report referred to the Global Peace Index as 'from VoH'. The index however has not changed.

After the study for the Fair Insurance Guide was published in 2015, the relevant principle in the FFGI methodology was slightly modified to include that involvement in armed conflicts should be acceptable if this is in accordance with a United Nations Security Council resolution. Therefore, the final list will only contain states involved in armed conflict that are not part of UN-mandated missions. We will operationalise this as follows: we will consider actions as ‘in accordance’ with a UNSC resolution if:

- the resolution contains a mandate under Chapter VII of the UN Charter
- the state participates in a UN mission
- we will check this passively: so only for states in armed conflict, a check will establish whether this should lead to selection, or not since the participation is based on a UNSC resolution.

Table 11 Selected states in armed conflict

Afghanistan	Eritrea	Myanmar	Syria
Bahrein	Ethiopia	Nigeria	Turkey
Burundi	India	Pakistan	Ukraine
Cameroon	Iran	Philippines	Yemen
Central African Republic	Iraq	Russia	
Chad	Israel	Saudi Arabia	
Colombia	Lebanon	Somalia	
DRC	Libya	South Sudan	
Egypt	Mali	Sudan	

2.1.4 Support criterion: 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 three risks. First, public funds are more likely to be wasted, instead of being spent for the benefit of society. Second, corruption in the purchase of military goods increases the risk of the purchased goods being irrelevant or faulty, which is an issue when actual security threats arise. Third, corruption in the purchase of military goods is likely to create a dynamic in which these purchases become a goal in themselves, serving the benefit of a few.

Transparency International's (TI) Government Defence Anti-Corruption Index measures the risk of corruption in the purchase of military goods. TI is an international non-profit organization that campaigns against the destructive influence corruption has on the lives of people all over the world. The Government Defence Anti-Corruption 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. Hereby, it placed 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 highest risk levels: very high or critical corruption risk.¹⁹ The index is currently undergoing an update, and contains assessments from as recent as 2020, as well as assessments from 2015. For this study, we used the most recent assessment available per country.

The 65 countries with a 'very high' or 'critical' corruption risk are presented in Table. Note that only if a state met the threshold for this criterion as well as for the other two supporting criteria, it will be listed in Table 12 with the final selection of countries.

Table 12 States with very high or critical corruption

Afghanistan	Comoros	Iran	Myanmar	Sri Lanka
Algeria	Congo (Br.)	Iraq	Niger	Sudan
Angola	Cote d'Ivoire	Jordan	Nigeria	Swaziland
Azerbaijan	Democratic Republic of Congo	Kuwait	Oman	Syria
Bahrain	Egypt	Lebanon	Palestine	Tanzania
Botswana	Equatorial Guinea	Liberia	Pakistan	Thailand
Burkina Faso	Eritrea	Libya	Qatar	Togo
Burundi	Ethiopia	Madagascar	Rwanda	Uganda
Brazil	Gab. on	Malawi	Saudi Arabia	United Arab Emirates
Cambodia	Gambia	Mali	Senegal	Uzbekistan
Cameroon	Ghana	Mauritania	Sierra Leone	Yemen
Central African Republic	Guinea	Morocco	Somalia	Zambia
China	Guinea-Bissau	Mozambique	South Sudan	Zimbabwe

2.1.5 Support criterion: Fragile states



The fifth criterion lists countries with a fragile state. According to the Fragile States Index 2020, thirty-two 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 Fragile States Index 2020 assesses 178 states, using twelve social, economic, political and military indicators in order to determine which states are most vulnerable to violent internal conflicts and social decline. The Index differentiates eleven categories from very sustainable to very high alert.²⁰

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

Table 13 States considered fragile

Afghanistan	Democratic Republic of Congo	Liberia	Pakistan
Bangladesh	Eritrea	Libya	Somalia
Burundi	Ethiopia	Mali	South Sudan
Cameroon	Guinea	Mauritania	Sudan
Central African Republic	Guinea Bissau	Myanmar	Syria
Chad	Haiti	Niger	Uganda
Cote d'Ivoire	Iraq	Nigeria	Yemen
Congo (Br.)	Kenya	North Korea	Zimbabwe

2.1.6 Support criterion: Poverty and military spending



The sixth criterion selects low development countries, which 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 out of proportion 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 Program.²¹ In this context all low development countries have been pre-selected.

To determine military spending, data have been used from the Stockholm International Peace Research Institute (SIPRI), an internationally recognised research institute. Among many other things, they publish data on levels of relative military spending. To establish which countries spend a disproportionately large share of their government budget on military equipment, the SIPRI military expenditure list has been used.²² A relatively high threshold of 7% of total government spending has been used.

The countries that are both characterized as low development countries *and* have a military expenditure over 7% of their total government spending are considered at risk. This holds for the eight countries presented in Table 14. They are selected if they meet the two other support criteria as well. States included in the final selection can be found in Table 14.

Table 14 Selected states for poverty and military spending

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

2.1.7 Final selection

In total, 49 countries to which arms supplies can be considered controversial because they meet one or more of the criteria described in section 2.1.1 (arms embargoes) 2.1.2 (human rights violations) or 2.1.3 (armed conflict) have been identified, or all three of the criteria described in sections 2.1.4, 2.1.5 and 2.1.6.

An extended table with detailed scores per state can be found in Annex 1 (ready at publication).

Table 15 Final selection of states for the case study

Afghanistan	Egypt	Libya	South Sudan	Zimbabwe
Azerbaijan	Equatorial Guinea	Mali	Sudan	
Bahrain	Eritrea	Myanmar (Burma)	Syria	
Belarus	Ethiopia	Niger	Tajikistan	
Burundi	Guinea	Nigeria	Turkey	
Cameroon	Guinea-Bissau	North Korea	Turkmenistan	
Central African Republic	India	Palestine	Uganda	
Chad	Iran	Pakistan	Ukraine	
China	Iraq	Philippines	United Arab Emirates	
Colombia	Israel	Russia	Uzbekistan	
Cuba	Laos	Saudi Arabia	Venezuela	
Democratic Republic of Congo	Lebanon	Somalia	Yemen	

2.1.8 Account of changes to the methodology for the selection of states

In a report for the Fair Insurance Guide on this issue in 2015, 38 countries were considered 'at risk', 11 less than in this report.²³ The difference is mostly due to changing scores of countries on the different indices used. However a number of minor changes were made to the methodology:

- The lead criterion 'unfree countries' is now called 'human rights violations', as this better reflects the issue that is measured.
- In the 2015 study, the three support criteria only served to provide clarity if the first criterion (on embargoes) was inconclusive. A state passing the threshold on all three support criteria would then be included in the study. For this study, this last rule was applied in general: all states passing the threshold on all three support criteria, were included in the study.
- In the 2015 study, the third criterion, 'armed conflict' selected states regardless of the background of the conflict. It is impossible as well as undesirable to take into account the background of all conflicts in this analysis. Nevertheless, in accordance with the FFGI methodology 2020, we have not selected states that were listed as in conflict if their involvement was based on a UN resolution with a Chapter VII mandate.

2.1.9 Case: the war in Yemen

The war in Yemen is an ongoing and 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 of Yemen, Saleh, was forced by an uprising to cede power, after which his deputy, Hadi, took power. Hadi struggled to keep Yemen under his control, and became increasingly challenged by the Houthi minority population, culminating in a siege of the presidential palace in January 2015. President Hadi then fled Yemen in March 2015. An international coalition led by Saudi Arabia and the UAE decided to intervene, aiming to restore the government of president Hadi. The conflict also reflects competition between Iran and Saudi Arabia.²⁴ The US, UK and France support the Saudi-led coalition with logistics and intelligence.²⁵

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

- Blockade: since early on in 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. In the summer of 2015, UN agencies reported over 20 million people in Yemen were in urgent need of food, water and medical aid, access to which was severely hampered by the blockade.²⁶
- The intervention of the Saudi-led coalition is based on ground troops and a naval blockade, and relies heavily on air strikes. UN experts stated that several air strikes appear to have violated international humanitarian law. For instance, an attack on 8 October 2016 hit a funeral service, killing an estimated 114 people while injuring over 600. There is significant doubt over the proportionality of this attack: whether the military target aimed for justified the number of civilian deaths which could be anticipated. Also, the first bomb was followed by a second, three to eight minutes later. UN monitors state that this second attack violated the principle in IHL that those wounded or out of combat (e.g. medical personnel) should not be targeted.²⁷
- A report of Yemeni human rights organization Mwatana, the US University Network for Human Rights and PAX documents a number of attacks on civilian targets in Yemen. 'Day of Judgement' provides photographs of bomb fragments found on the sites of these attacks, and links these bomb fragments to their manufacturers. A small selection of the attacks described in this report:

- 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 from primary education. Around 60 of the students previously attending the school now receive education in a local mosque. The first attack, on May 26, consisted of four separate bombs, and destroyed civilian houses as well. No-one was killed because the inhabitants of the houses struck 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-led coalition attacked a residential neighbourhood in the Hawak District. At the moment 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 figured 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 against 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.

28

Saudi Arabia has committed grave human rights violations for years. Reports by PAX on investments in controversial arms trade, in 2015 and in 2017, already listed Saudi Arabia as a 'state at risk', and warned investors that investments in companies that supplied Saudi Arabia with military goods, were at risk of exposure to significant violations of international humanitarian law and human rights.²⁹

2.1.10 International response

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

- 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.*'³⁰
- The Court of Appeals in the United Kingdom, prompted by a case brought by amongst others the Campaign Against Arms Trade (CAAT), ruled British arms sales to Saudi Arabia 'unlawful'. The judges states that they found that three government ministers (Boris Johnson, Jeremy Hunt and Liam Fox) had in 2016 illegally signed off on arms exports without properly assessing the risk to civilians.³¹

- The Dutch government banned practically all arms exports to Saudi Arabia early in 2016.³² 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.³³ In 2019 however, it reversed that decision for (naval) exports to Egypt, arguing that it had no information Egypt's navy was involved in the blockade any longer.³⁴
- In December 2019, the European Center for Constitutional and Human Rights (ECCHR) filed a 'communication' in which it calls upon the International Criminal Court to investigate the legal responsibility of political and corporate actors in a number of European countries, related to the supply of military goods to Saudi Arabia and the UAE. The communication builds on evidence gathered by Yemeni organisation Mwatana for Human Rights. Mwatana also supplied the evidence that is the basis for paragraph 2.1.9 of this report. The ECCHR filed the communication with amongst others Amnesty International France, Mwatana and the UK Campaign Against Arms Trade. The question to the ICC is to investigate the responsibilities in terms of 'contributing to the commission of alleged international crimes'. The companies mentioned in the communication are Airbus, BAE Systems, Dassault, Leonardo, MBDA, Raytheon, Rheinmetall and Thales. Except for Dassault, all companies are among the selected companies for this report.³⁵



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 49 states at risk listed in Table 9. For these countries, more than 750 arms transfers were identified. In total, some 150 companies were involved in one or multiple arms transfers. In the past, this study focused on the largest companies with which financial links were found. This report is based on a fixed selection of companies: the top 20 private arms companies worldwide. State owned arms producers are not included, because states generally provide any potential financing required, which makes them irrelevant for the purposes of this study. Therefore, this list cannot be considered a comprehensive list of companies involved in controversial arms trade.

To select the companies most relevant for this study, the following selection criteria were applied:

- The company has delivered arms to at least one of the 49 controversial countries.
- The research focuses on arms deliveries in the period from January 2015 to December 2019. Arms deals of which it is not yet clear whether arms have been delivered already by the end of 2019 or if the delivery is scheduled in 2020, are therefore not taken into account. However, for companies selected for a 2015 to 2019 delivery, scheduled deliveries for 2019 (and onwards) are listed as additional information.
- Arms deliveries based on military aid for the 49 controversial countries are included in the study.
- Deliveries in the period from January 2015 to December 2019 to embargoed countries (see subsection 2.1.1) which took place outside the embargo period are only included as additional information if the involved company is already included in the study for other deliveries.
- In case of second-hand arms deliveries, the producer is not included in the study, as the producer is not directly responsible for second-hand trade. In case of second-hand arms deliveries, if the company is known to be involved in refurbishing or reselling the arms, it is included in the research.

This led to the selection of the following 14 companies.

Table 16 Arms producers (14) selected in this study

Number	Rank in SIPRI top 100 (2018)	Company (c)	Country (d)
1	1	Lockheed Martin	United States
2	2	Boeing	United States
3	3	Northrop Grumman	United States
4	4	Raytheon	United States
5	5	General Dynamics	United States
6	6	BAE Systems	United Kingdom
7	7	Airbus Group	Trans-European
8	8	Leonardo	Italy
9	10	Thales	France
10	11	United Technologies Corp.	United States

11	14	Honeywell International	United States
12	20	Rolls-Royce	United Kingdom
13	22	Rheinmetall	Germany
14	24	General Electric	United States

The following companies are also in the top 25 arms producers worldwide, but are not included in this study:

Rank in SIPRI top 100 (2018)	Company	Country	Reason company is not in this report
9	Almaz-Antey	Russia	State company
12	L3 Technologies ^v	United States	No controversial sales found in SIPRI
13	Huntington Ingalls Industries	United States	No controversial sales found in SIPRI
15	United Aircraft Corp.	Russia	State company
16	Leidos	United States	No controversial sales found in SIPRI
17	Harris ⁱⁱⁱ	United States	No controversial sales found in SIPRI
18	United Shipbuilding Corp.	Russia	State company
19	Booz Allen Hamilton	United States	No controversial sales found in SIPRI
21	Naval Group	France	No controversial sales found in SIPRI
23	MBDA	Trans-European	Sales included under parent companies Airbus, BAE Systems and Leonardo
25	Mitsubishi Heavy Industries	Japan	No controversial sales found in SIPRI

For the presentation of the companies, we used the following rules:

- 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 deal is executed by a joint venture company with no majority shareholder, this is listed as additional information if the involved companies are already included in the study for other deliveries.
- 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.

^v The SIPRI top 100 is based on figures of 2018. In 2019, L3 and Harris merged into L3 Harris Technologies.

- More selected companies have joint ventures with other (selected) companies for which we found controversial sales in the SIPRI database. In these cases, which are marked by a explanatory footnote, we listed the sale for both companies.

Furthermore it is worth noting that for seven companies (see table) no controversial sales were found in the SIPRI database. This does not mean however that no controversial sales took place. In some cases, products and services of these companies fall outside the scope of SIPRI's arms transfers database. This concerns for instance maintenance of fighter jets (Leidos) or cyber security and services (Booz Allen Hamilton), but we do not include these companies, as this study builds on the SIPRI database.

3.1.1 Source transfer list of military goods

The paragraphs 3.2 till 3.16 present tables with supplies of the companies to the states at risk. These tables are based on SIPRI's Arms Transfer Database, in the version published on 9 March 2020.³⁶ This database provides arms transfers based on country data, which means it lists sales as from country x to country y. The database does not list the companies involved in the production of the military goods. This information was added by PAX.

The SIPRI database is based on many different sources. In some cases, the exact amounts or years are not certain. In these cases, SIPRI puts the datapoint between brackets: (x). For various reasons, in this report we did not use brackets to indicate that date is uncertain. Instead, any datapoints marked by SIPRI as uncertain are preceded by '±'. Note that 'uncertain' mostly means that the exact number or year isn't certain. The transfers themselves have passed the scrutiny of SIPRI and can be considered as certain.

3.2 Engagement with arms producers

PAX, member of the Fair Insurance Guide and responsible for this study, has sent the arms producers listed below a letter asking them three questions:

1. If you are of the view that the listing of arms transfers by your company [the report] is incorrect, could you please provide us with relevant documentation to elaborate your view?
2. Does your company have any policy in place to prevent arms transfers to countries that meet (some of) the criteria listed above and could you elaborate on that policy?
3. If not, is your company planning to put in place a policy in order to refrain from arms transfers to such countries in the future?

Only General Dynamics, Honeywell and Leonardo replied to this letter, their responses are processed in the relevant paragraphs below.

3.3 Airbus

Airbus Group is an aerospace and defence corporation based in among others France, Germany and Spain and registered in the Netherlands. The military products of Airbus consist among others of fighter aircraft, transport aircraft, unmanned aircraft, attack helicopters and missiles.³⁷

In the year ending 31 December 2019, Airbus Group generated revenues of US\$ 82 billion, but penalties resulted in a net loss of €1.6 billion.³⁸ According to the SIPRI top 100 of arms-producing companies of 2018, Airbus Group ranked seventh with total arms sales of US\$11.7 billion (€10.0 billion), accounting for 15% of its total sales that year.³⁹

The involvement of Airbus Group in controversial arms deals, in the period from January 2015 to December 2019, is summarized in Table 17.

Airbus did not respond to the letter sent by PAX containing questions on its human rights policies in relation to these arms sales.

Table 17 Sales of military goods to states at risk 2015-2019 by Airbus

Recipient country	No. Ordered	Weapon designation	Weapon description	Years order	Years delivery	Number delivered
China		AS565S Panther	ASW helicopter	± 1980/1988	1989-2019	± 48+437
China	± 55	SA-321 Super Frelon	transport helicopter	± 1981	2001-16	± 55
Egypt ^{vi}	± 65	MM-40-3 Exocet	anti-ship missile	± 2014/2015	2015/2017	± 25
Egypt ^{vi}	± 250	MICA	BVRAAM	2015	2015-2018	± 175
Egypt ^{vi}	± 50	Storm Shadow/SCALP	ASM	± 2015		
Egypt ^{vi}	± 25	ASTER-15 SAAM	SAM	2015	2015	± 25
Egypt	12	C-295	transport aircraft	2014/2015	2015-2016	12
India ^{vi}	± 22,250	MILAN	anti-tank missile	± 1979	1984-2019	± 22,250
India	20	SA-315B Lama	light helicopter	2013	2015-2016	± 20
India	8	SA-316B Alouette-3	light helicopter	2017	2019	± 2
India ^{vi}	36	SM-39 Exocet	anti-ship missile	2005	2017-19	± 15
India ^{vi}	493	MICA	BVRAAM	2012	2014-19	± 493
India ^{vi}		MICA	BVRAAM	± 2016		
India ^{vi}		Meteor	BVRAAM	± 2016		
India ^{vi}		Storm Shadow/SCALP	ASM	± 2016		
India	62	C-295 (MPA)	transport aircraft	± 2016+17		
India ^{vi}	± 384	ASRAAM	BVRAAM/SRAAM	2014	2017	± 384
Laos	± 2	AS365/565 Panther	helicopter	± 2014	2015	2
Lebanon ^{vi}	48	MILAN	anti-tank missile	2014	2015	48
Mali	1	C-295W	transport aircraft	2016	2016	1
Philippines ^{vi}	± 40	Mistral	VSHORAD/portable SAM	2019		
Philippines	2	C-212	transport aircraft	2014	2018	2
Philippines	4	C-295	transport aircraft	2014/± 2018	2015-16+2019	4
Saudi Arabia ^{vi}	± 49	MPCV	mobile AD system	2011	2013-2015	± 49
Saudi Arabia ^{vi}	± 930	Mistral	portable SAM	2011/2013	2013-2017	± 930

^{vi} This is an arms transfer by MBDA, of which Airbus is a shareholder (37.5%)

Saudi Arabia ^{vi}	± 250	MICA	BVRAAM	2013	2018-19	± 250
Saudi Arabia ^{vi}	± 5	VL-MICA	SAM system	2013	2018-19	± 5
Saudi Arabia	23	EC145	light helicopter	2016	2017-18	± 23
Saudi Arabia	3	A-330 MRTT	tanker/transport aircraft	2009	2014-2015	3
Saudi Arabia	2	C-295	transport aircraft	2015	2015-2017	2
Saudi Arabia	2	C-295MPA	MP aircraft	2015	2018	2
Saudi Arabia ^{vi}	24	Typhoon Block-20	FGA aircraft	2007	2015-2017	24
Saudi Arabia ^{vi}	48	Typhoon Block-8	FGA aircraft	2007	2009-2015	± 48
Saudi Arabia ^{vi}	± 1000	Brimstone	ASM	± 2015	2016-19	± 1000
Saudi Arabia ^{vi}	± 100	Storm Shadow/SCALP	ASM	2013	2016-2017	± 100
Saudi Arabia ^{vi}	. .	Meteor	BVRAAM	± 2014	2018	± 20
Turkey	10	A400M Atlas	transport aircraft	2003	2014-2019	9
Turkmenistan ^{vi}	± 28	Mistral	portable SAM	± 2012	2013-17	± 28
Turkmenistan ^{vi}	± 25	Marte-2	anti-ship missile	± 2014	2015-17	± 25
UAE	2	Helios-2	recce satellite	2015		
UAE ^{vi}	150	MM-40-3 Exocet	anti-ship missile	2006	2010-2017	± 150
UAE ^{vi}	± 150	Marte-2	anti-ship missile	2009/2017	2013-2019	± 150
UAE	5	C-295	transport aircraft	2017	2019	± 5
Uzbekistan	± 8	AS-350/AS-550 Fennec	light helicopter	± 2013	2014-16	± 8
Uzbekistan	± 4	C-295	transport aircraft	± 2014	2015-16	4

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

3.4 BAE Systems

BAE Systems, headquartered in the UK, is a defence company operating in the air, maritime, land and cyber domains.⁴⁰

In the financial year ending 31 December 2019, BAE Systems reported revenues of US\$23.7 billion, resulting in an operating profit of US\$ 2.5 billion.⁴¹ According to the SIPRI top 100 arms-producing companies of 2018, BAE Systems ranked sixth with total arms sales of US\$21.2 billion (€18.0 billion), accounting for 95% of its total sales that year.⁴²

The involvement of BAE Systems in controversial arms deals, in the period from January 2015 to December 2019, is summarized in Table 18.

BAE Systems did not respond to the letter sent by PAX containing questions on its human rights policies in relation to these arms sales.

Table 18 Sales of military goods to states at risk 2015-2019 by BAE Systems

Recipient country	No. Ordered	Weapon designation	Weapon description	Years order	Years delivery	Number delivered
Bahrain	56	WGU-59 APKWS	ASM	2018		
Colombia	18	L-118 105mm	towed gun	2017	2017-18	± 18
Egypt ^{vii}	± 65	MM-40-3 Exocet	anti-ship missile	± 2014/2015	2015/2017	± 25
Egypt ^{vii}	± 250	MICA	BVRAAM	2015	2015-2018	± 175
Egypt ^{vii}	± 50	Storm Shadow/SCALP	ASM	± 2015		
Egypt ^{vii}	± 25	ASTER-15 SAAM	SAM	2015	2015	± 25
India ^{vii}	± 22,250	MILAN	anti-tank missile	± 1979	1984-2019	± 22,250
India ^{vii}	36	SM-39 Exocet	anti-ship missile	2005	2017-19	± 15
India ^{vii}	493	MICA	BVRAAM	2012	2014-19	± 493
India ^{vii}		MICA	BVRAAM	± 2016		
India ^{vii}		Meteor	BVRAAM	± 2016		
India ^{vii}		Storm Shadow/Scalp	ASM	± 2016		
India	57	Hawk-100	trainer/combat ac	2010	2013-2016	± 57
India ^{vii}	± 384	ASRAAM	BVRAAM/SRAAM	2014	2017	± 384
India	145	UFH/M-777 155mm	towed gun	2016	2018-2019	± 18
Iraq	± 2000	WGU-59 APKWS	ASM	± 2015	2016-2018	± 2000
Lebanon ^{vii}	48	MILAN	anti-tank missile	2014	2015	48
Lebanon	± 2000	WGU-59 APKWS	ASM	2016	2019	± 500
Lebanon	2	M-88A2 Hercules	ARV	2017	2019	2
Nigeria	± 400	WGU-59 APKWS	ASM	2019		
Pakistan	2	Seaspray	MP aircraft radar	± 2016	2018-19	2
Philippines ^{vii}	± 40	Mistral	VSHORAD/portable SAM	2019		
Saudi Arabia ^{vii}	± 49	MPCV	mobile AD system	2011	2013-2015	± 49
Saudi Arabia ^{vii}	± 930	Mistral	portable SAM	2011/2013	2013-2017	± 930
^{vii}						
Saudi Arabia ^{vii}	± 250	MICA	BVRAAM	2013	2018-2019	± 250

^{vii} This is a transfer by MBDA, of which BAE Systems is a shareholder (37.5%).

Saudi Arabia ^{vii}	± 5	VL-MICA	SAM system	2013	2018-2019	± 5
Saudi Arabia	44	Hawk-100	trainer/combat ac	2012/2015	2016-2019	± 31
Saudi Arabia ^{vii}	24	Typhoon Block-20	FGA aircraft	2007	2015-2017	24
Saudi Arabia ^{vii}	48	Typhoon Block-8	FGA aircraft	2007	2009-2015	± 48
Saudi Arabia ^{vii}	± 1000	Brimstone	ASM	± 2015	2016-2019	± 1000
Saudi Arabia ^{vii}	± 100	Storm Shadow/SCALP	ASM	2013	2016-2017	± 100
Saudi Arabia ^{vii}	. .	Meteor	BVRAAM	± 2014	2018	± 20
Saudi Arabia	± 20	M-88A2 HERCULES	ARV	± 2016	2018-2019	± 20
Turkmenistan ^{vi} i	± 28	Mistral	Portable SAM	± 2012	2013-2017	± 28
Turkmenistan ^{vi} i	± 25	Marte-2	anti-ship missile	± 2014	2015-2017	± 25
UAE ^{vii}	150	MM-40-3 Exocet	anti-ship missile	2006	2010-2017	± 150
UAE ^{vii}	± 150	Marte-2	anti-ship missile	2009/2017	2013-2019	± 150
UAE	2	SAK-70 Mk-2 57mm	naval gun	2013	2017-2018	2

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

3.5 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. The military products of Boeing consist among others of fighter aircraft, transport aircraft, unmanned aircraft, attack helicopters and missiles.⁴³

In the financial year ending 31 December 2019, Boeing reported revenues of US\$ 76.559 billion, resulting in a loss from operations of US\$ 1.975 billion (€ 10.64 billion) and a net loss of US\$ 636 million. Losses were attributed mainly to issues surrounding the commercial 737 MAX airplanes.⁴⁴

According to the SIPRI top 100 arms-producing companies of 2018, Boeing ranked second with total arms sales of US\$29.2 billion (€24.8 billion), accounting for 29% of its total sales that year.⁴⁵

The involvement of Boeing in controversial arms deals, in the period from January 2015 to December 2019, is summarized in Table 19.

Boeing did not respond to the letter sent by PAX containing questions on its human rights policies in relation to these arms sales.

Table 19 Sales of military goods to states at risk 2015-2019 by Boeing

Recipient country	No. Ordered	Weapon designation	Weapon description	Years order	Years delivery	Number delivered
Afghanistan	65	ScanEagle	UAV	2015	2016-2018	± 65

Cameroon	± 2	ScanEagle	UAV	2015	2016	± 2
Egypt	45	RGM-84L Harpoon-2	anti-ship missile	2003/± 2016	2013-2017	± 35
India	8	P-8A Poseidon	ASW aircraft	2009	2012-2015	8
India	4	P-8A Poseidon	ASW aircraft	2016		
India	22	AH-64E Apache Guardian	combat helicopter	2015	2019	12
India	6	AH-64E Apache Guardian	combat helicopter	± 2017		
India	12	RGM-84L Harpoon-2	anti-ship missile	2016	2018	12
India	15	CH-47F Chinook	transport helicopter	2015	2019	± 10
India	1	C-17A Globemaster-3	heavy transport aircraft	2017	2019	1
Israel	± 7550	GBU-39 SDB	guided bomb	2012/ ± 2015	2015-19	± 6150
Israel	± 5801	JDAM	guided bomb	2013-2015	2014-16	± 5801
Kenya	± 2	ScanEagle	UAV	2015	2016	± 2
Lebanon	6	ScanEagle	UAV	2017	2019	6
Pakistan	15	ScanEagle	UAV	± 2013	2015	± 15
Philippines	14	ScanEagle	UAV	2017/2019	2018	6
Saudi Arabia	± 48	AH-64E Apache Guardian	combat helicopter	± 2009-2012	2014-2016	± 48
Saudi Arabia	154	F-15SG	FGA aircraft	2011	2016-2019	± 86
Saudi Arabia	3,245	JDAM	guided bomb	2012/2016	2016/2018	± 3,245
Saudi Arabia	± 400	RGM-84L Harpoon-2	anti-ship missileM	± 2012	2016-2018	± 220
Saudi Arabia	± 650	AGM-84H SLAM-ER	ASM	± 2013		
Saudi Arabia	1000	GBU-39 SDB	guided bomb	± 2013	2017-2019	± 600
Saudi Arabia	24	AH-6S	combat helicopter	2014	2016-2018	± 24
Saudi Arabia	± 45000	JDAM	guided bomb	± 2017		
Saudi Arabia	24	AH-64E Apache Guardian	combat helicopter	2017		
Saudi Arabia	± 48	CH-47F Chinook	transport helicopter	2017		
Turkey	4	Boeing-737 AEW&C	AEW&C aircraft	2002	2014-2015	4
Turkey	10	CH-47F Chinook	transport helicopter	± 2011	2016-2019	10
Turkey	± 1400	JDAM	guided bomb	2015	2017-2018	± 1400
Turkey	± 48	AGM-84H SLAM-ER	ASM	± 2016	2016-2017	48

UAE	± 12	CH-47F Chinook	transport helicopter	2011	2012-2015	± 12
UAE	± 5000	GBU-39 SDB	guided bomb	± 2014	2015-2019	± 5000
UAE	± 8604	JDAM	guided bomb	2014-2017	2015-2018	± 8604
UAE	2	C-17A Globemaster-3	heavy transport aircraft	2015	2015	2
UAE	17	AH-64E Apache Guardian	combat helicopter	2018		

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

3.6 General Dynamics

General Dynamics, with headquarters in the US, provides business aviation; combat vehicles, weapons systems and munitions; IT and C4ISR solutions; and shipbuilding and ship repair.⁴⁶

In the financial year ending 31 December 2019, General Dynamics reported revenues of US\$ 39.4 billion, and full-year earnings from continuing operations of US\$ 3.5 billion.⁴⁷ According to the SIPRI list of top 100 arms-producing companies of 2018, General Dynamics ranked fifth with total arms sales of US\$22.0 billion (€18,7 billion), accounting for 61% of its total sales that year.⁴⁸

The involvement of General Dynamics in controversial arms deals, in the period from January 2015 to December 2019, is summarized in Table 20.

Table 20 Sales of military goods to states at risk 2015-2019 by General Dynamics

Recipient country	No. Ordered	Weapon designation	Weapon description	Years order	Years delivery	Number delivered
Egypt	125	M-1A1 Abrams	Tank	2011	2015-2018	± 125
Israel	± 386	Namer	APC/IFV	2011	2014-2019	± 217
Israel	1	Gulfstream-5	light transport aircraft	± 2017	2019	± 1
Philippines	1	G280	light transport aircraft	2018		
Saudi Arabia	385	LAV-700	APC	2014	2018-2019	± 180
Saudi Arabia	119	LAV-700 AT	tank destroyer	2014	2019	± 25
Saudi Arabia	119	LAV-700 FSV	AFSV	2014	2019	± 25
Saudi Arabia	119	LAV-700 IFV	IFV	2014	2019	± 25
Saudi Arabia	879	Piranha	APC	2009/2011	2011-2015	± 879
Saudi Arabia	264	LAV-25 turret	IFV turret	± 2009	2011-2015	± 264
Saudi Arabia	± 467	M-1A2S	tank	2009/2016	2012-2019	± 454

3.6.1 Response of General Dynamics

General Dynamics responded to the letter sent by PAX to verify the sales and to ask additional questions about possible policies the company has around these sales. General Dynamics' response contained the following key points:

- General Dynamic states it considers ethical business conduct as its responsibility, alongside a fair return for shareholders and fulfilment of its commitment to its customers.
- The company also states that its primary customer is the U.S. Government, and that it sees decisions around which weapons to sell where, and how to use them, are inherently governmental responsibilities.

As is pointed out in the introduction of this report, businesses do have their own responsibility to conduct business responsibly. It is not in line with for instance the UNGPs to transfer this responsibility to a government, even if this government provides an export licence and determines to whom weapons will be sold. The UNGPs do point out very clearly that states have responsibility to *protect* human rights, but also that companies have a responsibility to *respect* these human rights. Notwithstanding the responsibility of any government, General Dynamics thus has its own responsibility to avoid human rights abuses taking place with use of its products.

3.7 General Electric

General Electric, based in the US, provides products in the areas of power (including renewable energy), healthcare, oil and gas, aviation, transportation and lighting amongst others.⁴⁹ The military products of General Electric include engines and other components for combat aircraft, transport aircraft, helicopters, unmanned aircraft, land vehicles and warships.⁵⁰

GE is actively involved in servicing its engines once they are in operation. For example, the company states on its website that it partners with Saudi partner organisations in establishing engine overhaul capabilities within 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.*⁵¹

The F110 engines are part of F-15 fighter jets. The T700 is the engine of the Black Hawk helicopter as well as of the Apache attack helicopters.

In the financial year ending 31 December 2019, General Electric reported revenues of US\$95.2 billion (€ 81 billion), and full-year earnings from continuing operations of US\$1.8 billion (€ 1.53 billion).⁵² According to the SIPRI top 100 arms-producing companies of 2018, General Electric ranked twenty-fourth with total arms sales of US\$3.7 billion (€3.2 billion), accounting for 3% of its total sales that year.⁵³

The involvement of General Electric in controversial arms deals, in the period from January 2015 to December 2019, is summarized in Table 21.

General Electric did not respond to the letter sent by PAX containing questions on its human rights policies in relation to these arms sales.

Table 21 Sales of military goods to states at risk 2015-2019 by General Electric

Recipient country	No. Ordered	Weapon designation	Weapon description	Years order	Years delivery	Number delivered
Bahrain	± 26	F110	turbofan	2017		
Bahrain	± 2	T-700	turboshaft	± 2018		
Egypt	5	LM-2500	gas turbine	2015/2019	2015	1
India	4 + 14	LM-2500	gas turbine	± 2003/2017		
India	24	F-404	turbofan	2007	2016-19	± 13
India	99	F-414	turbofan	± 2012		
India	± 6	T-700	turboshaft	± 2015	2019	± 3
Iraq	± 48	F404	turbofan	2013	± 2016-17	± 48
Pakistan	4	LM-2500	gas Turbine	± 2017		
Philippines	± 12	F404	turbofan	± 2014	2015-17	12
Saudi Arabia	± 6	CF-6/F-103	turbofan	2009	2014-2015	± 6
Saudi Arabia	± 25	F110	turbofan	± 2012	2017-19	± 25
Turkey	2	LM-2500	gas turbine	2015	2018-19	2
Turkey	4	LM-2500	gas turbine	± 2016		

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

3.8 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.⁵⁴ The military products of Honeywell consist among others of engines for military aircraft.⁵⁵

In the financial year ending 31 December 2019, Honeywell International’s net sales amounted to US\$ 36.7 billion (€31.2 billion), resulting in an operating income of US\$6.9 billion (€5.8 billion).⁵⁶ According to the SIPRI list of top 100 arms-producing companies of 2018, Honeywell ranked fourteenth with total arms sales of US\$5.4 billion (€4.6 billion), accounting for 13% of its total sales that year.⁵⁷

The involvement of Honeywell in controversial arms deals, in the period from January 2015 to December 2019, is summarized in Table xx.

Table 22 Sales of military goods to states at risk 2015-2019 by Honeywell

Recipient country	No. Ordered	Weapon designation	Weapon description	Years order	Years delivery	Number delivered
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India	± 52	TPE-331	turboprop	± 2012/2016	2013-2019	± 36
India	± 68	TPE-331	turboprop	± 2015		
Israel	60	F-124	turbofan	2012	2014-2016	± 60
Philippines ^{viii}	4	T-800	turboshaft	2016	2019	4
Turkey ^{viii}	± 100+48	T-800	turboshaft	2008/2017	2014-2019	± 110

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

3.8.1 Response of Honeywell

Honeywell responded to the letter sent by PAX to verify the sales and to ask additional questions about possible policies the company has around these sales. Honeywell's response contained the following key points:

- Honeywell points out that the equipment listed in the table above are engines for trainer aircraft, and that these are not weapons.
- Honeywell furthermore points to its 'Code of Business Conduct' as containing obligations related to human rights and compliance with local and international laws.

With regards to the first point, Honeywell is correct in pointing out that the engines listed in Table ... are placed in aircraft used as trainer aircrafts. This is also the way they are listed here. These engines are not weapons per se, but they are 'military goods' and should be classified as such within the scope of the 'Wassenaar Arrangement'. Furthermore, we point out that training pilots to fly fighter jets is very much part of military activities, and hence comes with risks very similar to those attached to the sale of engines for fighter jets. To illustrate: the Swiss foreign ministry ordered the Swiss company Pilatus to withdraw all staff and support for Saudi Arabia, where the company maintained trainer aircraft for the Saudi Air Force. This was directly based on Saudi engagement in Yemen. Though this decision was reverted by a court decision, it shows that training pilots can be considered part of the military system.⁵⁸

Honeywell's Code of Business Conduct does contain a section on respecting human rights, but this focuses on the workplace only. The sections on international trade focus on compliance with state regulators. Other than that, the document does not contain policy that is relevant for this report.⁵⁹

3.9 Leonardo

Leonardo, based in Italy, develops products and services in the fields of aerospace, military and security.⁶⁰ The company changed its name from Finmeccanica to Leonardo in April 2016.⁶¹ The military products of Leonardo consist among others of attack and transport helicopters, unmanned systems, turrets for land vehicles, naval guns and combat systems as well as large calibre ammunition.⁶²

^{viii} This is an arms transfer by LHTEC, of which Honeywell is a shareholder (50%)

In the financial year ending 31 December 2019, Leonardo generated revenues of €14.1 billion (US\$16.6 billion), resulting in a net result of €822 million (US\$967 million).⁶³ According to the SIPRI top 100 arms-producing companies of 2018, Leonardo ranked eight with total arms sales of US\$9.8 billion (€8.4 billion), accounting for 68% of its total sales that year.⁶⁴

The involvement of Leonardo in controversial arms deals, in the period from January 2015 to December 2019, is summarized in Table 23.

Table 23 Sales of military goods to states at risk 2015-2019 by Leonardo

Recipient country	No. Ordered	Weapon designation	Weapon description	Years order	Years delivery	Number delivered
Bahrain	6	Orion RTN-25X	fire control radar	2015	2018-2019	± 4
Cameroon	4	A-109K	light helicopter	± 2017	2019	± 4
Colombia	1	Compact 76mm	naval gun	± 2011	2017	1
Egypt ^{ix}	± 65	MM-40-3 Exocet	Anti-ship missile	± 2014/2015	2015/2017	± 25
Egypt ^{ix}	± 250	MICA	BVRAAM	2015	2015-2018	± 175
Egypt ^{ix}	± 50	Storm Shadow/SCALP	ASM	± 2015		
Egypt ^{ix}	± 25	ASTER-15 SAAM	SAM	2015	2015	± 25
Egypt	9	Super Rapid 76mm	naval gun	± 2006-2015	2013-2017	6
India ^{ix}	± 22,250	MILAN	anti-tank missile	± 1979	1984-2019	± 22,250
India ^{ix}	36	SM-39 Exocet	anti-ship missile	2005	2017-2019	± 15
India ^{ix}	493	MICA	BVRAAM	2012	2014-2019	± 493
India ^{ix}		MICA	BVRAAM	± 2016		
India ^{ix}		Meteor	BVRAAM	± 2016		
India ^{ix}		Storm Shadow/Scalp	ASM	± 2016		
India	± 16	Super Rapid 76mm	naval gun	± 2003-2011	2013-2017	3
India	1	RAN-40L	air search radar	± 2011		
India	13	127/64LW	naval gun	± 2015		
India ^{ix}	± 384	ASRAAM	BVRAAM/SRAAM	2014	2017	± 384
Israel	30	M-346 Master	trainer/combat aircraft	2012	2014-2016	± 30
Lebanon ^{ix}	48	MILAN	Anti-tank missile	2014	2015	48

^{ix} This is a transfer by MBDA, of which Leonardo is a shareholder (25%).

Nigeria	6	A-109K	light helicopter	+ 2018	2019	2
Pakistan	+ 25	AW139	helicopter	2016-2017	2016-2019	+ 25
Pakistan	4	Super Rapid 76mm	naval gun	+ 2018		
Pakistan	30	A-129C Mangusta	combat helicopter	2018		
Philippines ^{ix}	+ 40	Mistral	VSHORAD/portable SAM	2019		
Philippines	10	A-109K	light helicopter	2013-2014	2015	10
Philippines	2	Orion RTN-25X	fire control radar	+ 2017		
Philippines	2	Super Rapid 76mm	naval gun	+ 2017		
Philippines	2	AW-159 Wildcat	ASW helicopter	2016	2019	2
Saudi Arabia ^{ix}	+ 49	MPCV	mobile AD system	2011	2013-2015	+ 49
Saudi Arabia ^{ix}	+ 930	Mistral	portable SAM	2011/2013	2013-2017	+ 930
Saudi Arabia ^{ix}	+ 250	MICA	BVRAAM	2013	2018-2019	+ 250
Saudi Arabia ^{ix}	+ 5	VL-MICA	SAM system	2013	2018-2019	+ 5
Saudi Arabia	8	RAT-31S	air search radar	2013/2016	2015-2017	+ 8
Saudi Arabia	+ 12	Super Rapid 76mm	naval gun	2015-2018		
Saudi Arabia	24	Typhoon Block-20	FGA aircraft	2007	2015-2017	24
Saudi Arabia	48	Typhoon Block-8	FGA aircraft	2007	2009-2015	+ 48
Saudi Arabia	+ 1000	Brimstone	ASM	+ 2015	2016-2019	+ 1000
Saudi Arabia	+ 100	Storm Shadow/SCALP	ASM	2013	2016-2017	+ 100
Saudi Arabia	. .	Meteor	BVRAAM	+ 2014	2018	+ 20
Turkey	83	A-129C Mangusta	combat helicopter	+ 2008-2017	2014-2019	+ 64
Turkey	6	ATR-72MP	ASW aircraft	2005		
Turkey	16	Compact 40L70	naval gun	2007	2011-2015	16
Turkey	6	Super Rapid 76mm	naval gun	+ 2014/2016	2018-2019	2
Turkey	1	Göktürk-1	recce satellite	2009	2016	1
Turkmenistan ^{ix}	+ 28	Mistral	portable SAM	+ 2012	2013-2017	+ 28
Turkmenistan	+ 4	A-109K	light helicopter	+ 2011	2016	+ 4
Turkmenistan	8	Compact 40L70	naval gun	2012	2013-16	8
Turkmenistan ^{ix}	+ 25	Marte-2	anti-ship missile	+ 2014	2015-17	+ 25
UAE ^{ix}	150	MM-40-3 Exocet	Anti-ship missile	2006	2010-2017	+ 150
UAE	6	Super Rapid 76mm	naval gun	+ 2003	2012-2016	6

UAE	6	Orion RTN-25X	fire control radar	2004	2011-2017	6
UAE	± 9	AW139	helicopter	2015	2015	± 9
UAE ^{ix}	± 150	Marte-2	anti-ship missile	2009/2017	2013-2019	± 150

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

3.9.1 Response of Leonardo

Leonardo responded to the letter sent by PAX to verify the sales and ask additional question about possible policies the company has around these sales. Leonardo's response contained the following key points:

- 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).⁶⁵
- Second, Leonardo points to its compliance program which aims to ensure full compliance with applicable regulations. As an example, the company points to Italian regulation that is much in line with the European Common Position (see 1.2.2).
- 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.⁶⁶ 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 here, including criteria on being in conflict and violations of human rights. The representative of the company points to this list specifically in its letter, and explains that its methodology has been created in 2019. This list is available on Leonardo's website, contains 31 countries, and has some overlap with the list built in chapter 2.⁶⁷ Examples of countries on Leonardo's list include Iraq, Belarus, Russia 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 1 of these 4 areas: export controls, sanctions, know your customer and Territory. It is not so that 'sensitive countries' are prohibited from buying systems from Leonardo.
- The company points to its joining of the UN Global Compact in 2018.
- Lastly, the company points out that some of the systems in the list above are not weapons, but military goods.

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. None of the countries in the list above appears on Leonardo's 'sensitive country' list. However, there are significant concerns with several countries in Leonardo has sold military goods to.

Leonardo seems to have set 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.

3.10 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 defense, information technology and new technologies.⁶⁸ The military products of Lockheed Martin consist among others of fighter aircraft, attack helicopters, unmanned aircraft, air defence systems, missiles and warships.⁶⁹

In the financial year ending 31 December 2019, it generated revenues of US\$ 59.8 billion, resulting in net earnings of US\$ 6.2 billion.⁷⁰ According to the SIPRI top 100 arms-producing companies of 2018, Lockheed Martin ranked first with total arms sales of US\$47.3 billion (€40.3 billion), accounting for 88% of its total sales that year.⁷¹

The involvement of Lockheed Martin in controversial arms deals, in the period from January 2015 to December 2019, is summarized in Table 24.

Lockheed Martin did not respond to the letter sent by PAX containing questions on its human rights policies in relation to these arms sales.

Table 24 Sales of military goods to states at risk 2015-2019 by Lockheed Martin

Recipient country	No. Ordered	Weapon designation	Weapon description	Years order	Years delivery	Number delivered
Bahrain	24	GMLRS	guided rocket	2015	2017	± 24
Bahrain	± 25	AAQ-33 Sniper	aircraft EO system	2017		
Bahrain	16	F-16V	FGA aircraft	2017		
Bahrain	± 14	AGM-114L HELLFIRE	anti-tank missile	± 2018		
Bahrain	± 110	MGM-140 APKWS	SSM	± 2019		
Bahrain ^x	± 2	Patriot PAC-3	SAM/ABM system	2019		
Colombia	1	S-70/UH-60L	helicopter	2018	2019	1
Egypt	20	F-16C Block-50/52	FGA aircraft	2010	2013-2015	20
Egypt	± 12	AAQ-33 Sniper	aircraft EO system	2011	2013-2015	± 12
Egypt	± 356	AGM-114K HELLFIRE	anti-tank missile	2015	2016-2017	± 356
India	6	C-130J-30 Hercules	transport aircraft	2013	2017	6
India	± 1354	AGM-114K/L Hellfire	anti-tank missile	2015	2019	± 700
India	1	C-130J-30 Hercules	transport aircraft	± 2018	2019	1
Iraq	24	T-50 Golden Eagle	trainer/combat aircraft	2013	2016-2017	± 24
Iraq	36	F-16C Block-50/52	FGA aircraft	2011/2013	2014-2017	± 36
Iraq	± 20	AAQ-33 Sniper	aircraft EO system	2012	2015	± 20
Iraq	± 5000	AGM-114K Hellfire	anti-tank missile	2014	2015-2017	± 5000
Iraq	1	TPS-77	air search radar	2019		

^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-foreign-customers/6401549291993/>

Israel	50	F-35A JSF	FGA aircraft	2010	2016-2019	± 21
Israel	7	C-130J Hercules	transport aircraft	2010/2013	2013-2018	± 7
Israel	± 1000	GMLRS	guided rocket	2016	2017-2018	± 1000
Lebanon	± 1150	AGM-114K Hellfire	anti-tank missile	± 2014-2017	2015-2019	± 250
Pakistan	15	AAQ-33 Sniper	aircraft EO system	2015	2015-16	± 15
Pakistan	± 1000	AGM-114K Hellfire	anti-tank missile	2015		
Philippines	12	FA-50	FGA aircraft	2014	2015-17	12
Philippines	16	S-70/UH-60L	helicopter	2019		
Saudi Arabia	± 193	AAQ-13 LANTIRN	combat ac radar	± 2011	2016-2018	± 64
Saudi Arabia	± 158	AAQ-33 Sniper	aircraft EO system	2012	2016-2019	± 82
Saudi Arabia	2	KC-130J Hercules	tanker/transport ac	2013	2016	2
Saudi Arabia	± 2176	AGM-114L Hellfire	anti-tank missile	2014	2015-2016	± 2176
Saudi Arabia	4	MMSC	frigate	2017		
Saudi Arabia	± 10	PTDS	AGS aerostat	2017		
Saudi Arabia ^x	± 24	Patriot PAC-3	SAM/ABM system	2011/2015	2014-2019	± 24
Saudi Arabia ^x	320	MIM-104F PAC-3	ABM	2015	2017-2019	± 320
Saudi Arabia	102	S-70/UH-60L	helicopter	2012-2017	2014-2019	± 52
Saudi Arabia	10	MH-60R Seahawk	ASW helicopter	2015	2018-19	± 10
Turkey	± 2	F-35A JSF	FGA aircraft	± 2014	2018	± 2
Turkey	4	Mk41	naval SAM system	± 2016		
Turkey	69	S-70/UH-60L	helicopter	2014		
UAE	390	GMLRS	guided rocket	2015	2017	± 390
UAE	12	M-142 HIMARS	Self-propelled MRL	2015	2018	12
UAE	124	MGM-140B ATACMS	SSM	2015	2017-2018	± 124
UAE	± 1000	AGM-114K Hellfire	anti-tank missile	2017	2018	± 1000

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

3.11 Northrop Grumman

Northrop Grumman, based in the US, provides products, services and solutions in the military aerospace, electronics, information systems and shipbuilding sectors.⁷² The military products of Northrop Grumman consist among others of autonomous systems, strike aircraft, naval systems, missiles and ammunition.⁷³

In the financial year ending 31 December 2019, Northrop Grumman generated revenues of US\$33.8 billion (€28.8 billion), resulting in an operating income of US\$4.0 billion (€3.4 billion).⁷⁴ According to the SIPRI top 100 arms-producing companies of 2018, Northrop Grumman ranked third with total arms sales of US\$26.2 billion (€22.3 billion), accounting for 87% of its total sales that year.⁷⁵

The involvement of Northrop Grumman in controversial arms deals, in the period from January 2015 to December 2019, is summarized in Table 25.

Northrop Grumman did not respond to the letter sent by PAX containing questions on its human rights policies in relation to these arms sales.

Table 25 Sales of military goods to states at risk 2015-2019 by Northrop Grumman

Recipient country	No. Ordered	Weapon designation	Weapon description	Years order	Years delivery	Number delivered
Bahrain	± 26	APG-83 SABR	combat ac radar	2017		
Colombia	± 4	TPS-70	air search radar	2013	2015	4
India	12	APG-78 Longbow	combat heli radar	2016	2019	± 4
Iraq	4	APG-68	combat ac radar	2012	2015	± 4
Saudi Arabia	± 37	APG-78 Longbow	combat heli radar	± 2010	2014-2016	± 37
Turkey	± 163	APG-68	combat ac radar	± 2005	2009-2015	± 163

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

3.12 Raytheon

Raytheon, based in the US, provides mainly 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.⁷⁶ The military products of Raytheon consist among others of missiles and air defence systems.⁷⁷

In the financial year ending 31 December 2019, Raytheon generated revenues of US\$ 29.2 billion, resulting in an operating income of US\$4.8 billion.⁷⁸ According to the SIPRI list of top 100 arms-producing companies of 2018, Raytheon ranked fourth with total arms sales of US\$23.4 billion (€19.93 billion), accounting for 87% of its sales that year.⁷⁹

In October 2019, the shareholders of UTC and Raytheon approved a merger between UTC's aerospace business with Raytheon. The companies indicated that the new company, Raytheon Technologies Corporation would create a "premier systems provider with advanced technologies to address rapidly growing segments within aerospace and defence."⁸⁰ The merger has materialized over the course of 2020, forming the new company Raytheon Technologies.⁸¹ However, as this study is based on pre-merger data, Raytheon will be listed separate from UTC.

The involvement of Raytheon in controversial arms deals, in the period from January 2015 to December 2019, is summarized in Table 26.

Raytheon did not respond to the letter sent by PAX containing questions on its human rights policies in relation to these arms sales.

Table 26 Sales of military goods to states at risk 2015-2019 by Raytheon

Recipient country	No. Ordered	Weapon designation	Weapon description	Years order	Years delivery	Number delivered
Afghanistan	± 250	Paveway	guided bomb	± 2017	2017-2019	± 250
Bahrain	25	AIM-120C AMRAAM	BVRAAM	± 2010	2015	25
Bahrain	± 264	BGM-71 TOW	anti-tank missile	2016	2017-2018	± 264
Bahrain	± 221	BGM-71 TOW-2B	anti-tank missile	2017	2018	± 221
Bahrain ^{xi}	± 2	Patriot PAC-3	SAM/ABM system	2019		
Bahrain	36	MIM-104C PAC-2	SAM	2019		
Bahrain	60	MIM-104F PAC-3	ABM	2019		
Colombia	100	BGM-71 TOW	AT-missile	± 2015	2015	100
Colombia	60	FIM-92 Stinger	portable SAM	± 2015	2015	60
Egypt	± 330	AIM-9L/I-1 Sidewinder	SRAAM	± 2017	2018-19	± 150
Egypt	139	RIM-116A RAM	SAM	2005	2013-5	± 139
Egypt	8	MPQ-64 Sentinel	air search radar	2017	2019	± 2
India	± 32	Mk-54 MAKO	ASW torpedo	± 2011	2013-16	± 32
India	± 245	FIM-92 Stinger	portable SAM	± 2013	2019	± 100
Iraq	± 100	AGM-65 Maverick	ASM	± 2011/2013	2015-2016	± 100
Iraq	± 300	AIM-7M Sparrow	BVRAAM	± 2011/2013	2015-2017	± 300
Iraq	200	AIM-9L Sidewinder	SRAAM	± 2011/2013	2015-2017	± 200
Iraq	± 600	Paveway	guided bomb	± 2011/2013	2015-2017	± 600
Israel	± 28	AIM-9X Sidewinder	SRAAM	2014	2016-2019	± 20
Israel	± 25	APG-82	combat ac radar	± 2016		
Lebanon	± 1500	BGM-71 TOW-2B	anti-tank missile	2017	2018-2019	± 1000
Lebanon	± 350	BGM-71 TOW	anti-tank missile	± 2016	2017	± 350

^{xi} 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-foreign-customers/6401549291993/>

Pakistan	± 843	BGM-71 TOW	anti-tank missile	± 2010	2015	± 843
Philippines	± 130	AIM-9L/I Sidewinder	SRAAM	± 2017	2019	± 65
Philippines	± 125	AGM-65 Maverick	ASM	± 2013	2017-2019	± 75
Philippines		Paveway	guided bomb	2018		
Saudi Arabia	± 2400	Paveway	guided bomb	2013	2015	± 2400
Saudi Arabia ^{xi}	± 24	Patriot PAC-3	SAM/ABM system	2011/2015	2014-2019	± 24
Saudi Arabia ^{xi}	320	MIM-104F PAC-3	ABM	2015	2017-2019	± 320
Saudi Arabia	± 600	AGM-88 HARM	ARM	± 2011	2018-2019	± 200
Saudi Arabia	± 300	AIM-9X Sidewinder	SRAAM	± 2011	2012-2019	± 300
Saudi Arabia	± 11220	Paveway	guided bomb	± 2011/2015	2013-2017	± 11220
Saudi Arabia	± 500	AIM-120C AMRAAM	BVRAAM	2013	2015-2019	± 500
Saudi Arabia	± 973	AGM-154 JSOW	Guided bomb	2014/2017	2016-2019	± 530
Saudi Arabia	± 100	RIM-116A RAM	SAM	± 2017		
Saudi Arabia	± 200	RIM-162 ESSM	SAM	± 2017		
Saudi Arabia	± 7	THAAD	ABM system	± 2018		
Saudi Arabia	± 4941	BGM-71F TOW-2B	Anti-tank missile	± 2014	2015-2018	± 4941
Saudi Arabia	± 10747	BGM-71 TOW	Anti-tank missile	2014	2015-2018	± 10747
Turkey	± 275	RIM-162 ESSM	SAM	± 2009	2011-2017	± 275
Turkey	4	Mk-15 Phalanx	CIWS	± 2011	2017-2018	4
Turkey	± 145	AIM-120C AMRAAM	BVRAAM	± 2014	2016-2018	± 145
Turkey	117	AIM-9X Sidewinder	SRAAM	2014	2015-2016	± 117
Turkey	± 125	RIM-116A RAM	SAM	± 2007	2011-19	± 125
Turkey	± 150	RIM-116A RAM	SAM	± 2016		
Turkey	10	Mk-15 Phalanx	CIWS	± 2015	2017-2018	± 4
UAE ^{xi}	± 512	MIM-104F PAC-3	ABM	2019		
UAE	± 192	RIM-162 ESSM	SAM	2006/2016	2015 & 2018-19	± 192
UAE	± 225	RIM-116A RAM	SAM	2007/± 2016	2011-2018	± 225
UAE	2	THAAD	ABM system	2011	2015-2016	± 2
UAE	192	THAAD missile	ABM missile	2012	2015-2019	± 192
UAE	± 2000	Talon	ASM	2013	2015-2018	± 2000
UAE	100	MIM-104C PAC-2	SAM	2017	2019	± 100

UAE	± 13640	Paveway	guided bomb	2017	2018	± 3000
UAE	300	AIM-9X Sidewinder	SRAAM	2018	2019	± 100
Ukraine	± 150	FGM-148 Javelin	AT-missile	2019		

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

3.13 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.⁸² The military products of Rheinmetall consist among others of armoured vehicles, turrets, air defence systems, ground robots and ammunition.⁸³

In the financial year ending 31 December 2019, Rheinmetall generated revenues through sales of US\$7.29 billion (€6.3 billion), resulting in an operating result of US\$ 594 million (€ 505 million).⁸⁴ According to the SIPRI top 100 arms-producing companies of 2018, Rheinmetall ranked twenty-second with total arms sales of US\$3.8 billion (€3.24 billion), accounting for 51% of its total sales that year.⁸⁵

The involvement of Rheinmetall in controversial arms deals, in the period from January 2015 to December 2019, is summarized in Table 27.

Rheinmetall did not respond to the letter sent by PAX containing questions on its human rights policies in relation to these arms sales.

Table 27 Sales of military goods to states at risk 2015-2019 by Rheinmetall

Recipient country	No. Ordered	Weapon 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
Egypt	1280	Fahd	APC	1978	1986-2015	est 1280
Pakistan	2	ATR-72MP	ASW aircraft	2015	2018-2019	2
Pakistan	est 12	GDF 35mm	portable SAM	2014	2016-2017	est 12
Pakistan	6	Skyguard	fire control radar	est 2014	2016-2017	est 6
Saudi Arabia	26	X-TAR	air search radar	2011	2015-2016	est 26
Saudi Arabia	5	GDM-008 35mm	CIWS	2018		

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

3.14 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.⁸⁶ The military products of Rolls-Royce consist among others of engines for fighter aircraft, land vehicles and warships.⁸⁷

In the financial year ending 31 December 2019, Rolls-Royce generated revenues of US\$19.9 billion (€ 16.9 billion), resulting in an (underlying) operating result of US\$1,041 million (€884 million).⁸⁸ According to the SIPRI top 100 arms-producing companies of 2018, Rolls-Royce ranked twentieth with total arms sales of US\$4.7 billion (€4.0 billion), accounting for 22% of its total sales that year.⁸⁹

Rolls-Royce is actively involved in servicing its engines once they are in operation. For example, the company has staff on military airfields in Saudi Arabia, and states it "supports the country's national defence forces".⁹⁰

The involvement of Rolls-Royce in controversial arms deals, in the period from January 2015 to December 2019, is summarized in Table 28.

Rolls-Royce did not respond to the letter sent by PAX containing questions on its human rights policies in relation to these arms sales.

Table 28 Sales of military goods to states at risk 2015-2019 by Rolls Royce

Recipient country	No. Ordered	Weapon designation	Weapon description	Years order	Years delivery	Number delivered
China	± 42	MTU-1163 & MTU-956	naval diesel engines	± 2008-2010	2013-2019	± 32
China	± 500	Spey	turbofan	± 1975	1998-2019	± 510
Egypt	16	MTU-595	diesel engine	2006/± 2010	2013-2015	± 16
Egypt	4	MTU-4000	diesel engine	2015	2015	4
India	12	MTU-8000	diesel engine	2012	2015-2017	12
India	± 4	BR-710	turbofan	± 2011	2015	± 4
India	± 100	MTU-881	diesel engine	2017	2018-2019	± 50
India	± 4	AE-3007	turbofan	2008	2017-2019	4
Iraq	8	MTU-956	diesel engine	1981	2017	8
Israel	± 790	MTU-883	diesel engine	± 2000	2002-2019	± 790
Nigeria	4	MTU-4000	diesel engine	2012	2014-2016	4
Pakistan	8	MTU-595	diesel engine	± 2018		
Philippines	8	MTU-1163	diesel engine	± 2017		
Philippines ^{xii}	4	T-800	turboshaft	2016	2019	4
Saudi Arabia	8	MT-30	gas turbine	2017		

^{xii} This is an arms transfer by LHTEC, of which Rolls Royce is a shareholder (50%)

Turkey	± 40	TP400-D6	turboprop	2003	2014-2019	± 36
Turkey	4+8	MTU-595	diesel engine	± 2014+2016	2018-2019	4
Turkey ^{xii}	± 100+48	T-800	turboshaft	2008+2017	2014-2019	± 110
Turkmenistan	12	MTU-4000	diesel engine	2014	2015-2017	± 12
UAE	± 24	MTU-595	diesel engine	± 2003	2011-2017	24
UAE	± 24	MTU-2000	diesel engine	2009	2013-2015	± 24
UAE	8	MTU-4000	diesel engine	2013	2017	8
UAE	10	BR-710	turbofan	± 2012-2017	2018-2019	4

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

3.15 Thales

Thales is a European company engaged in aerospace, defence, ground transportation, security and space.⁹¹ The French state (25.7%) and aircraft manufacturer Dassault Aviation (24.7%) are the main shareholders of Thales.⁹² The military products of Thales consist among others of communications, command and control systems, and combat systems for air, land and naval systems.⁹³

In the financial year ending 31 December 2019, Thales generated sales of US\$21.6 billion (€ 18.4 billion), resulting in a net income of US\$1.29 billion (€1.1 billion).⁹⁴ According to the SIPRI top 100 arms-producing companies of 2018, Thales ranked tenth with total arms sales of US\$9.5 billion (€8.0 billion), accounting for 50% of its total sales that year.⁹⁵

The involvement of Thales in controversial arms deals, in the period from January 2014 to December 2018, is summarized in Table 29.

Thales did not respond to the letter sent by PAX containing questions on its human rights policies in relation to these arms sales.

Table 29 Sales of military goods to states at risk 2015-2019 by Thales

Recipient country	No. Ordered	Weapon designation	Weapon description	Years order	Years delivery	Number delivered
Egypt	4	MRR-3D	air search radar	± 2006/2010	2013-2015	4
Egypt	± 12	TALIOS	aircraft EO system	2015	2016-2018	± 12
Egypt	4	Scout	sea search radar	± 2006/2010	2013-2015	4
Egypt	8	STING	fire control radar	± 2006-2014	2013-2017	5
Egypt	5	SMART	air search radar	± 2014/2017	2017-2018	± 2
India	19	GS-100	air search radar	2009	2010-2016	± 19
India	7	LW-08	air search radar	± 2006	2014-2016	3
Philippines	2	FLASH	ASW sonar	2016	2019	2
Saudi Arabia	± 4	COBRA	artillery locating radar	± 2014	2019	± 4

Saudi Arabia	± 60	Damocles	aircraft EO system	± 2007	2009-2017	± 60
Saudi Arabia	± 20	Ground Master-60	air search radar	2011	2013-2015	± 20
Saudi Arabia	± 10	FLASH	ASW sonar	2015	2018-2019	± 10
Turkey	1	Göktürk-1	recce satellite	2009	2016	1
Turkey	8	STING	fire control radar	± 2016		
Turkey	9	SMART	air search radar	± 2011-2016	2017-2019	4
Turkmenistan	8	Scout	sea search radar	2012	2013-2016	8
Turkmenistan	8	Variant	air/sea search radar	2012	2013-2016	8
UAE	17	Ground Master-200	air search radar	2013	2015-2017	± 17
UAE	3	COBRA	artillery locating radar	± 2019		
UAE		RDY	combat ac radar	2019		

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

3.16 United Technologies Corporation

United Technologies Corporation (UTC) is a US-based company in defence, aerospace and building that owns companies such as Carrier (air-conditioning), Pratt & Whitney (military and civilian aircraft engines), Collins Aerospace (aircraft components) and Otis (elevators and escalators). The military products of UTC consist among others of engines for fighter jets and other military aircraft.⁹⁶

UTC is actively involved in servicing its engines once they are in operation. For example, the company lists the Middle East Propulsion Company (MEPC) on its website as service centre for its military customers. The MEPC is based in Saudi Arabia.⁹⁷

In the financial year ending 31 December 2019, UTC generated net sales of US\$77.0 billion (€65.5 billion), resulting in a net income of US\$5.9 billion (€5.0 billion).⁹⁸ According to the SIPRI top 100 arms-producing companies of 2018, UTC ranked eleventh with total arms sales of US\$9.3 billion (€7.9 billion), accounting for 14% of its total sales that year.⁹⁹

In October 2019, the shareholders of UTC and Raytheon approved a merger between UTC's aerospace business with Raytheon. The companies indicated that the new company, Raytheon Technologies Corporation would create a "premier systems provider with advanced technologies to address rapidly growing segments within aerospace and defence." The merger has materialized over the course of 2020, forming the new company Raytheon Technologies.¹⁰⁰ However, as this study is based on pre-merger data, UTC will be listed separate from Raytheon.

The involvement of UTC in controversial arms deals, in the period from January 2015 to December 2019, is summarized in Table 30.

UTC did not respond to the letter sent by PAX containing questions on its human rights policies in relation to these arms sales.

Table 30 Sales of military goods to states at risk 2015-2019 by United Technologies Corporation

Recipient country	No. Ordered	Weapon designation	Weapon description	Years order	Years delivery	Number delivered
Afghanistan	± 26	PT6A-68/3	turboprop/turboshaft	2013/2017	2016-2018	± 26
Bahrain	6	DB-110	aircraft recce systems	2019		
Egypt	± 24	PW100	turboprop/turboshaft	2014/2015	2015-2016	± 24
India	± 85	PT6	turboprop/turboshaft	2012/± 2016	2013-2015	± 75
India	± 124	PW100	turboprop/turboshaft	± 2015		
Iraq	4	DB-110	aircraft recce system	2012	2015-2016	± 4
Lebanon	± 8	PT6	turboprop/turboshaft	2015	2017-2018	± 8
Mali	± 4	PT6	turboprop/turboshaft	2015	2018	4
Mali	2	PW100	turboprop/turboshaft	2016	2016	2
Nigeria	± 12	PT6	turboprop/turboshaft	2018		
Philippines	± 8	PW100	turboprop/turboshaft	2014/± 2018	2015/2019	± 8
Philippines	± 6	PT6	turboprop/turboshaft	± 2017		
Saudi Arabia	± 8	PW100	turboprop/turboshaft	2015	2015-2018	8
Saudi Arabia	± 55	PT6	turboprop/turboshaft	2012	2014-2016	± 55
Saudi Arabia	± 10	DB-110	aircraft recce system	2012	2014-2016	± 10
Turkey	± 27	PT6	turboprop/turboshaft	± 2013/2017	2018-2019	± 15
UAE	± 24	PT6	turboprop/turboshaft	2014	2015-2017	± 24
UAE	10	PW100	turboprop/turboshaft	2017	2019	10
UAE	2	DB-110	aircraft recce system	± 2017	2018-2019	2
Uzbekistan	± 8	PW100	turboprop/turboshaft	± 2014	2015-2016	± 8

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 damage. In some cases, states abuse the equipment to kill and damage in violation of human rights and / or international humanitarian law.

Arms companies are, as any other company, within the scope of responsible business standards like the UNGPs and the OECD Guidelines. The UNGP's stipulate the responsibility of companies in case they are connected to an impact, in which they make a distinction for situations where companies are directly linked, contributing, 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 who's violations of human rights and IHL 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."*¹⁰¹

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 IHL. In practice, this concerns all companies above, except Honeywell (which would still be directly linked because it supplied military goods, and hence has a business relationship, with other states with other known violations).

On a final note, we argue that it is of less importance whether the exact same military goods as supplied have been used in the violation. Refilling stock, maintenance, subsystems and other ways of supplying the war effort should all be seen as 'contributing', in case of violations.

Investors in these companies, in the logic of the UNGP's, would be 'directly linked' to the violations because of their business relation with the companies listed here. Chapter 4 investigates which insurers in the Netherlands are directly linked, and how they have taken on this responsibility.

Chapter 4 Investments by the selected insurers

The previous chapters have shown the behaviour of these companies and the risks of investments in these companies for investors. This chapter looks into how insurers have dealt with arms companies as part of their investment policy and practice. The chapter looks into past and current policy as well as actual investments of the insurers in this study.

4.1 Developments in policy and practice of the selected insurers since 2015

The Fair Insurance Guide has assessed the publicly available investments policies of most of the insurers in this study since 2013. Table 31 compares the scores for the theme ‘arms’ in the policy assessment of 2015 with the score in 2019. Note that this overall score is based on an assessment of all relevant policies for investments in the defense industry, which includes policy on controversial weapons as well (biological, chemical, nuclear weapons and cluster munitions).

In 2015 the insurers CZ, Menzis and VGZ weren’t part of the Fair Insurance Guide yet. Achmea, Aegon, Allianz, ASR, NN Group and Vivat were.

Table 31 Policy assessment scores of the Fair Insurance Guide for ‘arms’

	2015 score for ‘arms’	2019 score for ‘arms’
Achmea	5	8
Aegon	5	4
Allianz	3	3
ASR	10	10
NN Group	4	5
Vivat	6	8
CZ (since 2018)		3
Menzis (since 2018)		4
VGZ (since 2018)		4

In 2015, the Fair Insurance Guide carried out its first case study on controversial arms trade. That study is very comparable to this study. The comparison of both the policy score and the actual investments found in 2015 with those of 2019 provide insight in the progress made by the insurers on this topic.

For policy, it is clear that Achmea and Vivat have made significant progress. The increase in score for these insurers is based on policy that commits the insurers to take the risks of arms trade into account. ASR already had good policy. Allianz and Aegon had insufficient policy and still do, though Aegon (see 4.4) did make a minor improvement related to arms trade (its overall score decreased for changes in other elements). NN Group improved its policy on ‘arms’ by adding criteria related to the trade in arms as well, though fairly limited. Allianz had no public policy related to investments in companies involved in the trade in weapons to high risk countries in 2015, and this remains so in 2019.

ASR’s score hasn’t changed over the years. The insurer takes a unique approach amongst the insurers in the Fair Insurance Guide by excluding ‘companies that produce and/or sell offensive weapons’. The insurer also states it follows the Arms Trade Treaty. This has led to a consistent score of ‘10’ for its policy on arms.

CZ, Menzis and VGZ were included in the Fair Insurance Guide in 2018. Hence no score exists for their policy on weapons in 2015. In 2019, all three insurers had insufficient policy on investments in the defence sector: all three lacked any policy on arms trade. Their policies focus on controversial weapons only. Menzis and VGZ excluded any investment in controversial weapons. CZ excluded investments in controversial weapons but didn't exclude producers of nuclear weapons for states that base their possession of nuclear weapons on the Non-Proliferation Treaty. However, the most recent policy of CZ excludes nuclear weapon producers categorically.¹⁰²

The 2015 case study on controversial arms trade found significant investments for Aegon (805 million euro) and Allianz (2,635 million euro). For NN Group, 235 million euro in investments was found. The 2015 report found no investments for Achmea and ASR. CZ, Menzis, VGZ and Vivat were not included in the Fair Insurance Guide at the time.

4.2 Methodology research investment practice

The financial data for this study was retrieved from several databases and organized by Profundo. PAX selected the data that are relevant for this study and is responsible for the presentation of the data in this study. The following notes are relevant to this presentation:

- Data was retrieved from Refinitiv Eikon and Refinitiv EMAXX databases (formerly Thomson Reuters), in February 2020, at most recent filing date. In most cases, the filing date of the data was end of Q4, 2019.
- Data are presented in Euro.
- All data is organized at group level, both for the company and the investor in the company, unless explicitly otherwise indicated (see Aegon, 4.4.1).
- A distinction is made between shareholdings and bondholdings.
- Shareholdings and bondholdings may have different filing dates or internal asset managers, which are not shown here as it would make oversight over the data quite difficult.
- If the total of investments by one investor in one company is lower than 100,000 euro, the investment was left out of the study.
- Financial data was sent to the insurers to give them the opportunity to verify the data. None of the insurers replied to this request.

The insurers were asked to reply to a short questionnaire asking them if and if so, what they have done or will do towards these companies in terms of engagement or voting to prevent, mitigate and remediate human rights violations as a result of arms sales. The survey is in Annex 2 of this report. None of the insurers wanted to respond to the survey. This already points to a problematic standing towards transparency on responsible investment practice.

For Achmea, Allianz and Vivat, public reports on engagement with companies were found. We checked whether these insurers report engagement with any of the companies they invest in. This is reported below. For Aegon and NN Group we did not find any public reporting on engagement.

PAX, on behalf of the Fair Insurance Guide, asked the insurers if they had taken action by means of voting to get companies to change behaviour on controversial arms trade. Within the scope of this study, it was not possible to scout for shareholder resolutions that are in line with this aim. One shareholder resolution filed with Northrop Grumman is included though, by means of an example. This is a resolution filed at the shareholder meeting of Northrop Grumman in 2020, by the Sisters of St. Dominic of Caldwell. The US based organization Investor Advocates for Social Justice were involved in the drafting of this resolution. The resolution asks Northrop Grumman to commission a human rights impact assessment. The resolution attracted the support of around 24% of its shareholders.¹⁰³

4.3 Achmea

The following investments were found for Achmea:

Table 32 Investments found for Achmea in the 14 arms companies

Group	Group country	Shareholding (in €mIn)	Total (in €mIn)
General Electric	United States	6.27	6.27
Total		6.27	6.27

Policy and practice

In the last assessment of its investment policy (2019) Achmea scored an 8 for the theme ‘arms’, a score that reflects good policies around arms trade. The insurer had significantly improved its policy since 2015, when it had no policy at all on the issue of arms trade. Achmea’s policy now refers to the EU Common Position on the exports of military technology and equipment.¹⁰⁴ This provides a solid base for policy as it requires companies to adhere to most of the criteria used in this study as well. The case study in 2015 found no investments for Achmea in any of the companies included in that study. General Electric was however not included in the 2015-study.

Achmea provides an overview of all its engagement with companies, which does not include engagement with the only company it invests in, General Electric.

Recommendation to Achmea

PAX’ and the Fair Insurance Guide’s recommendation to Achmea is to implement its own policy and engage with General Electric based on its supply of military goods and services to high risk countries. Engagement should be based on specific and time-bound goals, and preferably take place in collaboration with other investors in the company. Further recommendations for engagement are provided in paragraph 5.3. If engagement fails to change the behaviour of General Electric, Achmea should divest.

4.4 Aegon

The following investments were found for Aegon (at group level):

Table 33 Investments found for Aegon in the 14 arms companies

Group	Group country	Bondholding (in €mIn)	Shareholding (in €mIn)	Total (in €mIn)
Airbus	Netherlands	11.03	13.56	24.59
BAE Systems	United Kingdom	26.61	96.56	123.17
Boeing	United States	90.99	59.42	150.41
General Dynamics	United States	0.18	7.21	7.38
General Electric	United States	115.73	5.95	121.68
Honeywell	United States	55.49	18.41	73.89
Leonardo	Italy		0.88	0.88
Lockheed Martin	United States	173.31	83.51	256.82

Northrop Grumman	United States	39.20	3.13	42.33
Raytheon	United States	18.35	6.73	25.08
Rolls-Royce	United Kingdom	34.87	2.52	37.39
Thales	France		1.66	1.66
United Technologies Corp	United States	219.03	15.12	234.15
Total		784.78	314.66	1099.44

Policy and practice

While Aegon had, in 2015, no policy at all on the issue of arms trade, the insurer did have limited policy on the issue in 2019,^{xiii} and stated that Aegon would ‘engage where necessary’ with companies involved in ‘supplying conventional weapons for which there is a substantial risk they will be used in conflicts and regions where human rights are violated’.¹⁰⁵ However, the 2020 update of this policy cancelled this very short-lived improvement, as it cut out an essential part that defined what Aegon referred to as controversial arms trade, and its link to human rights violations. Aegon’s group policy now says:

‘The prevention of controversial international arms trade is enshrined in the UN Arms Trade Treaty, which entered into force in December 2014. Recognizing that the primary responsibility of enforcing the UN Arms Trade Treaty lies with governments, Aegon is committed to monitoring companies with heightened risk in this area (and engaging with them where necessary). Aegon uses its best efforts to refrain from investing in companies that are known to supply weapons to countries identified for arms embargoes by the UN Security Council, the United States or the European Union.’¹⁰⁶

Here, Aegon commits to ‘engage where necessary’ with companies with ‘heightened risk’ of violating the ATT. As this is not further specified, it is unclear how Aegon implements this policy. Aegon also states it will try not to invest in companies that are known to break arms embargoes. As companies doing so violate a series of legal boundaries anyway, this is a very high threshold for action on the part of Aegon.

Aegon does not report on its engagement activities, so it could not be established whether Aegon is or was in engagement with any of the companies in the list above. Though Aegon holds (a small number of) shares in Northrop Grumman, and hence had voting rights on the resolution filed by the Sisters of St. Dominic of Caldwell (see 4.2), no record of a vote on this resolution was found.

The investments found for Aegon in this study then, as can be expected based on the limited improvement in policy, are not significantly different from those found in 2015. Aegon invests in virtually all companies in this study, which was also the case in 2015.

^{xiii} In 2019, Aegon’s overall score had decreased though as a result of a loss of points on elements around ‘dual use technologies’.

4.4.1 Aegon NL

This report researches insurers on group level, which means investments by all branches within the group are listed as investments belonging to the group. In the case of Aegon, it is worth looking at the investments of the investment management branch in the Netherlands separately as well.

Interestingly, Aegon's Dutch branch has a separate responsible investment policy, which was last updated 1 January 2020. This policy has a full chapter devoted to investments in arms companies. In that chapter, Aegon NL takes a much stronger approach to the trade of military goods with high risk countries. The policy in effect states the following:

- In its screening, Aegon NL will focus on controversial weapons only. This applies to none of the weapons listed in chapter 3. Nevertheless, the screening does take into account the ATT and the EU CP and says Aegon NL wants companies to assess the risks of violations of human rights, stimulating armed conflict as result of the arms sales. Aegon NL also states it wants companies to assess if they risk selling weapons to fragile or corrupt states, or states that spend a disproportionate part of their budget on military goods. In effect, these are all elements found in chapter 2. However, according to the text of the policy, Aegon NL only applies this to 'controversial weapons', while this study focuses on all weapons.
- Regarding engagement, Aegon NL states it doesn't see engagement with arms producers as useful, with the exception of cases in which the production of military goods is not the core activity of the company. This seems to be at odds with the group's policy, which relies on 'engagement where necessary'.
- Aegon NL then states that it will exclude companies involved in the trade in controversial weapons, and companies 'involved in arms trade to high risk countries for which the Dutch government applies the presumption of denial'.¹⁰⁷ The latter does seem to refer to weapons in general.

It is noteworthy that Aegon NL in effect states here, that it will exclude companies involved in the supply of military goods to Saudi Arabia and the UAE as these are under the 'presumption of denial' for arms export permits by the Dutch government (see 2.1.10). This means in practice that Aegon NL (and not Aegon N.V., the group) should exclude basically all companies in this report except Honeywell, based on this policy.

Table 34 shows the investments of AEGON Investment Management B.V., a Dutch-based entity within the Aegon group.^{xiv} It is likely that this branch of Aegon invests the funds of Aegon Netherlands for which the policy described in 4.1 applies. However, AEGON Investment Management B.V. will also have investments for other clients with their own policies. The investments shown in table 34 can therefore not be ascribed to Aegon NL specifically. Further detail on the investments that fall under Aegon NL and more information on how Aegon NL implements its policy could not be retrieved.

It is partly for this lack of transparency that the Fair Insurance Guide bases its research on group level data. Group policy applies to all investments held by the branches of the group (unless exceptions are made within the policy). For Aegon NL, it remains unclear how its policy on this issue is implemented.

Table 34 Investments for Aegon Investment Management B.V. in the 14 arms companies

Group	Group country	Shareholding	Total
Airbus	Netherlands	13.56	13.56
BAE Systems	United States	3.76	3.76
Boeing	United States	12.63	12.63

^{xiv} Note that the investments listed in table 34 are also included in table 33. The two tables should not be added up, table 34 is a contains details of table 33.

General Electric	United States	5.95	5.95
Honeywell	United States	8.79	8.79
Leonardo	Italy	0.88	0.88
Lockheed Martin	United States	6.53	6.53
Northrop Grumman	United States	0.01	0.01
Raytheon	United States	4.21	4.21
Rolls-Royce	United Kingdom	2.52	2.52
Thales	France	1.66	1.66
United Technologies Corp	United States	8.04	8.04
Total		68.56	68.56

Recommendations to Aegon

PAX' and the Fair Insurance Guide's recommendation to Aegon is to apply the stricter Aegon NL policy to group wide investments. Furthermore, this study justifies the question whether Aegon should, based on its group policy, engage with the companies listed. As the insurer indicated to be '*committed to monitoring companies with heightened risk in this area (and engaging with them where necessary).*'

Aegon's policy (both for the group and for Aegon NL) could benefit from further specification. Parts of its policy are now focused on controversial weapons only, but use criteria that focus on arms trade. We recommend applying these criteria to the trade in all military goods. For recommendations on this, and on how engagement could be shaped, see paragraph 5.3.

4.5 Allianz

The following investments were found for Allianz:

Table 35 Investments found for Allianz in the 14 arms companies

Group	Group country	Bondholding (in €mIn)	Shareholding (in €mIn)	Total (in €mIn)
Airbus	Netherlands	19.46	108.68	128.13
BAE Systems	United Kingdom	99.42	39.68	139.10
Boeing	United States	178.94	261.56	440.49
General Dynamics	United States	23.35	39.48	62.83
General Electric	United States	1067.07	125.41	1192.49
Honeywell	United States	175.45	299.51	474.95
Leonardo	Italy	14.97	9.06	24.03
Lockheed Martin	United States	65.82	156.81	222.63
Northrop Grumman	United States	47.47	29.73	77.19
Raytheon	United States	36.15	181.27	217.43
Rheinmetall	Germany		23.40	23.40
Rolls-Royce	United Kingdom	52.41	0.85	53.26
Thales	France	0.00	35.73	35.73

United Technologies Corp	United States	642.79	88.32	731.11
Total		2423.30	1399.49	3822.78

Policy and practice

Allianz had no public policy related to investments in companies involved in the trade in weapons to high risk countries in 2015, and this remains so in 2019. Allianz reported on engagement at company level in 2018, but not in 2019.

In 2018, Allianz (its branch 'Allianz Global Investors) reported it had engaged or was in engagement with General Dynamics, Leonardo and Raytheon. It is not clear however on which issue Allianz engaged with these companies.¹⁰⁸

Allianz holds shares in Northrop Grumman, and hence had voting rights on the resolution filed by the Sisters of St. Dominic of Caldwell (see 4.2). Allianz voted in favour of this resolution, which asked the company to commission a human rights impact assessment.¹⁰⁹

Recommendation to Allianz

PAX' and the Fair Insurance Guide's recommendation to Allianz is to develop group level policy on the issue of arms trade to high risk countries, and implement it.

4.6 ASR

Research revealed a small amount of investments for ASR in one of the selected companies, General Electric. Similar data were found in 2019, and PAX had started engagement with ASR end of 2019, based on this data. This engagement led to ASR excluding General Electric from its investments. This is confirmed by ASR's exclusion list (update May 2020), which includes General Electric as excluded from investments by ASR, under the controversial activity 'armament'.¹¹⁰

Because of the lag created by filing dates of the financial data as well as the date the financial data was downloaded, the investment in GE by ASR did show up in the financial data. It is not included in this report as it is clear both from engagement prior to this report as well as from ASR's exclusion list that this investment in GE by ASR no longer exists.

Recommendation to ASR

PAX' and the Fair Insurance Guide's has no other recommendation to ASR than to continue its policy and practice on this issue.

4.7 CZ

No investments were found for CZ. As we have seen, CZ does not have any policy on controversial arms trade. Its policy on controversial weapons does in effect exclude a number of companies included in this report as well.

Recommendation to CZ

PAX' and the Fair Insurance Guide's recommendation to CZ is to develop group level policy on the issue of arms trade quickly. Detailed recommendations (in line with the methodology of this report) are provided in paragraph 5.3.

4.8 Menzis

No investments were found for Menzis. As we have seen, Menzis does not have any policy on controversial arms trade. Its policy on controversial weapons does in effect exclude a number of companies included in this report as well.

Recommendation to Menzis

PAX' and the Fair Insurance Guide's recommendation to Menzis is to develop group level policy on the issue of arms trade quickly. Detailed recommendations (in line with the methodology of this report) are provided in paragraph 5.3.

4.9 NN Group

The following investments were found for NN Group:

Table 36 Investments found for NN Group in the 14 arms companies

Group	Group country	Bondholding (in €mIn)	Shareholding (in €mIn)	Total (in €mIn)
Airbus	Netherlands		28.91	28.91
Boeing	United States		18.90	18.90
General Electric	United States	5.02	16.12	21.15
Honeywell	United States		33.28	33.28
Leonardo	Italy		0.31	0.31
United Technologies Corp	United States		6.77	6.77
Total		5.02	104.30	109.32

Policy and practice

In its Responsible Investment Framework Policy (2019), NN Group writes: *'We screen investments as part of its ESG risk assessment process for involvement in activities in making weapons, weapons systems, or related materiel or services available to countries in which there is a serious risk that the weapons can be used for internal repression, serious violations of human rights or for any other purpose which cannot reasonably be considered consistent with normal and legitimate national security and defence.'*¹¹¹ The policy however 'restricts' companies only in case of violation of arms embargoes of the UN or EU. And the policy allows for case-by-case deviations from these criteria. NN Group in 2015 only excluded investments in companies selling weapons to countries or groups under a UN or EU arms embargo. It thus depends on how 'screen' and 'restrict' relate to each other if the policy has in fact improved.

The investments found for NN Group are not significantly different from those found in 2015. NN Group invests in a few of the companies in this study, which was also the case in 2015. There are differences in size of the investments, but given the absence of any real policy improvements since 2015, it is unlikely this is on purpose. Its more likely the changes are caused by fluctuation in stock value.

No information was found on NN Group's engagement with companies, hence no information was found on engagement with the companies above.

Recommendation to NN Group

PAX' and the Fair Insurance Guide's recommendation to NN Group is to improve its policy on the issue of arms trade. Currently, its policy is too limited, which translates in a number of investments in companies involved in controversial arms trade.

Detailed recommendations on better policy and on how to engage with arms producers can be found in paragraph 5.3.

4.10 Vivat

The following investments were found for Vivat:

Table 37 Investments found for Vivat in the 14 arms companies

Group	Group country	Bondholding (in €mln)	Shareholding (in €mln)	Total (in €mln)
General Electric	United States	15.98	19.64	35.62
Total		15.98	19.64	35.60

Policy and practice

Vivat in 2015 only excluded investments in entities involved in arms trade with countries or groups under a UN or EU arms embargo. Its policy has improved significantly since. Currently, Vivat states in its 'fundamental investment principles' that it excludes companies involved in the provision of military equipment to weak states or oppressive regimes, where there is a substantial risk of these weapons being used to carry out illegal acts of violence against civilians.¹¹² Policy has thus significantly improved.

Vivat's asset manager Actiam reports on engagement, but its most recent report (September 2020) indicates no engagement with General Electric.¹¹³

Recommendation to Vivat

PAX' and the Fair Insurance Guide's recommendation to Vivat is to implement its policy and engage with General Electric based on its supply of military goods and services to high risk countries. Engagement should be based on specific and time-bound goals, and preferably take place in collaboration with other investors in the company. Further recommendations for engagement are provided in paragraph 5.3. If engagement fails to change the behaviour of General Electric, Vivat should divest.

4.11 VGZ

No investments were found for VGZ. As we have seen, VGZ does not have any policy on controversial arms trade. Its policy on controversial weapons does in effect exclude a number of companies included in this report as well.

Recommendation to VGZ

PAX' and the Fair Insurance Guide's recommendation to VGZ is to develop policy on the issue of arms trade quickly. Detailed recommendations (in line with the methodology of this report) are provided in paragraph 5.3.

4.12 Investor's responsibility

This chapter has provided an overview of investments by the selected insurers in the 14 companies involved in controversial arms trade. These investments are problematic because they make the insurers directly linked to the violations to which the arms companies are contributing or directly linked (see 3.17). Table 38 summarizes the investments found for the 9 insurers in this study:

Table 38 Total investments in shares and bonds of the 14 arms companies, by the 9 insurance companies (in € million)

Company	Achmea	Aegon	Allianz	ASR	CZ	Menzis	NN Group	Vivat	VGZ	Total (in €mln)
Airbus		24.59	128.13				28.91			181.64
BAE Systems		123.17	139.10							262.27
Boeing		150.41	440.49				18.90			609.81
General Dynamics		7.38	62.83							70.22
General Electric	6.27	121.68	1192.49				21.15	35.62		1377.21
Honeywell		73.89	474.95				33.28			582.13
Leonardo		0.88	24.03				0.31			25.22
Lockheed Martin		256.82	222.63							479.45
Northrop Grumman		42.33	77.19							119.52
Raytheon		25.08	217.43							242.50
Rheinmetall			23.40							23.40
Rolls-Royce		37.39	53.26							90.64
Thales		1.66	35.73							37.40
United Technologies Corp		234.15	731.11				6.77			972.06
Total (in €mln)	6.27	1099.44	3822.78	0	0	0	109.32	35.60	0	5073.47

Under international standards such as the UNGPs and the OECD Guidelines, companies have a responsibility to *respect* human rights. The arms companies that supply states violating human rights with the means to do so, contribute to the violations of human rights. Their investors, which include 5 out of 9 of the insurers 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, exercising their rights as shareholder (voting) or ending their business relationship (divestment).

Policy

We have seen that the policy on arms trade of Achmea, ASR and Vivat in this report is good. Allianz, CZ, Menzis and VGZ in contrast lack any policy on this issue. NN Group and Aegon have very limited policy on arms trade. For the last two insurers though, and for Achmea and Vivat, the policy language that does exist raises the question how the insurer reviews the actions of the investee companies in light of its policy, as the policy does seem to condemn the behaviour of the investee companies.

Engagement

Allianz is the only insurer that did engage 3 of the arms producers, but Allianz doesn't specify on which issue it engaged the companies. NN Group and Aegon do not report publicly on engagement with companies.

Voting

When it comes to voting, one shareholder resolution that is relevant for this study is known to its authors. Aegon and Allianz hold shares in this company. For Allianz, a voting record shows that it voted in favour of this resolution. This is positive, as it means Allianz asked Northrop Grumman to carry out a human rights impact assessment.

Divestment

One insurer in this study has divested from a company it held investments in, because of involvement of the company in controversial arms trade. ASR, in engagement prior to this report, indicated that it would divest from General Electric. This company is listed as 'excluded' by ASR, as confirmed by ASR's exclusion list which was last updated in May 2020.

In summary, and based on their public reporting, this means that 1 of the 5 insurers with investments in one or more of the companies in this report will now take measures to address that they are directly linked to gross violations of human rights and international humanitarian law. It is relevant to note that for 4 out of the 5 insurers with such exposure, an earlier version of this report published in 2015, already indicated this problem to them and included elaborate recommendations on how to act. Achmea, Aegon and NN Group, for which this is the case, have improved their policy somewhat, but still have investments in the companies. Allianz has not improved its policy and continues to invest in these companies, even though it has on one occasion exercised their shareholders rights to engage with the company. This means that despite being 'directly linked' to violations, and being made aware of the violations, it seems as if these insurers have taken too little or no action.

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.'*¹¹⁴

These three bullets combined, suggest that these insurers are moving from being 'directly linked' to the violations, to being 'contributing'. This significantly increases their responsibility to act, and this responsibility now includes remediation of the negative impact (UNGP 22).

There are actually significant differences between the insurers. While some may be due to their size, it should be noted here that Achmea and Vivat have limited investments, in 1 of the 14 companies. This company, General Electric, is a company that is not widely known for its involvement in the production and maintenance of military equipment. Achmea and Vivat both have strong policy on the issue of arms trade. Engagement by these insurers with General Electric would thus be grounded in principles that could generate a good 'ask'.

For 4 insurers, no investments were found in any of the companies. For ASR, this is clearly a result of its crystal-clear policy on this issue and its reaction to engagement on the only company ASR held investments in. For CZ, Menzis and VGZ the lack of investments is not because of a strong public policy on this issue.

Please also note in this regard that the list of companies selected in this report is not an exhaustive list of all arms companies involved in controversial arms trade. Only a strong and well-implemented policy can make sure that no investments are made in such companies in the future.

Chapter 5 Conclusions and recommendations

5.1 Conclusions

The following conclusions stand out:

On the arms companies

1. 49 countries should be considered 'states at risk': the sale of military goods to these states is 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.
2. At least 14 stock-listed companies have supplied military goods (ammunition, jet fighters, tanks, vehicles, helicopters, engines, etcetera) to more than one of these 49 'states at risk'.
3. The arms producers, through their sales of military goods to high risk states, should 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 continued to supply military goods, despite clear indications that the states they service to is committing violations of human rights and IHL, with its armed forces. All arms companies are 'directly linked' to violations taking place in countries they sold military goods to, based on their business relationship and that their products and services are connected to the activities of the countries causing these violations.

On the insurers

4. 5 out of 9 insurance companies in this study hold investments in one or more of these 14 companies. Total investments amount to over 5 billion euro.
5. ASR, CZ, Menzis and VGZ have no investments in any of the 14 companies. For ASR, this is clearly a result of its policy on this issue.
6. Allianz, which has its headquarter in Germany but is also one of the largest insurers in the Netherlands, is by far the biggest investor, with 3,822 million euro in shares in bonds in all 14 companies.
7. Aegon invests 1,099 million euro in shares and bonds in 13 of the 14 companies.
8. NN Group invests 109 million euro in shares and bonds in 6 of the 14 companies.
9. For Allianz, Aegon and NN Group it is likely the case that the investments in the arms companies are a consequence of the lack of sufficient policy on investments in arms producers. Without a thorough policy on investments in all producers of military goods, and not only of controversial weapons, insurers risk investing in producers of military goods that sell their products to states that use these systems in the violation of human rights and international humanitarian law, or states at high risk of doing so. This risk has materialized for 5 insurers in this study.
10. Achmea (6 million euro) and Vivat (36 million euro) hold small investments in 1 of the 14 companies.
11. CZ, Menzis and VGZ have no investments in the arms producers, but also no policy on the issue of controversial arms trade. Without policy on the issue, it is unclear if the absence of investments in any of the 14 companies is a deliberate choice of the insurer. Policy remains a key element of avoiding future investments in the companies listed in this report or similar companies.
12. None of the insurers responded to the survey, which is a problematic lack of transparency on responsible business conduct from their side. This is especially the case since for most insurers, no other public reporting exists on their efforts to prevent, mitigate and remediate harm. This makes it difficult if not impossible for stakeholders like customers, civil society and also for negatively affected communities to scrutinize and engage with the insurer.

On the progress made since 2015

13. Since 2015, Achmea and Vivat have improved their policy on arms trade. In light of this policy, their investments General Electric raise questions. It seems that their policies require action of the insurers towards General Electric, based on the arms sales to various countries as listed in this report.
14. Aegon and NN Group have made very limited improvements to their policy. Moreover, it is not possible to verify whether they implement their policies since they do not publish their engagement with companies and did also not reply to the survey sent as part of this study. Their investments are roughly at the same level as they were in 2015. These insurers therefore seem to have made very little progress since 2015. It should be noted that Aegon NL did improve its policy. However, Aegon is not sufficiently transparent on its investments and engagement to be able to verify if and how Aegon NL implements its policy.
15. Allianz has made no improvements to its policy and its investments are at roughly the same level as in 2015.

On the implementation of the framework developed in the Agreement for International Responsible Investment

16. The framework was published in May 2020. Recommendations made in the framework were made already in 2015 (the Fair Insurance Guide case study), in 2017 (a short follow up case study on this issue), and twice in 2019. Once as part of the 'lessons learned' session (see paragraph 1.4), and second also in engagement by PAX based on studies on arms trade for the Fair Bank Guide and the Fair Pension Guide.
17. Of the 9 insurers in this study, ASR, Vivat and Achmea have policy on arms trade that is to a large degree in line with the framework developed within the Agreement for International Responsible Investments on arms and arms trade. Vivat and Achmea have a policy that describes specifically which behaviour of producers of military goods they think is wrong. ASR states it wants to refrain from any investments in arms producers.
18. For CZ, Menzis en VGZ no investments in the 14 companies were found, so their investment practice is in line with the framework. However, their policy is not, as the 3 investors have no policy yet on the issue of controversial arms trade. It is thus unclear if the lack of investments in the 14 companies is on purpose, or by chance. Allianz also has no policy on the issue, but does have investments in the companies.
19. Aegon and NN Group have a limited degree of policy on the issue of arms trade. Aegon NL's policy is somewhat more in line with the framework than the group policy. However, as it isn't possible to distinguish between investments of the group and investments for Aegon NL, it is unclear how this policy is implemented. NN Group's policy is not very much in line with the framework. NN Group and Aegon both are not transparent enough about engagement and voting to be able to determine whether they have acted in line with the framework.
20. The first set of conclusions, on the arms companies, mentioned them being 'contributing' to the violations and negative impact. The insurers, as investor, would be 'directly linked' to the violations. Several insurers in this report however were also in the report the Fair Insurance Guide published in 2015. Aegon was even in a report published by the Fair Bank Guide back in 2009. This means that Aegon, NN Group and Allianz were made aware of the risks of their investments 5 to 11 years ago. While their relation to the negative impact is at some distance from the impact itself, continued investment despite knowledge of the impact, increases responsibility.

5.2 Recommendations

The Fair Insurance Guide recommends insurers to:

1. Ensure that they are not investing in companies providing military goods (weapons, military systems) to states if the risk is substantial that these will be used in violation of human right or international humanitarian law. This means that investors should exclude these companies from investments, and / or engage with these companies based on specific and timebound goals to improve the behaviour of the company.
2. Formulate very clearly in their responsible investment policy that they do not want any investee company involved in the production of military goods to sell these goods to parties where the following risks are present:
 - The risk of violation of human rights and/ or international humanitarian law by the end user of these goods
 - The risk of fuelling an armed conflict
 - The risks of selling military goods to a corrupt state
 - The risks of selling military goods to a fragile state
 - The risks of selling military goods to a state that spends a disproportionate share of its budget on military goods.

The framework developed in the Agreement for International Responsible Investment contains these elements as well, and it is recommended that the insurers that have not yet done so implement these recommendations.

3. Apply this policy to all activities and investments, including assets managed for third parties as well as passive investments.
4. Apply this policy without exceptions for companies which have, besides their military activities, civilian activities as well.
5. Applying the policy as outlined above does not necessarily mean swift exclusion of all companies, a time-bound and engagement with specific goals would be possible as well. If possible, investors should increase their leverage over companies, for instance by working with other investors which share their goals. If engagement does not deliver results however, investors should decide to divest from the company in question. The negative human rights impact is of such a severity that continued exposure should not be an option.
6. Investors would need to formulate clear, specific and time-bound goals for their engagement. Engagement with arms companies should, depending on the context of the specific company, have the following goals, which build on the recommendations in the report of Amnesty International (1.3):
 - The company commits to international human rights standards.
 - The company has policies in place which ensure strong due diligence processes, to prevent that the military goods it produces and/ or sells will be used in violations of human rights and / or international humanitarian law.
 - The company identifies and assesses the human rights impact of company products and services before, during and after transfer.
 - The company takes steps to address human rights risks and impacts, if needed through remediation of negatively affected individuals and communities. This includes steps to prevent that the military goods it produces will be used again in similar violations.
 - The company takes steps to mitigate the negative impacts in which the military goods it produced were involved.
 - The company is transparent about the negative impacts in which their products were (or are) involved.
7. Insurers should be more transparent about the way they shape their responsible business conduct. This includes more public reporting on engagement and voting, as well as responding to questions asked by stakeholders.

Annex 1: Full table of states at high risk

Table 39 States at high 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	
Treshold	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		5.5	AR	3.644	2015-2019	Very high corruption risk	102.9	LHD	4.2%
Algeria		5.5	HR	2.287		Critical corruption risk	74.6	HHD	15.5%
Angola		5.5	AR	2.087		Critical corruption risk	87.3	MHD	8.9%
Azerbaijan		6.5	AR	2.300		Very high corruption risk	71.3	HHD	11.3%
Bahrain		6.5	AR	2.209		Critical corruption risk	63.9	VHHD	12.1%
Belarus	EU	6.5	AR	2.111		No data	65.8	VHHD	31.8%
Benin		3	HR	2.182		High corruption risk	72.5	LHD	2.9%
Burkina Faso		4	HR	2.316		Critical corruption risk	85.9	LHD	9.0%
Burundi		6.5	AR	2.506	2015-2019 (UN?) 2015, 2019	Very high corruption risk	97.9	LHD	7.8%

Brazil		2	FD	2.413	none	Very high corruption risk	73.0	HHD	3.9%
Cameroon		6	AR	2.650	2015-2019	Critical corruption risk	97.9	MHD	6.0%
Central African Republic	UN (NGF) and EU	7	AR	3.237	2018-2019	Critical corruption risk	107.5	LHD	8.0%
Chad		6.5	AR	2.538	2015-2019	Critical corruption risk	106.4	LHD	14.0%
China	EU	6.5	AR	2.166		Very high corruption risk	69.9	HHD	5.4%
Colombia		3	FD	2.646	2015, 2016, 2018, 2019	Low corruption risk	76.6	HHD	11.0%
Comoros		4	AR	no data		Very high corruption risk	81.2	LHD	No data
Congo (Br)		6	AR	2.343		Critical corruption risk	92.1	MHD	11.3%
Côte d'Ivoire	UN (lifted)	4	HR	2.169		Very high corruption risk	89.7	LHD	5.2%
Cuba		6.5	AR	2.074		No data	59.2	HHD	No data
Democratic Republic of Congo	UN (NGF) and EU (NGF)	6.5	AR	3.243	2015-2019	Critical corruption risk	109.4	LHD	6.4%
Djibouti		6	AR	2.215		No data	82.7	LHD	No data
Egypt	EU	6	AR	2.481	2015-2019	Critical corruption risk	86.0	HHD	4.2%
Equatorial Guinea		7.0	AR	1.891		Critical corruption risk	83.0	MHD	No data

Eritrea	UN (lifted) and EU (lifted)	7.0	AR	2.567	2016	Critical corruption risk	95.8	LHD	No data
Ethiopia		6	AR	2.526	2015-2019 (UN), 2016	Very high corruption risk	94.6	LHD	3.9%
Gambia		4	HR	1.891		Very high corruption risk	82.2	LHD	3.5%
Ghana		2	FD	1.776		Very high corruption risk	64.2	MHD	1.5%
Guinea		5	AR	2.082		Critical corruption risk	97.2	LHD	7.8%
Guinea-Bissau		4.5	AR	2.157		Critical corruption risk	92.9	LHD	No data
Haiti		5	HR	2.211		No data	97.7	LHD	0.0%
India		2.5	FD	2.628	2015-2019	High corruption risk	75.3	MHD	8.8%
Iran	UN and EU	6	AR	2.672	2015-2019	Very high corruption risk	83.4	HHD	13.3%
Iraq	UN (NGF) and EU (NGF)	5.5	AR	3.487	2015-2019	Critical corruption risk	95.9	MHD	7.8%
Israel		2.5	FD	2.775	2018-2019	No data	75.1	VHHD	13.2%
Jordan		5	AR	1.958		Critical corruption risk	75.4	HHD	15.2%
Kenya		4	HR	2.375	2015-2019 (UN)	High corruption risk	90.3	MHD	4.6%
Kuwait		5	AR	1.723		Very high corruption risk	50.9	VHHD	10.5%

Laos		6.5	AR	1.843		No data	76.9	MHD	No data
Lebanon	UN (NGF) and EU (NGF)	4.5	HR	2.828	2015, 2017	Very high corruption risk	84.7	HHD	13.8%
Liberia	UN (NGF, lifted) and EU (lifted)	3.5	HR	1.877		Very high corruption risk	90.0	LHD	1.5%
Libya	UN (NGF) and EU	6.5	AR	3.258	2015-2019	Critical corruption risk	95.2	HHD	No data
Madagascar		3.5	HR	1.905		Very high corruption risk	79.5	LHD	3.3%
Malawi		3	HR	1.885		Very high corruption risk	84.0	LHD	3.3%
Mali		5	HR	2.729	2015-2019	Very high corruption risk	96.0	LHD	10.8%
Mauritania		5	AR	1.544		Critical corruption risk	88.7	LHD	10.7%
Mexico		3	FD	2.572	2015-2019 (UN)	Low corruption risk	67.2	HHD	2.0%
Morocco		5	HR	2.057		Critical corruption risk	71.2	MHD	10.3%
Mozambique		4.5	AR	2.135		Very high corruption risk	91.7	LHD	2.4%
Myanmar (Burma)	EU	5.5	AR	2.424	2015-2019	Critical corruption risk	94.0	MHD	No data
Nicaragua		5.5	AR	2.553	none	No data	77.1	MHD	2.4%
Niger		4	AR	2.608	2015-2019	Very high corruption risk	95.3	LHD	6.2%

Nigeria		4.5	HR	2.865	2015-2019	Very high corruption risk	97.3	LHD	3.5%
North Korea	UN and EU	7	AR	2.962	none	No data	90.2	No data	
Oman		5.5	AR	1.941		Critical corruption risk	48.0	VHHD	20.3%
OPT			AR	2.699	2018-2019	Very high corruption risk		No data	
Pakistan		5	HR	2.973	2015-2019	Very high corruption risk	92.1	MHD	18.4%
Philippines		3.5	FD	2.471	2015-2019	High corruption risk	81.0	HHD	4.5%
Qatar		5.5	AR	1.616		Critical corruption risk	43.7	VHHD	No data
Russia	EU	6.5	AR	3.049	2015-2019	High corruption risk	72.6	VHHD	11.4%
Rwanda		6	AR	2.049		Very high corruption risk	86.0	LHD	4.4%
Saudi Arabia		7.0	AR	2.443	2015-2019	Critical corruption risk	68.8	VHHD	20.3%
Senegal		3	HR	1.824		Very high corruption risk	75.6	LHD	6.3%
Sierra Leone		3	HR	1.820		Very high corruption risk	84.4	LHD	2.9%
Somalia	UN and EU	7.0	No data	3.302	2015-2019	Critical corruption risk	110.9	No data	No data
South Sudan	UN and EU	7.0	No data	3.447	2015-2019	Critical corruption risk	110.8	LHD	10.4%

Sri Lanka		4	FD	2.003			81.8	HHD	10.4%
Sudan	UN and EU	6.5	AR	3.043	2015-2019	Critical corruption risk	104.8	LHD	9.2%
Syria	EU	7	AR	3.539	2015-2019	Critical corruption risk	110.7	LHD	No data
Tajikistan		6.5	AR	2.188		No data	75.5	MHD	No data
Tanzania		5	HR	1.850		Very high corruption risk	78.1	LHD	7.6%
Togo		4.5	AR	2.201		Critical corruption risk	85.8	LHD	12.2%
Turkey		5.5	HR	2.959	2015-2019	High risk	79.1	VHHD	7.8%
Turkmenistan		7.0	AR	2.276		No data	69.1	HHD	No data
Uganda		5.5	HR	2.202		Very high corruption risk	92.8	LHD	8.7%
Ukraine		3	HR	2.927	2015-2019	High corruption risk	69.0	HHD	8.1%
United Arab Emirates		6.5	AR	1.752		Very high corruption risk	38.1	VHHD	No data
Uzbekistan		6.5	AR	2.158		Very high corruption risk	73.1	HHD	No data
Venezuela	EU	6.5	AR	2.936		No data	91.2	HHD	No data
Yemen	UN (NGF) and EU	6.5	AR	3.411	2015-2019	Critical corruption risk	112.4	LHD	No data
Zimbabwe	EU	5	AR	2.485		Critical corruption risk	99.2	MHD	3.2%

Annex 2: Survey sent to the insurers

Survey Fair Insurance Guide case study 'Controversial Arms Trade'

21 September 2020

Deadline: 12 October 2020

1. *Is the information concerning financial links with the selected companies correct? See the attachment (excel) for the data. The amount invested (in EUR) is in column Y.*

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. ^{xv}*

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. *Within the RBC-agreement your company (or a branch of your company) is part of, a framework was developed to assist in the development of policy and practice around investments in controversial weapons and arms trade with high risk countries. Could you indicate what has changed or will change in your policy or practice as result of this framework?*

^{xv} *If you hold shares in Northrop Grumman, could you include in your response how you voted for this (link) resolution?*

Annex 3: Letter to included arms producers

Ref: Your company's involvement in controversial arms trade

Date:

Dear ... ,

I am writing you on behalf of PAX, a Dutch peace organisation. PAX is preparing a study into investments of financial institutions 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 49 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 49 countries, please reach out to me by email via the address provided below.

The study we aim to publish by the end of November 2020 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.

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:

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 would very much welcome your answers to these questions. We would like to include these, where possible, in our report due to be published in late November 2020. If you would want to respond, but would not want (parts of) your response to be included in the report, please indicate this and we will respect your preference.

We would like to receive your reaction **before November 5, 2020**. Please send an email to

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

Yours sincerely,

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About this report

This report has been commissioned by the Fair Insurance Guide (Eerlijke Verzekeringswijzer) which is a coalition of Amnesty International, Milieudefensie, Oxfam Novib, PAX and World Animal Protection. It examines whether insurers with business activities in the Netherlands have investments in companies involved in controversial arms trade. The aim of the Fair Insurance Guide is to encourage corporate social responsibility by insurance groups.

Authorship

This report was researched and written by Cor Oudes and Frank Slijper, from PAX' department on humanitarian disarmament. The financial research was carried out by Profundo.

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