



EerlijkeGeldwijzer

High-risk arms trade and the financial sector

Pension funds and insurers in the Netherlands

August 2023

About this report

Arms companies worldwide still export weapons to countries where there is the risk of those weapons being used in violation of international humanitarian law and human rights. This report examines which of the pension funds and insurance companies in the Netherlands invest in the largest arms companies involved in controversial arms trade.

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Samenvatting

Dit onderzoek laat zien dat grote beleggers in Nederland blijven investeren in wapenfabrikanten die wapensystemen leveren aan landen waar het risico hoog is dat deze wapens worden ingezet bij schendingen van humanitaire normen. In totaal investeren veertien instellingen 5,7 miljard euro in vijftien wapenbedrijven. Bij twaalf financiële instellingen werden in dit onderzoek geen beleggingen aangetroffen in deze bedrijven. Deze instellingen sluiten de wapenbedrijven meestal uit vanwege zorgen over betrokkenheid bij mensenrechtenschendingen. Vier beleggers zijn in gesprek met het wapenbedrijf waarin zij beleggen over wapenhandel.

Van de 52 hoog-risico landen in dit rapport zijn enkele betrokken bij ernstige schendingen van mensenrechten of het oorlogsrecht. De wijze waarop Saoedi-Arabië en de Verenigde Arabische Emiraten oorlog voeren in Jemen is een voorbeeld van de mogelijke gevolgen van het verkopen van wapens zonder voldoende aandacht voor mensenrechten. Gedurende de afgelopen acht jaar heeft de coalitie waar beide landen deel van uitmaken in Jemen ziekenhuizen, scholen en woonhuizen geraakt met bommen. Recente schattingen stellen het aantal doden dat in Jemen is gevallen op 377.000.

Wapenfabrikanten

Als wapenfabrikanten wapens willen verkopen moeten zij de risico's vaststellen dat de staat die de wapens wil aanschaffen deze zal gebruiken bij ernstige schendingen van mensenrechten of van het oorlogsrecht. Onze studie laat echter zien dat van 2018 tot 2022, vijftien van de grootste wapenfabrikanten ter wereld wapens hebben geleverd aan staten die betrokken zijn bij mensenrechtenschendingen of in gewapend conflict zijn verwickeld. Dit zijn de volgende bedrijven:

Table 1 Bedrijven die wapensystemen leverden aan 'hoogrisicolanden'

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

Het merendeel van deze bedrijven leverde wapensystemen aan Saoedi-Arabië of de Verenigde Arabische Emiraten. Airbus, BAE Systems en Leonardo leverden deze landen bijvoorbeeld verschillende soorten bommen en raketten. Boeing, Lockheed Martin en Raytheon leverden ook munitie en daarnaast gevechtsvliegtuigen en helikopters aan beide landen. Deze wapensystemen hebben Saoedi-Arabië en de VAE de afgelopen jaren duidelijk in staat gesteld om aanvallen uit te voeren in Jemen. Daarbij is, blijkt uit rapporten van de VN, het oorlogsrecht duidelijk geschonden.

De wapenbedrijven in deze lijst hebben ook wapensystemen geleverd aan andere hoogrisicolanden. Ook daar is het risico op toenemende onveiligheid, schendingen van het oorlogsrecht en de mensenrechten reeel. Internationale standaarden op het gebied van wapenhandel, zoals het Arms Trade Treaty, stellen dat in geval van deze risico's, geen wapens moeten worden geleverd aan zulke landen. Dit onderzoek laat zien dat ondanks deze normen, de wapenfabrikanten dat toch hebben gedaan.

Financiële instellingen

Het risico is groot dat de wapens die worden geleverd aan hoogrisicolanden worden gebruikt in controversiële militaire acties, zoals in Jemen. Alleen al om die reden zouden financiële instellingen niet moeten beleggen in deze bedrijven, tenzij ze er in slagen de wapenfabrikanten ervan te overtuigen dat zij moeten stoppen met het leveren van wapensystemen aan hoogrisicolanden.

Van de 26 financiële instellingen die in dit onderzoek zijn onderzocht, hebben veertien instellingen beleggingen in één of meer wapenfabrikanten. In totaal gaat het om 5,7 miljard euro. Met afstand het grootste bedrag wordt belegd door de Duitse verzekeraar Allianz, die in Nederland meer dan een miljoen klanten bedient. Allianz belegt 4,3 miljard euro in veertien van de vijftien wapenfabrikanten. Andere grote beleggers zijn Aegon (1 miljard in tien bedrijven), ABP (134 miljoen in drie bedrijven), Pensioenfonds Detailhandel (99 miljoen in elf bedrijven) en PFZW (62 miljoen in vier bedrijven).

Vier financiële instellingen met beleggingen in één of meer van de wapenfabrikanten zijn in gesprek met zo'n bedrijf over wapentransacties naar hoogrisicolanden. Dat zijn Achmea, VGZ, NN Group en Pensioenfonds Vervoer. Vier andere beleggers hebben eveneens gesprekken met wapenfabrikanten in dit rapport, maar er zijn geen aanwijzingen dat die gesprekken gaan over wapentransacties. Twaalf financiële instellingen (één pensioenfonds en elf verzekeraars) hebben geen beleggingen in een van de wapenfabrikanten in dit rapport. In veel gevallen vermijden ze deze beleggingen bewust, uit zorg over de risico's op mensenrechtenschendingen.

Vergelijken we de uitkomsten met die van eerdere studies, dan valt op dat in het bijzonder pensioenfonds PME en verzekeraar NN Group nu in veel minder wapenfabrikanten beleggen. Allianz, Aegon en Pensioenfonds Detailhandel zijn juist in een groot aantal wapenfabrikanten zijn blijven beleggen. Bij ABP, BPFBouw en PFZW is niet veel veranderd.

Negen verzekeraars (Achmea, ASR, CZ, Klaverblad, Menzis, De Goudse, Univé, VGZ, Zorg en Zekerheid) en één pensioenfonds (PME) hebben beleggingsbeleid dat specifiek de risico's van wapenhandel door bedrijven benoemt. Negen van de tien pensioenfondsen heeft zulk beleid in het geheel niet. Ook de andere zes verzekeraars, waaronder Allianz en Aegon, hebben onvoldoende beleid op dit punt. Alle financiële instellingen met onvoldoende beleid op dit punt wordt aangeraden dit beleid snel te ontwikkelen en dat beleid ook snel te implementeren. Wapenfabrikanten zouden geen wapens moeten verkopen aan staten waar het risico op gebruik bij schendingen van mensenrechten en het oorlogsrecht groot is. Financiële instellingen moeten dat duidelijk maken aan de wapenfabrikanten waarin ze beleggen, en deze beleggingen van de hand doen als de wapenfabrikant niet met deze transacties wil stoppen.

Table 2 Overzicht investeringen van 10 pensioenfondsen en 16 verzekeraars

| Group | Airbus | BAE Systems | Boeing | General Dynamics | General Electric | Honeywell | Leonardo | Lockheed Martin | Northrop Grumman | Raytheon | Rheinmetall | Rolls-Royce | Saab | Textron | Thales | Total |
|---------------------------------|--------|-------------|--------|------------------|------------------|-----------|----------|-----------------|------------------|----------|-------------|-------------|------|---------|--------|-------|
| Pension fund | | | | | | | | | | | | | | | | |
| ABP | | | | | 124 | | | | | | | 1 | 9 | | | 134 |
| BPFBouw | | | | | 10.9 | | | | | | | 0.6 | 0.8 | | | 12.3 |
| BPL Pensioen | | | | | 11 | | | | | | 1.8 | | | | | 12.8 |
| Pensioen-fonds Detailhandel | 19 | | 15.2 | | 10.1 | 14.2 | 1.9 | 25.3 | | 6.5 | 0.7 | 4.7 | 0.5 | 0.8 | | 98.9 |
| Pensioen-fonds Horeca& Catering | | | | | 6.3 | | | | | | | | 0.2 | | | 6.5 |

| | | | | | | | | | | | | | | | | |
|-------------------------------|-------------|--------------|----------------|-------------|-----------------------|--------------|-------------|--------------|-------------|--------------|-------------|--------------|-------------|-------------|------------|----------------|
| Pensioen- fonds Vervoer | | | | | 16.4 | | | | | | | | | | | 16.4 |
| PFZW | | | | | 42.7 | | | | | | 4.3 | 11.5 | 3.9 | | | 62.4 |
| PME | | | | | | | | | | | 1.8 | | | | | 1.8 |
| PMT | | | | | | | | | | | 4 | | | | | 4 |
| StiPP | | | | | | | | | | | | | | | | |
| Insurers | | | | | | | | | | | | | | | | |
| Achmea | | | | | 79 | | | | | | 0.5 | | | | | 79.5 |
| Aegon | | 141.8 | 233.2 | 2.8 | 114.2 | 55.4 | | 156.5 | 45.7 | 205.4 | | 40.2 | | 3.4 | | 998.6 |
| Allianz | 20.8 | 155.4 | 2,660.5 | 31.6 | 46.3 | 85.2 | 14.0 | 80.5 | 40.7 | 305.7 | 4.8 | 802.2 | | 67.5 | 5.5 | 4,320.7 |
| ASR | | | | | | | | | | | | | | | | |
| CZ | | | | | | | | | | | | | | | | |
| De Goudse | | | | | | | | | | | | | | | | |
| DSW | | | | | | | | | | | | | | | | |
| Klaverblad | | | | | | | | | | | | | | | | |
| Menzis | | | | | | | | | | | | | | | | |
| NN Group | | | | | Not dis- closed | | | | | | | | | | | |
| ONVZ | | | | | | | | | | | | | | | | |
| Unigarant | | | | | | | | | | | | | | | | |
| Univé | | | | | | | | | | | | | | | | |
| VGZ | | | | | 0.5 | | | | | | | | | | | 0.5 |
| ZLM | | | | | | | | | | | | | | | | |
| Zorg en Zekerheid | | | | | | | | | | | | | | | | |
| Total | 39.8 | 297.2 | 2,908.9 | 34.4 | 461.4 | 154.8 | 15.9 | 262.3 | 86.4 | 517.6 | 17.9 | 860.2 | 14.4 | 71.7 | 5.5 | 5,748,4 |

Executive Summary

This study shows that large Dutch investors continue invest in arms producers that supply weapons to states where there is a high risk of the weapons being used in violation of humanitarian norms. The total amount invested surpasses 5.7 billion. Twelve financial institutions have no investments in these companies, most of them because of concern for the risk of human rights violations. Four investors are engaging the company they invest in with the aim to change the company's behaviour around the sale of military goods.

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

Arms companies

When selling weapons, arms companies should perform due diligence to assess the risk that country that wants to purchase the systems will use these in serious violations of human rights or international humanitarian law. However, our study shows that between 2018 and 2022, fifteen of the largest arms producers in the world have supplied weapons to states involved in armed conflict and/or human rights violations. These are the following companies:

Table 3 Companies that supplied weapon systems to 'states at risk'

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

The majority of these companies have delivered arms to Saudi Arabia or the UAE. For example, Airbus, BAE Systems and Leonardo have delivered different types of munitions to Saudi Arabia. The US companies Boeing, Lockheed Martin and Raytheon have transferred thousands of bombs and missiles to both Saudi Arabia and the UAE as well, besides fighter aircraft and helicopters.

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

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

Financial institutions

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

Of the 26 financial institutions assessed in this report, fourteen have investments in one or more of the arms producers. In total, they invest 5.7 billion euro. By far the largest amount is invested by the German insurer Allianz, which has over a million customers in the Netherlands. Allianz invests 4.3 billion euro in fourteen of the fifteen companies. Other big investors are insurer Aegon (1 billion in ten companies) and pension fund ABP (134 million in three companies), Pensioenfonds Detailhandel (99 million in 11 companies) and PFZW (62 million in four companies).

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

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

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

Nine insurers (Achmea, ASR, CZ, Klaverblad, Menzis, De Goudse, Univé, VGZ, Zorg en Zekerheid) and one pension fund (PME), have investment policies that specifically address the risks around investing in arms producers, nine out of the ten pension funds lack such policy. About half of the insurers, including Allianz and Aegon, also lack such policy, and all are recommended to draft policies that address the risk of controversial arms trade and to implement them swiftly. Arms producers should not be selling weapons to states if the risk is high that these weapons will be used in human rights violations or violations of international humanitarian law. Financial institutions should make that clear to the arms producers they invest in, and abandon such investments if the arms producer does not change behavior.

Table 4 Overview of investments in arms companies by 10 pension funds and 16 insurers

| Group | Airbus | BAE Systems | Boeing | General Dynamics | General Electric | Honeywell | Leonardo | Lockheed Martin | Northrop Grumman | Raytheon | Rheinmetall | Rolls-Royce | Saab | Textron | Thales | Total |
|-----------------------------|--------|-------------|--------|------------------|------------------|-----------|----------|-----------------|------------------|----------|-------------|-------------|------|---------|--------|-------|
| Pension fund | | | | | | | | | | | | | | | | |
| ABP | | | | | 124 | | | | | | | 1 | 9 | | | 134 |
| BPF Bouw | | | | | 10.9 | | | | | | | 0.6 | 0.8 | | | 12.3 |
| BPL Pensioen | | | | | 11 | | | | | | 1.8 | | | | | 12.8 |
| Pensioen-fonds Detailhandel | 19 | | 15.2 | | 10.1 | 14.2 | 1.9 | 25.3 | | 6.5 | 0.7 | 4.7 | 0.5 | 0.8 | | 98.9 |

| | | | | | | | | | | | | | | | | |
|---|------|-------|---------|------|-----------------------|------|------|-------|------|-------|-----|-------|-----|------|-----|---------|
| Pensioen- fonds Horeca& Catering | | | | | 6.3 | | | | | | | | 0.2 | | | 6.5 |
| Pensioen- fonds Vervoer | | | | | 16.4 | | | | | | | | | | | 16.4 |
| PFZW | | | | | 42.7 | | | | | | 4.3 | 11.5 | 3.9 | | | 62.4 |
| PME | | | | | | | | | | | 1.8 | | | | | 1.8 |
| PMT | | | | | | | | | | | 4 | | | | | 4 |
| StiPP | | | | | | | | | | | | | | | | |
| Insurers | | | | | | | | | | | | | | | | |
| Achmea | | | | | 79 | | | | | | 0.5 | | | | | 79.5 |
| Aegon | | 141.8 | 233.2 | 2.8 | 114.2 | 55.4 | | 156.5 | 45.7 | 205.4 | | 40.2 | | 3.4 | | 998.6 |
| Allianz | 20.8 | 155.4 | 2,660.5 | 31.6 | 46.3 | 85.2 | 14.0 | 80.5 | 40.7 | 305.7 | 4.8 | 802.2 | | 67.5 | 5.5 | 4,320.7 |
| ASR | | | | | | | | | | | | | | | | |
| CZ | | | | | | | | | | | | | | | | |
| De Goudse | | | | | | | | | | | | | | | | |
| DSW | | | | | | | | | | | | | | | | |
| Klaverblad | | | | | | | | | | | | | | | | |
| Menzis | | | | | | | | | | | | | | | | |
| NN Group | | | | | Not dis- closed | | | | | | | | | | | |
| ONVZ | | | | | | | | | | | | | | | | |
| Unigarant | | | | | | | | | | | | | | | | |
| Univé | | | | | | | | | | | | | | | | |
| VGZ | | | | | 0.5 | | | | | | | | | | | 0.5 |
| ZLM | | | | | | | | | | | | | | | | |

| | | | | | | | | | | | | | | | | |
|-------------------|-------------|--------------|----------------|-------------|--------------|--------------|-------------|--------------|-------------|--------------|-------------|--------------|-------------|-------------|------------|----------------|
| Zorg en Zekerheid | | | | | | | | | | | | | | | | |
| Total | 39.8 | 297.2 | 2,908.9 | 34.4 | 461.4 | 154.8 | 15.9 | 262.3 | 86.4 | 517.6 | 17.9 | 860.2 | 14.4 | 71.7 | 5.5 | 5.748,4 |

Chapter 1 Introduction

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

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

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

- Chapter 2 explains why there are high risks attached to arms sales to some states. Based on six criteria, a list of 52 states has been compiled to which military goods should not be sold because of the risks.
- Chapter 3 lists the companies that have sold military goods to one or more of the states listed in Chapter 2.
- Chapter 4 shows the 10 largest Dutch pension funds and their investments in these companies.
- Chapter 5 shows 16 insurers with their whole business or significant business entities (as is the case with Allianz) in the Netherlands.
- Finally, Chapter 6 presents the main conclusions and recommendations for the development of policy and practice concerning financial links with arms producers.

The issue

The Stockholm International Peace Research Institute (SIPRI) researches a range of issues around weapons and weapons trade. According to SIPRI, world military expenditure in 2022 rose to 2,240 billion USD, a 3.7 percent increase in comparison with 2021.¹ The combined arms sales of the world's largest arms-producing and military service companies totalled USD 531 billion in 2020—an increase of 1.3 per cent on their arms sales in 2019.² SIPRI estimates the financial value of arms transfers between companies and foreign states at likely higher than USD 112 billion for 2020.³

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

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

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

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

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

1.1 International Standards

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

Arms Trade Treaty

The Arms Trade Treaty (ATT) is a multilateral treaty that regulates the international trade in conventional arms. On 2 April 2013, the General Assembly of the United Nations adopted the ATT by a large majority. After 50 states had ratified the treaty, it entered into force on 24 December 2014.⁵ The ATT requires States Parties to establish common international standards that must be met before arms exports are authorised, and requires annual reporting of imports and exports. In particular, the treaty:

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

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

At the time of writing, 113 states are party to the ATT, including all EU member states. However, major exporting and importing states, such as the United States, Russia, India and Pakistan, as well as most of the Middle East and North Africa, are not yet party to the ATT.⁸ A notable change is the accession of China to the treaty in 2020. On the other hand, the United States, which had signed the treaty but was not yet a State Party, under President Trump ‘unsigned’ in 2019.⁹ The exact status of this unsigned is unclear, but there is no indication the US is planning to accede to the Treaty.

EU Common Position on Arms Export Controls

Years before the ATT was concluded, the EU had recognised the need for a common system to control arms transfers. Its 1998 Code of Conduct was transformed in 2008 into a legally binding Common Position on

Arms Export Controls “defining common rules governing control of exports of military technology and equipment”.¹⁰ It contains eight criteria, aimed at, among other things, preventing military exports likely to be used in the country of final destination for internal repression, in internal or international conflicts.¹¹ The EU arms export policy also contains measures to facilitate implementation by the member states and to improve cooperation between them. The EU criteria can be summarised as aiming to safeguard the following principles:

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

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

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

International Human Rights Standards and the Arms Trade

Besides the standards specifically designed for the international arms trade, other international standards have significance for the sector as well. The ATT and the EU Common Position focus on the role of states in regulating companies involved in arms production and their exports. Several international standards guide the behaviour of companies specifically in relation to the risk of human rights violations. The 2011 United Nations Guiding Principles (UNGPs)¹² were endorsed by the UN Human Rights Council. The UNGPs distinguish between the responsibilities of states (which should protect human rights) and the responsibilities of companies (which should respect human rights). These responsibilities come with different possible actions, which the UNGPs list and prescribe. The Organization for Economic Cooperation and Development (OECD) then updated its existing guidelines for responsible business conduct in its *OECD Guidelines for Multinational Enterprises*, partly to bring them into line with the UNGPs.¹³ In 2022 the UN Working Group on Business and Human Rights released an Information Note on “Responsible business conduct in the arms sector: Ensuring business practice in line with the UN Guiding Principles on Business and Human Rights”, elaborating arms industry-specific guidance.¹⁴ In the note, the working group clearly states that arms producers have a responsibility to prevent human right violations which is independent from the arms export control mechanisms states apply.

Amnesty International conducted a study in 2018 and 2019 to establish whether arms companies had incorporated these guidelines in their internal policies. The study elaborates on the obligations of arms producers under the international standards. The report found that while some arms companies do reference adherence to international human rights standards, this reference is often superficial and focuses

on the company's suppliers and the conditions of its employees, rather than the impact of its arms sales on human rights.¹⁵

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

1.2 Responsibility of investors

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

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

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

Chapter 2 States at Risk

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

Indicators

Table 5 provides an overview of the principles on the arms trade that Fair Finance Guide Netherlands and PAX suggests as relevant for investors in the arms industry.ⁱⁱ These principles are also used in weapons-related research by the Fair Finance Guide Netherlands (FFG NL), of which PAX is a member, and were developed with advice from Profundo. We do not use that full list of principles here, as some are unrelated to the arms trade as such because they focus on weapons banned under international treaties, dual-use goods or responsibility for the whole chain of production. These responsible investment principles take into account the international standards listed in Chapter 1. The FFG NL and PAX suggest financial institutions to use these criteria as a minimum standard in their due diligence and to take action if arms producers in their investment universe supply military goods to states deemed at risk according to the criteria. For this study, each principle is operationalised as a selection criterion in order to establish the list of states meeting these criteria.

Table 5 Responsible investment principles and selection criteria

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

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

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

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





Who finances controversial arms trade?

We determine this in 3 steps:



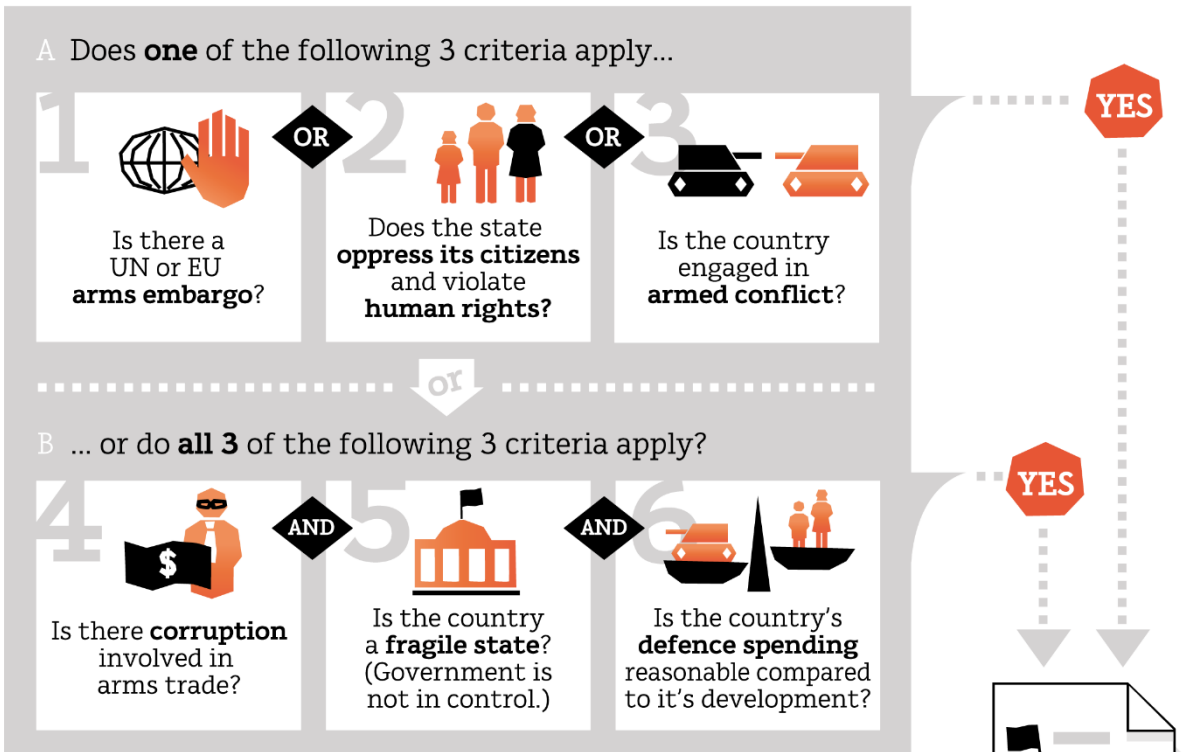
1  **High-risk countries:**
We make a list of countries where the risk of weapons being used against civilians is high.

2  **Arms producers:**
Who sell weapons to these countries?

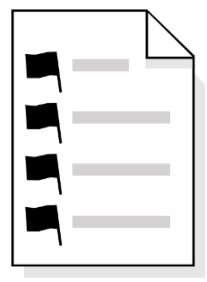
3  **Financers:**
Who invest in these companies?



Which countries are on this list of high-risk countries?
We determine this based on 6 criteria:  Assessment based on 9 independent benchmarks.



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



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

In total, 52 countries were identified to which arms supplies can be considered controversial. They meet one or more of the criteria described in Annex 2.

Table 6 Final selection of states at risk for this report

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

2.1 Case: the war in Yemen

The ongoing conflict in Yemen is a stark illustration of the consequences of arms sales to states at risk of violating human rights and/or international humanitarian law. In 2011, the then president Saleh was forced by an uprising to cede power, after which his deputy, Hadi, took over. Hadi struggled to keep Yemen under control, and increasingly faced challenges from the Houthi minority population, culminating in a siege of the presidential palace in January 2015. President Hadi fled Yemen in March 2015, and at Hadi’s request an international coalition led by Saudi Arabia and the UAE decided to intervene with the aim of restoring his government’s power over Yemen. The conflict also reflects competition between Iran and Saudi Arabia.¹⁶ The US, UK and France have at different times over the past years supported the Saudi-led coalition with logistics and intelligence.¹⁷ A rare positive sign is the two-month truce agreed by the warring parties in early April 2022, which should lead to peace talks. Previous attempts so far never really materialised. The Armed Conflict Location & Event Data Project (ACLED) estimates the number of people that have died as a direct result of violence in Yemen stands at 150,000 mid 2022. This includes over 15,000 civilians that were

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

killed in targeted attacks.¹⁸ The UN estimates the total number of deaths in Yemen as a direct or indirect (hunger, disease) of the conflict is around 377,000.

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

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

Saudi Arabia and the UAE have committed grave human rights violations for years. Reports by PAX on investments in controversial arms trade, in 2015, in 2017, in 2019 and 2020, already listed Saudi Arabia and the UAE as 'states at risk' and warned investors that investments in companies that supplied Saudi Arabia

and the UAE with military goods were at risk of exposure to significant violations of international humanitarian law and human rights.²²

International response

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

- In September 2019, the UN Group of International and Regional Eminent Experts on Yemen published a report in which it spoke of “a host of possible war crimes committed by various parties to the conflict over the past five years, including through airstrikes, indiscriminate shelling, snipers, landmines, as well as arbitrary killings and detention, torture, sexual and gender-based violence, and the impeding of access to humanitarian aid in the midst of the worst humanitarian crisis in the world”. It also stated “that the governments of Yemen and the United Arab Emirates and Saudi Arabia, as well as the Houthis and affiliated popular committees have enjoyed a ‘pervasive lack of accountability’ for violations of international humanitarian and human rights law”.²³
- In 2019, the Court of Appeals in the United Kingdom, prompted by a case brought by parties including the Campaign Against Arms Trade (CAAT), ruled British arms sales to Saudi Arabia ‘unlawful’. The judges stated that they found that three government ministers (Boris Johnson, Jeremy Hunt and Liam Fox) had illegally signed off on arms exports in 2016 without properly assessing the risk to civilians.²⁴
- The Dutch government banned practically all arms exports to Saudi Arabia early in 2016.²⁵ In late 2018, the Dutch government also put all arms exports to the UAE and Egypt under a presumption of denial, only granting an export licence for cases where it could be shown that weapons would not be used in Yemen.²⁶ In 2019 however, it reversed that decision for naval exports to Egypt, arguing that it had no information that Egypt’s navy was involved in the blockade any longer.²⁷
- In December 2019, the European Center for Constitutional and Human Rights (ECCHR) filed a ‘communication’ in which it called upon the International Criminal Court (ICC) to investigate the legal responsibility of political and corporate actors in European countries, related to the supply of military goods to Saudi Arabia and the UAE. ECCHR filed the communication with organisations including Amnesty International France, Mwatana and the UK Campaign Against Arms Trade. The companies mentioned in the communication are Airbus, BAE Systems, Dassault, Leonardo, MBDA, Raytheon, Rheinmetall and Thales.²⁸

2.2 Ukraine

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

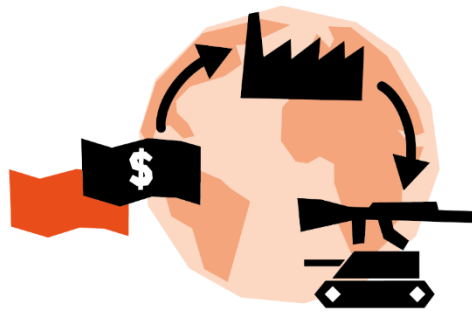
Case-specific note

Ukraine surpasses the threshold for indicator 3, armed conflict. The country scores above the threshold in the Global Peace Index, and (because of the conflict in the east of Ukraine since 2014) is listed by Uppsala as ‘in conflict’. The rationale behind this indicator is that sending weapons to areas in which armed conflict takes place fuels the conflict. This is in line with the EU Common Position (3 and 4). Many countries in Europe were hesitant to supply weapons to Ukraine, partly for this reason. However, the invasion by Russia puts this in a different perspective: further escalation of the conflict between Russia and Ukraine is barely

possible. Importantly, the standards that serve as the basis for this methodology all rightfully acknowledge the right to self-defence, in line with the UN Charter. While the concerns about escalation because of the supply of arms to Ukraine remain valid, PAX believes such supplies are in line with international standards.

Methodological note

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



Chapter 3 Selection of Companies

3.1 Guidance for the Selection of Companies

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

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

One company, United Technologies Corporation, was in both reports, but merged with Raytheon in 2020 and is no longer listed separately in this report. This led to the selection of the following 15 companies.

Table 7 Arms producers selected for this study

| Company | Country | Fair Pension Guide Study (2019) | Fair Insurance Guide Study (2020) | Selected for this study | SIPRI top 100 rank (2021) |
|------------------|----------------|---------------------------------|-----------------------------------|-------------------------|---------------------------|
| Airbus Group | Trans-European | x | x | x | 15 |
| BAE Systems | United Kingdom | | x | x | 6 |
| Boeing | United States | x | x | x | 3 |
| General Electric | United States | x | x | x | 24 |
| General Dynamics | United States | | x | x | 5 |
| Honeywell | United States | x | x | x | 23 |
| Leonardo | Italy | x | x | x | 12 |
| Lockheed Martin | United States | x | x | x | 1 |
| Northrop Grumman | United States | x | x | x | 4 |
| Raytheon | United States | x | x | x | 2 |
| Rheinmetall | Germany | x | x | x | 31 |
| Rolls-Royce | United Kingdom | x | x | x | 22 |
| Saab | Sweden | x | | x | 34 |
| Textron | United States | x | | x | 41 |
| Thales | France | x | x | x | 16 |

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

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

Transfer list of military goods

Sections 3.2 to 3.16 show tables with supplies by the 15 companies to states at risk. These tables are based on SIPRI’s Arms Transfer Database, as published in March 2023.²⁹ This database contains arms transfers on a country-to-country basis. As the SIPRI arms transfer database does not specify the companies involved in the production of the military goods, PAX added this information itself.

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

Engagement with arms producers

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

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

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

The companies below are listed in alphabetical order.

3.2 Airbus

Airbus Group is an aerospace and defence corporation based in various countries including France, Germany and Spain and registered in the Netherlands. The military products of Airbus include fighter aircraft, transport aircraft, unmanned aircraft, attack helicopters and missiles.³⁰

In the SIPRI top 100 of arms-producing companies, Airbus ranks 15th with total annual arms sales of USD 10.8 billion (EUR 10.0 billion), accounting for 18 per cent of its total sales in 2021.³¹

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

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

| Recipient/ | No. Ordered | designation | Weapon description | year order | Years delivery | number delivered |
|--------------|-------------|-------------|--------------------|------------|----------------|------------------|
| Burkina Faso | 1 | C-295 | Transport aircraft | 2019 | 2021 | 1 |

| | | | | | | |
|--------------|------|----------------------|---------------------------|-------------|-----------|----------|
| China | .. | AS565S Panther | ASW Helicopter | ± 1980/1988 | 1989-2022 | ± 51+452 |
| India | 8 | SA-316B Alouette-3 | light helicopter | 2017 | 2019-20 | ± 8 |
| India | 10 | SA-315B Lama | light helicopter | ± 2018 | 2021-22 | ± 3 |
| India | 56+6 | C-295 (incl. 6 MPA) | transport aircraft | 2020-21 | | |
| Kazakhstan | 2 | A400M Atlas | transport aircraft | 2021 | | |
| Mali | 1 | C-295 | transport aircraft | 2020 | 2022 | 1 |
| Saudi Arabia | 7 | AS-532 Cougar/AS-332 | Transport helicopter | ± 2019 | 2020-21 | 7 |
| Saudi Arabia | 23 | EC145 | Light helicopter | 2016 | 2017-18 | ± 23 |
| Saudi Arabia | 2 | C-295MPA | MP aircraft | 2015 | 2018 | 2 |
| Türkiye | 10 | A400M Atlas | Transport aircraft | 2003 | 2014-22 | 10 |
| UAE | 2 | Helios-2 | Recce satellite | 2015 | 2020 | 1 |
| UAE | 12 | EC725 Super Cougar | anti-ship helicopter | 2021 | | |
| UAE | 2 | A-330 MRTT | Tanker/transport aircraft | 2021 | | |
| UAE | 5 | C-295 | Transport aircraft | 2017 | 2019 | ± 5 |
| Uzbekistan | ± 3 | EC725 Super Cougar | transport helicopter | 2018 | 2019 | ± 3 |
| Vietnam | 2 | C-212 | Transport aircraft | ± 2010 | 2018 | 2 |

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

Table 9 MBDA sales table^{iv}

| Recipient/ | No. Ordered | designation | Weapon description | year order | Years delivery | number delivered |
|------------|-------------|----------------|-------------------------------|------------|----------------|------------------|
| Egypt | est 50 | MM-40-3 Exocet | Anti-ship MI/SSM | est 2014 | 2017-22 | est 30 |
| Egypt | est 60 | MM-40-3 Exocet | Anti-ship/land attack missile | est 2019 | 2022 | est 50 |
| Egypt | est 100 | MICA | BVRAAM | 2015 | 2017-22 | est 75 |
| Egypt | est 150 | MICA | BVRAAM | 2015 | 2015-2018 | est 150 |
| Egypt | est 200 | MICA | BVRAAM | 2020 | 2022 | est 50 |

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

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

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

Response from Airbus

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

Airbus does not see itself as an arms company involved in controversial arms trade. In addition Airbus indicates they cannot comment on sales by MBDA as they are a minority shareholder. Airbus refers to its commitment to respect all applicable laws and regulations, including international sanctions and export

regulation processes imposed by the UN, EU, UK and US. It also refers to the company supporting the UN Global Compact. Airbus writes it is currently (in 2023) piloting a due diligence procedure for its defence products that looks into country risks and intended product use.

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

3.3 BAE Systems

BAE Systems, headquartered in the UK, is a defence company operating in the air, maritime, land and cyber domains, working in more than 40 countries.³² In the SIPRI top 100 of arms-producing companies, BAE Systems ranks 6th with total arms sales of USD 26 billion (EUR 24.0 billion), accounting for 97 per cent of its total sales in 2021.³³

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

BAE Systems did not reply to our letter. BAE did respond to a similar set of questions asked by PAX in 2022. BAE's response can be found in the report 'High-Risk Arms Trade and the Financial Sector'.³⁴

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

| Recipient/ | No. Ordered | designation | Weapon description | year order | Years delivery | number delivered |
|--------------|-------------|------------------|-----------------------|--------------|----------------|------------------|
| Bahrain | 56 | WGU-59 APKWS | ASM | 2018 | 2022 | ± 28 |
| Colombia | 18 | L-118 105mm | towed gun | 2017 | 2017-18 | ± 18 |
| India | 145 | UFH/M-777 155mm | towed gun | 2016 | 2017-22 | ± 145 |
| India | ± 600 | WGU-59 APKWS | anti-tank missile/ASM | 2019 | 2022 | ± 25 |
| India | ± 1200 | M-982 Excalibur | guided shell | 2019 | 2019-20 | ± 1200 |
| Iraq | ± 2000 | WGU-59 APKWS | ASM | ± 2015 | 2016-2018 | ± 2000 |
| Lebanon | ± 2000 | WGU-59 APKWS | ASM | 2016 | 2019-22 | ± 2000 |
| Lebanon | 2 | M-88A2 Hercules | ARV | 2017 | 2019 | 2 |
| Nigeria | ± 400 | WGU-59 APKWS | ASM | 2019 | 2021 | ± 400 |
| Pakistan | 3+3 | Seaspray | MP aircraft radar | ± 2016; 2020 | 2018-22 | 3 |
| Saudi Arabia | 22 | Hawk-100 | Trainer/combat ac | 2015 | 2019-21 | ± 22 |
| Saudi Arabia | ± 20 | M-88A2 HERCULES | ARV | ± 2016 | 2019-20 | ± 20 |
| UAE | 2 | SAK-70 Mk-2 57mm | Naval gun | 2013 | 2017-18 | 2 |
| Ukraine | ± 8 | M-88A2 Hercules | ARV | ± 2022 | | |

| | | | | | | |
|---------|-------|--------------|-----------------------|------|--|--|
| Ukraine | ± 300 | WGU-59 APKWS | Anti-tank missile/ASM | 2022 | | |
|---------|-------|--------------|-----------------------|------|--|--|

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

Table 11 MBDA sales included BAE Systems table^v

| Recipient/ | No. Ordered | designation | Weapon description | year order | Years delivery | number delivered |
|--------------|-------------|--------------------|-------------------------------|------------|----------------|------------------|
| Egypt | ± 50 | MM-40-3 Exocet | Anti-ship MI/SSM | ± 2014 | 2017-22 | ± 30 |
| Egypt | ± 60 | MM-40-3 Exocet | Anti-ship/land attack missile | ± 2019 | 2022 | ± 50 |
| Egypt | ± 100 | MICA | BVRAAM | 2015 | 2017-22 | ± 75 |
| Egypt | ± 150 | MICA | BVRAAM | 2015 | 2015-2018 | ± 150 |
| Egypt | ± 200 | MICA | BVRAAM | 2020 | 2022 | ± 50 |
| Egypt | 4 | MICA | naval SAM system | 2021 | 2022 | 1 |
| Egypt | ± 50 | Storm Shadow/SCALP | ASM | ± 2015 | 2021-22 | ± 50 |
| Egypt | ± 50 | ASTER-15 SAAM | SAM | 2020 | 2020-21 | ± 50 |
| India | ± 24,730 | MILAN | anti-tank missile | ± 1979 | 1984-2022 | ± 23,500 |
| India | 36 | SM-39 Exocet | anti-ship missile | 2005 | 2017-22 | ± 277 |
| India | 493 | MICA | BVRAAM | 2012 | 2014-21 | ± 493 |
| India | ± 350 | MICA | BVRAAM | 2017 | 2021-22 | ± 220 |
| India | ± 200 | Meteor | BVRAAM | ± 2016 | 2020 | ± 100 |
| India | ± 200 | Storm Shadow/Scalp | ASM | 2017 | 2020-22 | ± 200 |
| India | | Mistral | portable SAM | ± 2019 | 2022 | ± 25 |
| India | 200 | Meteor | BVRAAM | 2017 | 2020-22 | ± 200 |
| Nigeria | ± 40 | Mistral | portable SAM | ± 2021 | | |
| Pakistan | 4 | Albatross | naval SAM system | 2021 | | |
| Saudi Arabia | ± 250 | MICA | BVRAAM | 2013 | 2018-19 | ± 250 |
| Saudi Arabia | ± 5 | VL-MICA | SAM system | 2013 | 2018-19 | ± 5 |

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

| | | | | | | |
|--------------|---------|----------------|-------------------|--------|---------|---------|
| Saudi Arabia | + 120 | MICA | BVRAAM | + 2018 | 2022 | + 70 |
| Saudi Arabia | 5 | VL-MICA | SAM system | + 2018 | 2022 | 3 |
| Saudi Arabia | + 1000 | Brimstone | ASM | + 2015 | 2016-19 | + 1000 |
| Saudi Arabia | . . | Meteor | BVRAAM | + 2014 | 2018 | + 20 |
| Turkmenistan | 1 | VL-MICA | SAM system | + 2019 | 2021 | 1 |
| Turkmenistan | + 25 | MICA | BVRAAM | + 2019 | 2021 | + 25 |
| Turkmenistan | + 15 | Otomat-2 | anti-ship missile | + 2019 | 2021 | + 15 |
| UAE | + 30 | MM-40-3 Exocet | Anti-ship MI/SSM | + 2019 | | |
| UAE | + 48 | Marte-2 | Anti-ship missile | 2017 | 2018-19 | + 48 |
| Ukraine | + 90+50 | Brimstone | ASM | 2022 | 2022 | + 90+50 |

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

3.4 Boeing

Boeing, based in the US, is the world's largest aerospace company and a leading manufacturer of jetliners and military, space and security systems. Military products sold by Boeing include fighter aircraft, transport aircraft, unmanned aircraft, transport and attack helicopters and missiles.³⁵

According to the latest SIPRI top 100 arms-producing companies, Boeing ranks 3rd with total arms sales of USD 33.4 billion (EUR 30.8 billion), accounting for 54 per cent of its total sales in 2021.³⁶

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

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

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

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

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

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

3.5 General Dynamics

General Dynamics, with headquarters in the US, provides business aviation, combat vehicles, weapon systems and munitions, IT and C4ISR solutions, and shipbuilding and ship repair.³⁷

According to the SIPRI list of top 100 arms-producing companies, General Dynamics ranks 5th with total arms sales of USD 26.4 billion (EUR 24.3 billion), accounting for 69 per cent of its total sales in 2021.³⁸

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

Response from General Dynamics

General Dynamics has responded briefly to our questions. The company states it complies with export regulation policy of the US, and refers to its human rights policy and Sustainability Report. In its sustainability report, General Dynamics does account for the human rights risks involved in end use of its products. The report recognizes that many of its products ‘have the capacity to take human life’. GD states it ‘closely follows’ national security and foreign policy of the US, in which promotion of human rights and IHL are, says the report, included.³⁹

PAX welcomes the response by General Dynamics, and its sustainability report does acknowledge the risks this report focuses on. The reference to US arms export policy by General Dynamics does seem to include a recognition of a distinct responsibility of the company itself as well, which we welcome. As the table below shows, there are still many destinations General Dynamics has transferred weapon systems in which the risk is significant that these will be used in violations of human rights or IHL.

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

| Recipient/ | No. Ordered | designation | Weapon description | year order | Years delivery | number delivered |
|------------|-------------|-------------|--------------------|------------|----------------|------------------|
| Colombia | 50 | Piranha-3 | APC | ± 2022 | | |

| | | | | | | |
|--------------|-------|---------------|---------------------------|------|-----------|-------|
| Egypt | 125 | M-1A1 Abrams | Tank | 2011 | 2015-2020 | ± 125 |
| Israel | ± 386 | Namer | APC/IFV | 2011 | 2014-22 | ± 386 |
| Israel | 1 | Gulfstream-5 | light transport ac | 2017 | | |
| Saudi Arabia | 385 | LAV-700 | APC | 2014 | 2018-22 | ± 380 |
| Saudi Arabia | 119 | LAV-700 AT | Tank d ₊ royer | 2014 | 2018-22 | ± 47 |
| Saudi Arabia | 119 | LAV-700 FSV | AFSV | 2014 | 2019-22 | ± 55 |
| Saudi Arabia | 119 | LAV-700 IFV | IFV | 2014 | 2019-22 | 119 |
| Saudi Arabia | ± 153 | M-1A2S | Tank | 2016 | 2018-20 | ± 153 |
| Ukraine | 39 | Piranha LAV-6 | APC | 2022 | 2022 | ± 39 |

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

3.6 General Electric

General Electric (GE), based in the US, provides products in areas including power, healthcare, oil and gas, aviation, transportation and lighting. The military products of General Electric include engines and other components for combat aircraft, transport aircraft, helicopters, unmanned aircraft and warships.⁴⁰

GE is actively involved in servicing its engines once they are in operation.⁴¹ For example, the company stated on its website (last seen in 2022, now no longer online) that it works with Saudi partners in establishing engine overhaul capabilities in Saudi Arabia:

“The Royal Saudi Air Force is another major GE Aviation customer — possessing the largest international fleet of F110 engines in the world, in addition to the T700 and other military engines. Recently, the Military Systems Operation (MSO) team partnered with Saudia Aerospace Engineering Industries (SAEI), a division of Saudi Arabian Airlines, to establish engine overhaul capability within the Kingdom. The project includes organic capabilities for the disassembly, inspection, repair, assembly and testing of the F110 and T700 engines that will be performed at SAEI’s facility in Jeddah. The partnership supports GE’s commitment to invest in the Kingdom’s aviation industry and strengthen its workforce by introducing jobs in technical fields.”⁴²

The F110 engines are used in F-15 fighter jets. The T700 is the engine used in the Black Hawk helicopter as well as in the Apache attack helicopters. In 2022, GE Aviation was awarded a contract by the US government to provide support for maintenance of these engines for the US and foreign air forces. These include the air forces of Saudi Arabia, Bahrein and Egypt amongst others.⁴³

According to the latest SIPRI top 100 arms-producing companies, General Electric ranks 33rd with total arms sales of USD 4.1 billion (EUR 3.7 billion), accounting for 6 per cent of its total sales in 2021.⁴⁴

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

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

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

| | | | | | | |
|--------------|--------|--------------|-----------------|-------------|---------|------|
| Bahrain | ± 2 | T-700-701C | aircraft engine | ± 2018 | 2022 | ± 1 |
| Egypt | 2 | LM-2500 | ship engine | 2020 | 2020-21 | 2 |
| Egypt | 4 | LM-2500 | ship engine | 2019 | 2022 | 1 |
| India | 4 + 14 | LM-2500 | ship engine | ± 2004/2017 | 2022 | 4 |
| India | 24 | F-404 | aircraft engine | 2007 | 2016-21 | ± 24 |
| India | ± 20 | F-404 | aircraft engine | ± 2016 | 2022 | ± 8 |
| India | 99 | F-404 | aircraft engine | 2021 | | |
| India | ± 6 | T-700 | aircraft engine | ± 2015 | 2019-20 | ± 6 |
| Israel | ± 4 | T-408-GE-400 | aircraft engine | 2021 | | |
| Pakistan | 4 | LM-2500 | ship engine | 2020 | | |
| Saudi Arabia | ± 25 | F110 | aircraft engine | ± 2012 | 2017-19 | ± 25 |
| Türkiye | 4 | LM-2500 | ship engine | ± 2016 | | |
| Türkiye | 2 | LM-2500 | ship engine | 2015 | 2018-19 | 2 |

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

Response from General Electric

General Electric replied extensively to the letter by PAX.

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

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

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

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

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

Engagement with GE

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

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

The engagement started in 2021 and is ongoing.

3.7 Honeywell

Honeywell International, based in the US, “operates as a diversified technology and manufacturing company”. The company’s business units are aerospace, building technologies, safety and productivity solutions and performance materials and technologies.⁴⁵ The military products of Honeywell include engines for military aircraft.⁴⁶

According to the SIPRI list of top 100 arms-producing companies, Honeywell ranks 23th with total arms sales of USD 5.2 billion (EUR 4.8 billion), accounting for 15 per cent of its total sales in 2021.⁴⁷

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

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

Table 15 Sales of military goods by Honeywell to states at risk (2018-2022)

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

3.8 Leonardo

Leonardo, based in Italy, develops products and services in the fields of aerospace, military and security.⁴⁸ The military products of Leonardo include attack and transport helicopters, unmanned systems, turrets for land vehicles, naval guns and combat systems as well as large-calibre ammunition.⁴⁹

According to the latest SIPRI top 100 arms-producing companies, Leonardo ranks 12th with total arms sales of USD 13.9 billion (EUR 12.8 billion), accounting for 83 per cent of its total sales in 2021.⁵⁰

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

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

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

^{vi} This transfer is attributed to Leonardo, Naval Group and Thales

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

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

^{vii} This transfer is attributed to Leonardo and Diehl

Table 17 MBDA sales are included in the Leonardo table^{viii}

| Recipient/ | No. Ordered | designation | Weapon description | year order | Years delivery | number delivered |
|--------------|-------------|--------------------|-------------------------------|------------|----------------|------------------|
| Egypt | ± 50 | MM-40-3 Exocet | Anti-ship MI/SSM | ± 2014 | 2017-22 | ± 30 |
| Egypt | ± 60 | MM-40-3 Exocet | Anti-ship/land attack missile | ± 2019 | 2022 | ± 50 |
| Egypt | ± 100 | MICA | BVRAAM | 2015 | 2017-22 | ± 75 |
| Egypt | ± 150 | MICA | BVRAAM | 2015 | 2015-2018 | ± 150 |
| Egypt | ± 200 | MICA | BVRAAM | 2020 | 2022 | ± 50 |
| Egypt | 4 | MICA | naval SAM system | 2021 | 2022 | 1 |
| Egypt | ± 50 | Storm Shadow/SCALP | ASM | ± 2015 | 2021-22 | ± 50 |
| Egypt | ± 50 | ASTER-15 SAAM | SAM | 2020 | 2020-21 | ± 50 |
| India | ± 24,730 | MILAN | anti-tank missile | ± 1979 | 1984-2022 | ± 23,500 |
| India | 36 | SM-39 Exocet | anti-ship missile | 2005 | 2017-22 | ± 277 |
| India | 493 | MICA | BVRAAM | 2012 | 2014-21 | ± 493 |
| India | ± 350 | MICA | BVRAAM | 2017 | 2021-22 | ± 220 |
| India | ± 200 | Meteor | BVRAAM | ± 2016 | 2020 | ± 100 |
| India | ± 200 | Storm Shadow/Scalp | ASM | 2017 | 2020-22 | ± 200 |
| India | | Mistral | portable SAM | ± 2019 | 2022 | ± 25 |
| India | 200 | Meteor | BVRAAM | 2017 | 2020-22 | ± 200 |
| Nigeria | ± 40 | Mistral | portable SAM | ± 2021 | | |
| Pakistan | 4 | Albatross | naval SAM system | 2021 | | |
| Saudi Arabia | ± 250 | MICA | BVRAAM | 2013 | 2018-19 | ± 250 |
| Saudi Arabia | ± 5 | VL-MICA | SAM system | 2013 | 2018-19 | ± 5 |
| Saudi Arabia | ± 120 | MICA | BVRAAM | ± 2018 | 2022 | ± 70 |
| Saudi Arabia | 5 | VL-MICA | SAM system | ± 2018 | 2022 | 3 |
| Saudi Arabia | ± 1000 | Brimstone | ASM | ± 2015 | 2016-19 | ± 1000 |
| Saudi Arabia | . . | Meteor | BVRAAM | ± 2014 | 2018 | ± 20 |
| Turkmenistan | 1 | VL-MICA | SAM system | ± 2019 | 2021 | 1 |

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

| | | | | | | |
|--------------|---------|----------------|-------------------|--------|---------|---------|
| Turkmenistan | ± 25 | MICA | BVRAAM | ± 2019 | 2021 | ± 25 |
| Turkmenistan | ± 15 | Otomat-2 | anti-ship missile | ± 2019 | 2021 | ± 15 |
| UAE | ± 30 | MM-40-3 Exocet | Anti-ship MI/SSM | ± 2019 | | |
| UAE | ± 48 | Marte-2 | Anti-ship missile | 2017 | 2018-19 | ± 48 |
| Ukraine | ± 90+50 | Brimstone | ASM | 2022 | 2022 | ± 90+50 |

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

Response from Leonardo

Leonardo responded extensively to the letter sent by PAX.

- Leonardo points to guidelines of the Aerospace and Defence Industries Association of Europe. The guidelines referred to deal with the risk of corruption (criterion 4 in Chapter 2 of this report).⁵¹ The company also points to its joining the UN Global Compact in 2018.
- Second, Leonardo points to its compliance programme, which aims to ensure full compliance with applicable regulations. As an example, the company refers to Italian regulation, which is largely in line with the European Common Position (see 0).
- Leonardo indicates that it carried out a human rights impact assessment in 2021, as core element of its Trade Compliance Program. The HRIA could not be found online.
- Leonardo furthermore refers to its Group Policy on Human Rights, in which it reaffirms its commitment to various human rights standards, including the Universal Declaration and the OECD Guidelines.⁵² Article 4.3 of this policy deals with the sale of products to ‘sensitive countries’. The criteria used to identify countries as ‘sensitive’ match some of the criteria used in the current report, including criteria on being in conflict and violations of human rights. This list is available on Leonardo’s website, contains 31 countries at the time of writing, and has some overlap with the list presented in Chapter 2, but also some striking differences.⁵³
- Examples of countries on Leonardo’s list include Iraq, Belarus, Russia, the UAE and Ukraine. Leonardo puts measures in place to mitigate risks if sales to countries on this list are considered. The company states in its letter that a sale will not be processed if the risks are unacceptable in any one of these four areas: export controls; sanctions; know your customer; and territory. ‘Sensitive countries’ are not necessarily prohibited from buying military equipment from Leonardo.
- Lastly, the company points out that some of the systems in the list are not weapons, but military goods. In reply to this last point only, it is explained in the methodology section that this report uses the terms ‘arms’, ‘weapons’, ‘weapon systems’ and ‘military goods’ interchangeably, all with the meaning of ‘military goods’ as per the ‘Wassenaar Arrangement’ and the SIPRI arms transfer database methodology.

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

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

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

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

3.9 Lockheed Martin

Lockheed Martin, based in the US, focuses on aeronautics, space systems, electronic systems and information systems. Its most important divisions are aerospace and defence, information technology and new technologies.⁵⁴ The military products of Lockheed Martin include fighter aircraft, attack helicopters, unmanned aircraft, air defence systems, missiles and warships.⁵⁵

According to the latest SIPRI top 100 arms-producing companies, Lockheed Martin ranks 1st with total arms sales of USD 60.3 billion (EUR 55.5 billion), accounting for 90 per cent of its total sales in 2021.⁵⁶

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

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

| Recipient/ | No. Ordered | designation | Weapon description | year order | Years delivery | number delivered |
|-------------|-------------|---------------------|----------------------|------------|----------------|------------------|
| Afghanistan | 53 | S-70 Black Hawk | transport helicopter | 2016 | 2017-20 | ± 53 |
| Bahrain | ± 110 | ATACMS Block-1A | SSM | ± 2019 | 2021-22 | ± 110 |
| Bahrain | ± 720 | GMLRS | Guided rocket | ± 2018 | 2021 | ± 720 |
| 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 | 2022 | ± 7 |
| Colombia | 1 | S-70/UH-60L | helicopter | 2018 | 2019 | 1 |
| India | ± 1354 | AGM-114K/L Hellfire | anti-tank missile | 2015 | 2019-20 | ± 1352 |
| India | ± 1354 | AGM-114A Hellfire | anti-tank missile | ± 2020 | 2021 | ± 10 |
| India | 24 | MH-60R Seahawk | ASW helicopter | 2020 | 2021-22 | 6 |
| India | 1 | C-130J-30 Hercules | transport ac | ± 2018 | 2019 | 1 |
| Iraq | 1 | TPS-77 | air search radar | 2019 | 2022 | 1 |
| Israel | 19 | F-35A JSF | FGA aircraft | 2010 | 2016-19 | 19 |

| | | | | | | |
|--------------|-------------|------------------------------|----------------------|-----------|-----------|------------|
| Israel | 14 | F-35A JSF | FGA aircraft | 2015 | 2019-22 | 14 |
| Israel | 17 | F-35A JSF | FGA aircraft | 2017 | 2022 | 3 |
| Israel | ± 700 | Paveway | guided bomb | 2015 | 2018-19 | ± 700 |
| Israel | ± 1000 | GMLRS | guided rocket | 2016 | 2017-18 | ± 1000 |
| Israel | 12 | CH-53K King Stallion | transport helicopter | 2021 | | |
| Lebanon | ± 1000 | AGM-114K HELLFIRE | Anti-tank missile | ± 2017 | 2019-21 | ± 1000 |
| Saudi Arabia | ± 193 | AAQ-13 LANTIRN | Combat ac radar | ± 2011 | 2016-22 | ± 184 |
| Saudi Arabia | ± 158 | AAQ-33 Sniper | Aircraft EO system | 2012 | 2016-22 | ± 102 |
| Saudi Arabia | 4 | MMSC | Frigate | 2017 | | |
| Saudi Arabia | ± 10 | PTDS | AGS aerostat | 2017 | | |
| Saudi Arabia | 320 | MIM-104F PAC-3 ^{ix} | ABM | 2015 | 2017-19 | ± 320 |
| Saudi Arabia | ± 3 | Patriot PAC-3 | SAM/ABM system | 2015 | 2017-19 | ± 3 |
| Saudi Arabia | 130 | MIM-104F PAC-3 | ABM | 2017 | 2020 | ± 130 |
| Saudi Arabia | ± 20 | MIM-104F PAC-3 | ABM | 2018 | | |
| Saudi Arabia | ± 130 | MIM-104F PAC-3 | ABM | 2018 | 2022 | ± 100 |
| Saudi Arabia | ± 7 | THAAD | ABM system | 2018 | | |
| Saudi Arabia | 360 | THAAD missile | ABM missile | 2018 | | |
| Saudi Arabia | 10 | MH-60R Seahawk | ASW helicopter | 2015 | 2018-19 | ± 10 |
| Saudi Arabia | ± 57 | S-70 Black Hawk | Helicopter | 2017 | 2018-22 | ± 57 |
| Türkiye | 86 | Black Hawk | Helicopter | 2014 | 2022 | 3 |
| UAE | 12 | M-142 HIMARS | Self-propelled MRL | 2015 | 2018 | 12 |
| UAE | 100 | MGM-140B ATACMS | SSM | 2015 | 2018-19 | ± 100 |
| UAE | ± 60+452 | MIM-104F PAC-3 | ABM | 2018-19 | 2020-22 | ± 60+200 |
| UAE | ± 4 | Patroit PAC-3 | ABM system | 2018 | 2021-22 | ± 3 |
| UAE | ± 1000+1000 | AGM-114K HELLFIRE | Anti-tank missile | 2017+2021 | 2018+2022 | ± 1000+300 |
| UAE | 192 | THAAD missile | ABM | 2012 | 2015-2019 | ± 192 |

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

| | | | | | | |
|---------|---------------|-----------------|--------------------|---------|---------|---------|
| UAE | ± 13640 | Paveway | Guided bomb | 2017 | 2018-22 | ± 13640 |
| UAE | ± 10 | AAQ-33 Sniper | Aircraft EO system | | | ± 10 |
| UAE | 331 | FGM-148 Javelin | Anti-tank missile | 2020 | 2020 | ± 331 |
| Ukraine | ± 150+180+300 | FGM-148 Javelin | AT-missile | 2019-21 | 2020-22 | ± 630 |

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

Response from Lockheed Martin

Lockheed Martin responded extensively to our questions. The company refers to its recent Human Rights report, and explains that all its military sales are regulated by the US government. The company points to its commitment to human rights throughout the supply chain. And in its response the company explains which procedures are in place to ensure any sales are in line with applicable laws and company regulations.

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

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

3.10 Northrop Grumman

Northrop Grumman, based in the US, provides products, services and solutions in the military aerospace, electronics, information systems and shipbuilding sectors.⁵⁷ The military products of Northrop Grumman include autonomous systems, strike aircraft, naval systems, missiles and ammunition.

According to the latest SIPRI top 100 arms-producing companies, Northrop Grumman ranks 4th with total arms sales of USD 29.9 billion (EUR 27.5 billion), accounting for 84 per cent of its total sales in 2020.⁵⁸

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

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

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

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

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

3.11 Raytheon

Raytheon, based in the US, mainly provides military electronics, mission systems integration and other capabilities in the areas of sensing and command, control, communications and intelligence systems as well as a broad range of mission support services.⁵⁹ The military products of Raytheon include missiles and air defence systems. In June 2023 Raytheon changed its name into RTX. For reasons of convenience we have still used Raytheon throughout this report

In October 2019, the shareholders of United Technologies Corporation (UTC) and Raytheon approved a merger between UTC's aerospace business with Raytheon. The merger has materialized over the course of 2020, forming the new company Raytheon.⁶⁰ Pre-merger data for UTC are listed under Raytheon in this study.

According to the SIPRI top 100 of arms-producing companies, Raytheon ranks 2nd with total arms sales of USD 41.9 billion (EUR 38.6 billion), accounting for 65 per cent of its sales.⁶¹

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

Raytheon did not reply to our letter. The company did respond to a similar set of questions asked by PAX in 2022. Raytheon's response can be found in the report 'High-Risk Arms Trade and the Financial Sector'.⁶²

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

| Recipient | No. Ordered | designation | Weapon description | year order | Years delivery | number delivered |
|-------------|-------------|-------------------------------|------------------------|------------|----------------|------------------|
| Afghanistan | ± 6 | PT6 | aircraft engine | 2017 | 2018 | ± 6 |
| Bahrain | ± 50 | AGM-88 HARM | ARM | 2019 | | |
| Bahrain | ± 32 | AIM-9X Sidewinder | BVRAAM | ± 2019 | | |
| Bahrain | ± 32 | AIM-120D AMRAAM | BVRAAM | ± 2019 | | |
| Bahrain | ± 264 | BGM-71 TOW | Anti-tank missile | 2016 | 2017- 18 | ± 264 |
| Bahrain | ± 221 | BGM-71F TOW-2B | Anti-tank missile | 2017 | 2018 | ± 221 |
| Bahrain | 6 | DB-110 | aircraft recce systems | 2019 | | |
| Bahrain | 36 | MIM-104C PAC-2 | SAM | 2019 | 2022 | ± 18 |
| Bahrain | 60 | MIM-104F PAC-3 | ABM | 2019 | 2022 | ± 30 |
| Bahrain | ± 2 | Patriot PAC-3 ^x | SAM/ABM system | 2019 | 2022 | ± 1 |

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

| | | | | | | |
|--------------|---------|-----------------------|----------------------|--------|-----------|---------|
| Burkina Faso | ± 2 | PW100 | aircraft engine | 2019 | 2021 | ± 2 |
| Chad | 3 | aircraft engine | aircraft engine | 2022 | | |
| Colombia | ± 11 | PT-6A-68 | aircraft engine | 2020 | 2021-22 | 6 |
| Egypt | ± 330 | AIM-9L/I-1 Sidewinder | SRAAM | ± 2017 | 2018-20 | ± 330 |
| Egypt | 8 | MPQ-64 Sentinel | Air search radar | 2017 | 2019-21 | ± 8 |
| Egypt | ± 168 | RIM-116A RAM Block 2B | SAM | 2021 | | |
| India | ± 10 | PT6 | aircraft engine | ± 2018 | | |
| India | ± 124 | PW100 | aircraft engine | 2021 | | |
| India | ± 245 | FIM-92 Stinger | Portable SAM | ± 2013 | 2019-20 | ± 245 |
| India | ± 1200 | M-982 Excalibur | guided shell | 2019 | 2019-20 | ± 1200 |
| Israel | ± 28 | AIM-9X Sidewinder | SRAAM | 2014 | 2016-20 | ± 28 |
| Israel | ± 700 | Paveway | guided bomb | 2015 | 2018-19 | ± 700 |
| Lebanon | ± 8 | PT6 | Turboprop/turboshaft | 2015 | 2017-18 | ± 8 |
| Lebanon | ± 1500 | BGM-71 TOW-2B | Anti-tank missile | 2017 | 2018-20 | ± 1500 |
| Mali | ± 4 | PT6 | aircraft engine | 2015 | 2018 | 4 |
| Mali | 2 | PW100 | aircraft engine | 2020 | 2022 | 2 |
| Niger | ± 2 | PT-6A-68 | aircraft engine | 2021 | | |
| Nigeria | ± 12 | PT6 | aircraft engine | 2018 | 2021 | 12 |
| Saudi Arabia | ± 8 | PW127G | aircraft engine | 2015 | 2015-2018 | 8 |
| Saudi Arabia | ± 20000 | Paveway | Guided bomb | 2019 | 2019-20 | ± 20000 |
| Saudi Arabia | ± 500 | Paveway | Guided bomb | 2019 | 2020 | ± 500 |
| Saudi Arabia | 320 | MIM-104F PAC-3 | ABM | 2015 | 2017-19 | ± 320 |
| Saudi Arabia | ± 3 | Patriot PAC-3 | SAM/ABM system | 2015 | 2017-19 | ± 3 |
| Saudi Arabia | ± 600 | AGM-88 HARM | ARM | ± 2011 | 2018-22 | ± 500 |
| Saudi Arabia | ± 300 | AIM-9X Sidewinder | SRAAM | ± 2011 | 2012-2019 | ± 300 |

| | | | | | | |
|--------------|---------|--------------------|-------------------|-----------|---------------|---------|
| Saudi Arabia | ± 500 | AIM-120C AMRAAM | BVRAAM | 2013 | 2015- 2019 | ± 500 |
| Saudi Arabia | ± 355 | AGM-154 JSOW | Guided bomb | 2014 | 2016- 2018 | ± 355 |
| Saudi Arabia | 618 | AGM-154 JSOW | Guided bomb | 2017 | 2019- 22 | ± 618 |
| Saudi Arabia | ± 100 | RIM-116A RAM | SAM | ± 2017 | | |
| Saudi Arabia | ± 512 | 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 |
| Türkiye | ± 15 | PT6 | aircraft engine | ± 2013 | 2018- 19 | ± 15 |
| Türkiye | ± 16 | PW127M | aircraft engine | 2005 | 2013- 2022 | ± 14 |
| Türkiye | 4 | Mk-15 Phalanx | CIWS | ± 2011 | 2017- 18 | 4 |
| Türkiye | ± 145 | AIM-120C AMRAAM | BVRAAM | ± 2014 | 2016- 2019 | ± 145 |
| Türkiye | ± 125 | RIM-116A RAM | SAM | ± 2007 | 2011- 19 | ± 125 |
| Türkiye | ± 150 | RIM-116A RAM | SAM | ± 2016 | | |
| Türkiye | 2 | Mk-15 Phalanx | CIWS | ± 2015 | | |
| Türkiye | 4 | Mk-15 Phalanx | CIWS | ± 2015 | 2017- 18 | ± 4 |
| Türkiye | 4 | Mk-15 Phalanx | CIWS | ± 2016 | | |
| Turkmenistan | ± 5 | PT6 | aircraft engine | ± 2019 | 2021 | ± 5 |
| UAE | ± 24 | PT6 | aircraft engine | 2019 | | |
| UAE | 10 | PW127G | aircraft engine | 2017 | 2019 | ± 10 |
| UAE | ± 96 | RIM-162 ESSM | SAM | 2016 | 2018- 19 | ± 96 |
| UAE | ± 200 | RIM-116A RAM | SAM | ± 2016 | 2018- 20 | ± 200 |
| UAE | ± 2000 | Talon | ASM | 2013 | 2015- 2018 | ± 2000 |
| UAE | 100+150 | MIM-104C PAC-2 | SAM | 2017+2019 | 2019- 22 | ± 185 |

| | | | | | | |
|---------|---------------|-------------------|-----------------------|---------|---------|---------|
| UAE | ± 13640 | Paveway | Guided bomb | 2017 | 2018-22 | ± 13640 |
| UAE | 300 | AIM-9X Sidewinder | SRAAM | 2018 | 2019-21 | ± 300 |
| UAE | 2 | DB-110 | Aircraft recce system | ± 2017 | 2018-19 | 2 |
| UAE | 331 | FGM-148 Javelin | Anti-tank missile | 2020 | 2020 | ± 331 |
| Ukraine | 8 +1 | NASAMS | SAM system | 2022 | 2022 | 2 |
| Ukraine | ± 150+180+300 | FGM-148 Javelin | AT-missile | 2019-21 | 2020-22 | ± 630 |
| Ukraine | 24 | TPQ-36 Firefinder | Arty loc. Radar | 2022 | | |
| Ukraine | ± 16 | MPQ-64 Sentinel | air search radar | 2022 | 2022 | ± 4 |

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

3.12 Rheinmetall

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

According to the SIPRI top 100 of arms-producing companies, Rheinmetall ranks 31st with total arms sales of USD 4.5 billion (EUR 4.1 billion), accounting for 66 per cent of its total sales in 2021.⁶³

Rheinmetall did not respond to our inquiry.

| Recipient/ | No. Ordered | designation | Weapon description | year order | Years delivery | number delivered |
|--------------|-------------|-------------|--------------------|------------|----------------|------------------|
| China | ± 400 | GDF 35 mm | AA gun | ± 1995 | 1997-2018 | ± 400 |
| China | ± 200 | Skyguard | fire control radar | ± 1995 | 1997-2018 | ± 200 |
| Pakistan | 2+1 | ATR-72MP | ASW aircraft | 2015+2020 | 2018-19/2022 | 2+1 |
| Saudi Arabia | ± 2 | Skyguard | fire control radar | ± 2017 | 2019 | ± 2 |

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

3.13 Rolls-Royce

Rolls-Royce, based in the United Kingdom, provides power supply systems such as engines for civil and military aviation, as well as other power systems.⁶⁴ The military products of Rolls-Royce include engines for fighter aircraft, land vehicles and warships.⁶⁵

According to the SIPRI top 100 of arms-producing companies, Rolls-Royce ranks 26th with total arms sales of USD 5 billion (EUR 4.6 billion), accounting for 33 per cent of its total sales in 2020.⁶⁶

Rolls-Royce is actively involved in servicing its engines once they are in operation. For example, the company supported development of engine overhaul capabilities in Saudi Arabia until 2016.⁶⁷ The center involved is called the 'Middle East Propulsion Company'. In June 2021, this center celebrated further cooperation with (amongst others) Rolls Royce for the maintenance of the engines of Typhoons, one of the main fighter aircraft used by Saudi Arabia.^{xi}

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

Table 21 Sales of military goods by Rolls-Royce to states at risk (2018-2022)

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

^{xi} MEPC on Twitter, <https://twitter.com/MEPCSA/status/1415655216553287688>, accessed May 2022.

^{xii} SIPRI indicates this item is produced under license, in China. This means the technology transfer has taken place in the past, production continues until at least 2022. It is unknown when the license was provided.

^{xiii} SIPRI indicates this item is produced under license, in China. This means the technology transfer has taken place in the past, production continues until at least 2022. It is unknown when the license was provided.

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

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

Response from Rolls-Royce

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

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

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

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

3.14 Saab

Saab, based in Sweden, serves the global market with products, services and solutions from military defence to civil security. The military products of Saab consist among others of fighter jets, missile systems and warships.⁶⁸

According to the SIPRI top 100 of arms-producing companies, Saab ranks 34nd with total arms sales of USD 4.1 billion (EUR 3.8 billion), accounting for 90 per cent of its total sales in 2021.⁶⁹

Saab unfortunately did not respond to our inquiries.

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

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

3.15 Textron

Textron is a US-based company engaged in aircraft, military, industrial and finance businesses. Military related business sections include Textron Systems and Bell Helicopter. The military products of Textron consist among others of air, land and sea vehicles, unmanned systems, small arms and missiles.⁷⁰

According to the SIPRI top 100 of arms-producing companies, Textron ranks 41st with total arms sales of USD 3.4 billion (EUR 3.1 billion), accounting for 27 per cent of its total sales in 2021.⁷¹

Textron unfortunately did not respond to our inquiries.

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

^{xiv} This concerns a license built aircraft, built in Pakistan on a license by Saab

| | | | | | | |
|--------------|------|-------------------------|--------------------------|--------|---------|------|
| Afghanistan | ± 55 | ASV-150/M-1117 Guardian | armored security vehicle | 2017 | 2018-19 | 55 |
| Afghanistan | ± 55 | ASV-150/M-1117 Guardian | armored security vehicle | ± 2019 | 2020 | ± 55 |
| Afghanistan | 10 | Cessna-208 Caravan | light transport ac | 2018 | 2018-20 | ± 10 |
| Bahrain | 12 | AH-1Z Viper | combat helicopter | 2018 | 2022 | 6 |
| Cameroon | 2 | Cessna-208 Caravan | light transport ac | 2016 | 2018 | 2 |
| Colombia | ± 8 | Cessna-172 | Trainer/light ac | 2020 | 2021-22 | 8 |
| Colombia | 1 | King Air-350i | light transport ac | ± 2020 | 2021 | 1 |
| Colombia | 1 | Bell-412 | helicopter | 2021 | 2022 | 1 |
| Colombia | ± 11 | PC-9 | trainer aircraft | 2020 | 2021-22 | 6 |
| Nigeria | 2 | King Air-360i | light transport ac | 2022 | | |
| Pakistan | 2 | Cessna-208 Caravan | light transport ac | ± 2019 | 2020 | 2 |
| Pakistan | 2 | King Air-350 ISR | AGS aircraft | ± 2011 | 2013-18 | ± 2 |
| Saudi Arabia | ± 2 | King Air-350 ISR | AGS aircraft | 2016 | 2019-20 | ± 2 |

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

3.16 Thales

Thales is a French-headquartered, pan-European company engaged in aerospace, defence, ground transportation, security and space.⁷² The main shareholders of Thales are the French state (25.7 per cent) and aircraft manufacturer Dassault Aviation (24.7 per cent). The military products of Thales include communications, command and control systems, and combat systems for air, land and naval systems.⁷³

According to the SIPRI top 100 of arms-producing companies, Thales ranks 16th with total arms sales of USD 9.8 billion (EUR 9.0 billion), accounting for 51 per cent of its total sales in 2021.⁷⁴

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

In 2022, after the Russian invasion of Ukraine, a French NGO (Disclose) reported that Thales had continued the supply of military goods to Russia up until 2019. This was five years past the illegal annexation of Crimea by Russia. According to the NGO, Thales had supplied thermal imaging cameras as part of a contract closed first in 2007 and then again in 2012. The French government issued export licenses for the cameras.⁷⁵ This arms deal is not in the list below as the system is not a 'major subsystem', as SIPRI defines it, and is therefore not available in the SIPRI database on arms transfers.

Thales did not reply to our letter. The company did respond to a similar set of questions asked by PAX in 2022. Thales's response can be found in the report 'High-Risk Arms Trade and the Financial Sector'.⁷⁶

Table 22 Sales of military goods by Thales to states at risk (2018-2022)

| Recipient/ | No. Ordered | designation | Weapon description | year order | Years delivery | number delivered |
|--------------|-------------|------------------------|---------------------------|------------|----------------|------------------|
| Egypt | ± 12 | TALIOS | Aircraft EO system | 2015 | 2016-2018 | ± 12 |
| Egypt | 2 | UMS-4110 BlueMaster | ASW sonar | 2020 | 2020-21 | 2 |
| Egypt | ± 50 | MU90 IMPACT | ASW torpedo | 2020 | 2021 | ± 50 |
| Egypt | 4 | SMART | Air search radar | ± 2014 | 2017-22 | ± 3 |
| Egypt | 1 | SMART | Air search radar | 2017 | 2018 | ± 1 |
| Egypt | | NS-100 | Air search radar | 2019 | 2022 | 1 |
| Egypt | 4 | STING | Fire control radar | 2019 | 2022 | 1 |
| Egypt | 4 | STING | Fire control radar | ± 2014 | 2017-22 | ± 3 |
| India | 24 | FLASH | ASW sonar | 2021 | 2021-22 | 6 |
| India | 7 | LW-08 | air search radar | ± 2006 | 2014-22 | 5 |
| Iraq | 4 | Ground Master-403 | air search radar | 2022 | 2022 | ± 2 |
| Iraq | 12 | Ground Master-200 | air search radar | ± 2021 | | |
| Kazakhstan | ± 20 | Ground Master-400 | air search radar | 2014 | | |
| Pakistan | 4 | SMART | Air search radar | ± 2020 | | |
| Pakistan | 8 | STING | fire control radar | 2020 | | |
| Saudi Arabia | ± 4 | COBRA | Arty locating radar | ± 2014 | 2019 | ± 4 |
| Saudi Arabia | 5 | CAPTAS-2 | ASW sonar | 2018 | 2022 | 3 |
| Saudi Arabia | ± 10 | FLASH | ASW sonar | 2015 | 2018-19 | ± 10 |
| Saudi Arabia | ± 180 | LMM Marlet | anti-ship missile/ASM/SAM | 2020 | 2022 | ± 90 |
| Türkiye | 15 | Ocean Master | MP aircraft radar | 2002 | 2013-22 | ± 14 |
| Türkiye | 2 | STING | Fire control radar | ± 2014 | 2018-19 | 2 |
| Türkiye | 8 | STING | Fire control radar | ± 2016 | | |
| Türkiye | 2 | SMART | Air search radar | ± 2011 | 2017-18 | 2 |
| Türkiye | 2 | SMART | Air search radar | ± 2014 | 2018-19 | 2 |
| Türkiye | 1 | SMART | Air search radar | ± 2015 | | |
| Türkiye | 4 | SMART | Air search radar | ± 2016 | | |
| UAE | | RDY | combat ac radar | 2019 | | |

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

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

3.17 Responsibility of Arms Companies and the financial sector

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

Like any other company, arms companies are within the scope of responsible business standards like the UNGPs and the OECD Guidelines. The UNGPs stipulate the responsibility of companies if they are connected to an impact, whereby a distinction is made between situations where companies are directly linked, contributing to or causing the violation. In the case of these arms companies, it is clear that their involvement is at least ‘directly linked’ to the violations: the companies have a business relationship with the party causing violations (states violating human rights and/or international humanitarian law) and their products and services are connected to the activities of the countries causing these violations. In 2022 the UN Working Group on Business and Human Rights released the Information Note on “Responsible business conduct in the arms sector: Ensuring business practice in line with the UN Guiding Principles on Business and Human Rights”, elaborating arms industry-specific guidance.⁷⁷ In the note, the working group clearly states that arms producers have a responsibility to prevent human right violations which is independent from the arms export control mechanisms states apply.

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

“For the purposes of this recommendation, ‘contributing to’ an adverse impact should be interpreted as a substantial contribution, meaning an activity that causes, facilitates or incentivises another entity to cause an adverse impact and does not include minor or trivial contributions.”⁷⁸

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

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

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

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

Profundo analysed the portfolios of the pension funds and summarized investments in the companies listed in chapter 3. The latest portfolios have been retrieved from the official websites of the pension funds, for these pension funds that disclose their portfolio. StiPP has sent in their portfolio on special request.

We applied a threshold of 100,000 euro, meaning that all investments under 100,000 euro are not listed in this report.

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

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

4.1 ABP

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

The table below summarizes the investments by ABP. The FFG NL study published in 2019 found that ABP invested 569.5 million euro in two companies; General Electric and UTC. ABP's investments in General Electric seem decreased, but the investment in Rolls-Royce was not found in 2019. The 2019 study did not include Saab.

Table 23 Investments of ABP (in million EUR)

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

Sources:

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

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

ABP's response

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

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

4.2 BPF Bouw

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

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

Table 24 Investments of BPF Bouw (in million EUR)

| Group | Group country | Bondholding | Shareholding | Total |
|------------------|----------------|-------------|--------------|-------------|
| General Electric | United States | 2 | 8.9 | 10.9 |
| Rolls-Royce | United Kingdom | | 0.6 | 0.6 |
| Saab | Sweden | | 0.8 | 0.8 |
| Total | | 2 | 10.3 | 12.3 |

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

BPF Bouw's response

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

4.3 BPL Pensioen

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

The table below summarizes the investments by BPL Pensioen. The FFG NL study published in 2019 found that BPL Pensioen invested 39.1 million euro in one company; General Electric. BPL Pensioen's investments in General Electric seem decreased, but the investment in Rheinmetall seems new.

Table 25 Investments of BPL Pensioen (in million EUR)

| Group | Group country | Bondholding | Shareholding | Total |
|------------------|---------------|-------------|--------------|-------------|
| General Electric | United States | 11 | | 11 |
| Rheinmetall | Germany | | 1.8 | 1.8 |
| Total | | 11 | 1.8 | 12.8 |

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

BPL Pensioen's response

BPL Pensioen did not reply to the questions sent out by the Fair Finance Guide Netherlands. According to its mid-year report on responsible investment published in 2022, the fund does engage Rheinmetall on human rights. Engagement started in 2020, but the report provides no further detail.⁷⁹

4.4 Pensioenfonds Detailhandel

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

The table below summarizes the investments by Pensioenfonds Detailhandel. The FFG NL study published in 2019 found that Pensioenfonds Detailhandel invested 124.2 million euro in 12 companies. The list is very similar to the table below.

Table 26 Investments of Pensioenfonds Detailhandel (in million EUR)

| Group | Group country | Bondholding | Shareholding | Total |
|------------------|----------------|-------------|--------------|-------------|
| Airbus | United States | 19.0 | | 19.0 |
| Boeing | United States | 15.2 | | 15.2 |
| General Electric | United States | 10.1 | | 10.1 |
| Honeywell | United States | 14.2 | | 14.2 |
| Leonardo | Italy | 1.9 | | 1.9 |
| Lockheed Martin | United States | 25.3 | | 25.3 |
| Raytheon Corp | United States | 6.5 | | 6.5 |
| Rheinmetall | Germany | 0.7 | | 0.7 |
| Rolls-Royce | United Kingdom | 4.7 | | 4.7 |
| Saab | Sweden | 0.5 | | 0.5 |
| Textron | United States | 0.8 | | 0.8 |
| Total | | 98.7 | | 98.7 |

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

4.5 Pensioenfonds Detailhandel did not respond

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

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

4.6 Pensioenfonds Horeca&Catering

Pensioenfonds Horeca&Catering invests in two out of the 15 companies in this report. In the financial research, investments in Leonardo were found (listed here as '0', amounting to 0.04 million euro so also

below threshold), but in the meantime Leonardo has been excluded by the fund.⁸⁰ In the 2022 policy assessment of the Fair Pension Guide, the fund’s policy on weapons was assessed with a 4. Pensioenfonds Horeca&Catering has no policy on arms trade, its policy on weapons is limited to controversial weapons and does not address the risks involved in arms trade with high risk destinations.

The table below summarizes the investments by Pensioenfonds Horeca&Catering. The FFG NL study published in 2019 found that the fund invested 6.9 million euro in the same companies as below, plus Saab.

Table 27 Investments of Pensioenfonds Horeca&Catering (in million EUR)

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

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

Pensioenfonds Horeca&Catering response

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

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

4.7 Pensioenfonds Vervoer

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

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

Table 28 Investments of Pensioenfonds Vervoer (in million EUR)

| Group | Group country | Bondholding | Shareholding | Total |
|------------------|---------------|-------------|--------------|-------------|
| General Electric | United States | 1.8 | 14.5 | 16.4 |
| Total | | 1.8 | 14.5 | 16.4 |

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

Pensioenfonds Vervoer's response

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

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

4.8 PFZW

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

The table below summarizes the investments by PFZW. The FFG NL study published in 2019 found that PFZW invested 155.6 million euro in four companies. The investment in Rheinmetall seems new.

Table 29 Investments of PFZW (in million EUR)

| Group | Group country | Bondholding | Shareholding | Total |
|------------------|----------------|-------------|--------------|-------------|
| General Electric | United States | | 42.7 | 42.7 |
| Rheinmetall | Germany | | 4.3 | 4.3 |
| Rolls-Royce | United Kingdom | 6 | 5.5 | 12 |
| Saab | Sweden | | 3.9 | 3.9 |
| Total | | 6 | 56.4 | 62.4 |

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

PFZW's response

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

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

4.9 PME

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

The table below summarizes the investments by PME. The FFG NL study published in 2019 found that PME Pensioen invested 202 million in nine of the 14 companies in that report. It appears many of these investments have since been discarded by PME.

Table 30 Investments of PME (in million EUR)

| Group | Group country | Bondholding | Shareholding | Total |
|--------------|---------------|-------------|--------------|------------|
| Rheinmetall | Germany | | 1.8 | 1.8 |
| Total | | | 1.8 | 1.8 |

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

PME's response

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

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

4.10 PMT

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

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

Table 31 Investments of PMT (in million EUR)

| Group | Group country | Bondholding | Shareholding | Total |
|--------------|---------------|-------------|--------------|----------|
| Rheinmetall | Germany | | 4 | 4 |
| Total | | | 4 | 4 |

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

PMT's response

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

4.11 StiPP

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

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

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

This chapter looks into how insurers in the Netherlands deal with arms companies as part of their investment policy and practice. All insurers in this chapter are Dutch, with the exception of Allianz, which is a Germany based insurer with 1.3 million customers in the Netherlands. This chapter lists the investments found per insurer. Each insurer was sent a short set of questions (see Annex 3), this chapter also provides a summary of the replies.

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

In the same way as for the pension funds, we applied a threshold of 100,000 euro, meaning that all investments under 100,000 euro are not listed in this report.

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

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

5.1 Achmea

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

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

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

Table 32 Investments of Achmea (in million EUR)

| Group | Group country | Bondholding | Shareholding | Total |
|------------------|---------------|-------------|--------------|-------------|
| General Electric | United States | 79 | | 79 |
| Rheinmetall | Germany | | 0.5 | 0.5 |
| Total | | | 0.5 | 79.5 |

Achmea's response

Achmea responded to the survey and made the following notes:

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

5.2 Aegon

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

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

Table 33 Investments of Aegon (in million EUR)

| Group | Group country | Bondholding | Shareholding | Total |
|------------------|----------------|--------------|--------------|--------------|
| BAE Systems | United Kingdom | 19.5 | 122.2 | 141.8 |
| Boeing | United States | 233.2 | | 233.2 |
| General Dynamics | United States | 0.1 | 2.7 | 2.8 |
| General Electric | United States | 114.2 | 0.0 | 114.2 |
| Honeywell | United States | 45.3 | 10.1 | 55.4 |
| Lockheed Martin | United States | 102.8 | 53.8 | 156.5 |
| Northrop Grumman | United States | 45.4 | 0.3 | 45.7 |
| Raytheon Corp | United States | 197.3 | 8.1 | 205.4 |
| Rolls-Royce | United Kingdom | 39.2 | 0.9 | 40.2 |
| Textron | United States | | 3.4 | 3.4 |
| Total | | 797.0 | 201.6 | 998.7 |

Aegon’s response

Aegon responded to our questions:

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

5.3 Allianz

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

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

Table 34 Investments of Allianz (in million EUR)

| Group | Group country | Bondholding | Shareholding | Total |
|------------------|----------------|----------------|--------------|----------------|
| Airbus | Netherlands | 6.0 | 14.8 | 20.8 |
| BAE Systems | United Kingdom | 105.7 | 49.7 | 155.4 |
| Boeing | United States | 2.659.9 | 0.6 | 2.660.5 |
| General Dynamics | United States | 24.8 | 6.8 | 31.6 |
| General Electric | United States | 44.5 | 1.8 | 46.3 |
| Honeywell | United States | 77.4 | 7.8 | 85.2 |
| Leonardo | Italy | 1.5 | 12.5 | 14.0 |
| Lockheed Martin | United States | 77.6 | 2.9 | 80.5 |
| Northrop Grumman | United States | 36.1 | 4.6 | 40.7 |
| Raytheon | United States | 297.0 | 8.7 | 305.7 |
| Rheinmetall | Germany | | 4.8 | 4.8 |
| Rolls-Royce | United Kingdom | 802.2 | | 802.2 |
| Textron | United States | 67.1 | 0.4 | 67.5 |
| Thales | France | 0.2 | 5.3 | 5.5 |
| Total | | 4,199.9 | 120.7 | 4,320.5 |

Allianz's response

Allianz indicated it would not reply to our questions.

5.4 ASR

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

ASR's response

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

5.5 CZ

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

CZ's response

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

5.6 De Goudse

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

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

De Goudse's response

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

5.7 DSW

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

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

DSW's response

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

5.8 Klaverblad

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

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

Klaverblad's response

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

5.9 Menzis

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

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

Menzis' response

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

5.10 NN Group (Nationale Nederlanden)

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

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

Nationale Nederlanden's response

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

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

5.11 ONVZ

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

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

ONVZ's response

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

5.12 Unigarant (ANWB)

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

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

Unigarant's response

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

5.13 Univé

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

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

Univé's response

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

5.14 VGZ

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

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

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

Table 35 Investments of VGZ (in million EUR)

| Group | Group country | Bondholding | Shareholding | Total |
|------------------|---------------|-------------|--------------|------------|
| General Electric | United States | | 0.5 | 0.5 |
| Total | | | 0.5 | 0.5 |

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

VGZ's response

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

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

5.15 ZLM

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

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

ZLM's response

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

5.16 Zorg en Zekerheid

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

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

Zorg en Zekerheid's response

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

Chapter 6 Conclusions and Recommendations

6.1 Conclusions regarding the financial institutions

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

Table 36 Total of investments in the 15 arms companies (in million euro)

| Group | Airbus | BAE Systems | Boeing | General Dynamics | General Electric | Honeywell | Leonardo | Lockheed Martin | Northrop Grumman | Raytheon | Rheinmetall | Rolls-Royce | Saab | Textron | Thales | Total |
|---------------------------------|--------|-------------|--------|------------------|------------------|-----------|----------|-----------------|------------------|----------|-------------|-------------|------|---------|--------|-------|
| Pension fund | | | | | | | | | | | | | | | | |
| ABP | | | | | 124 | | | | | | | 1 | 9 | | | 134 |
| BPF Bouw | | | | | 10.9 | | | | | | | 0.6 | 0.8 | | | 12.3 |
| BPL Pensioen | | | | | 11 | | | | | | 1.8 | | | | | 12.8 |
| Pensioen-fonds Detailhandel | 19 | | 15.2 | | 10.1 | 14.2 | 1.9 | 25.3 | | 6.5 | 0.7 | 4.7 | 0.5 | 0.8 | | 98.9 |
| Pensioen-fonds Horeca& Catering | | | | | 6.3 | | | | | | | | 0.2 | | | 6.5 |
| Pensioen-fonds Vervoer | | | | | 16.4 | | | | | | | | | | | 16.4 |
| PFZW | | | | | 42.7 | | | | | | 4.3 | 11.5 | 3.9 | | | 62.4 |
| PME | | | | | | | | | | | 1.8 | | | | | 1.8 |
| PMT | | | | | | | | | | | 4 | | | | | 4 |
| StiPP | | | | | | | | | | | | | | | | |
| Insurers | | | | | | | | | | | | | | | | |
| Achmea | | | | | 79 | | | | | | 0.5 | | | | | 79.5 |
| Aegon | | 141.8 | 233.2 | 2.8 | 114.2 | 55.4 | | 156.5 | 45.7 | 205.4 | | 40.2 | | 3.4 | | 998.6 |

| | | | | | | | | | | | | | | | | |
|----------------------|-------------|--------------|----------------|-------------|-----------------------|--------------|-------------|--------------|-------------|--------------|-------------|--------------|-------------|-------------|------------|----------------|
| Allianz | 20.8 | 155.4 | 2,660.5 | 31.6 | 46.3 | 85.2 | 14.0 | 80.5 | 40.7 | 305.7 | 4.8 | 802.2 | | 67.5 | 5.5 | 4,320.7 |
| ASR | | | | | | | | | | | | | | | | |
| CZ | | | | | | | | | | | | | | | | |
| De Goudse | | | | | | | | | | | | | | | | |
| DSW | | | | | | | | | | | | | | | | |
| Klaverblad | | | | | | | | | | | | | | | | |
| Menzis | | | | | | | | | | | | | | | | |
| NN Group | | | | | Not dis- closed | | | | | | | | | | | |
| ONVZ | | | | | | | | | | | | | | | | |
| Unigarant | | | | | | | | | | | | | | | | |
| Univé | | | | | | | | | | | | | | | | |
| VGZ | | | | | 0.5 | | | | | | | | | | | 0.5 |
| ZLM | | | | | | | | | | | | | | | | |
| Zorg en Zekerheid | | | | | | | | | | | | | | | | |
| Total | 39.8 | 297.2 | 2,908.9 | 34.4 | 461.4 | 154.8 | 15.9 | 262.3 | 86.4 | 517.6 | 17.9 | 860.2 | 14.4 | 71.7 | 5.5 | 5,748,4 |

Under international standards such as the UNGPs and the OECD Guidelines, all companies have a responsibility to *respect* human rights. The arms companies are directly linked or contributing to the violations of human rights by supplying states that violate human rights or IHL with the means to do so. Their investors, which include 14 of the 26 financial institutions in this report, are directly linked to the violation and have a responsibility to mitigate this situation, as described for instance in UNGP 13. Roughly speaking, they can do so through time-bound and result-orientated engagement with the company in question or by ending their business relationship (divestment). Four investors in this report are taking up this responsibility by engaging the companies on the specific issue of the transfer of military goods. Three investors do so for all arms producers we found financial links to. Four other investors engage the companies they invest in, but it is unclear on what topic specifically, or it is labelled as ‘human rights’ in general.

Table 37 Engagement with the arms companies in this report

| | Engagement on arms trade | Engagement on human rights or general |
|--|--------------------------|---------------------------------------|
|--|--------------------------|---------------------------------------|

| | | |
|------------------|---|---|
| General Electric | Achmea, NN Group, VGZ, Pensioenfonds Vervoer | ABP, Pensioenfonds Horeca&Catering, Pensioenfonds Vervoer, PFZW |
| Rheinmetall | | BPL Pensioen |

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

Comparison with earlier studies

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

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

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

Table 38 Comparing the number of companies financial institutions invest in

| Group | Number of companies the institutions invested in according to the last study (pension funds: 2019, insurers: 2020) | Number of companies the institution invests in according to this report |
|-------------------------------|--|---|
| Pension fund | | |
| ABP | 2 | 3 |
| BPF Bouw | 2 | 3 |
| BPL Pensioen | 1 | 2 |
| Pensioenfonds Detailhandel | 12 | 11 |
| Pensioenfonds Horeca&Catering | 3 | 2 |
| Pensioenfonds Vervoer | 9 | 1 |

| | | |
|-------------------|------------------|----|
| PFZW | 4 | 4 |
| PME | 9 | 1 |
| PMT | 0 | 1 |
| StiPP | Not disclosed | 0 |
| Insurers | | |
| Achmea | 1 | 2 |
| Aegon | 13 | 10 |
| Allianz | 14 | 14 |
| ASR | 0 | 0 |
| CZ | 0 | 0 |
| De Goudse | Not in the study | 0 |
| DSW | Not in the study | 0 |
| Klaverblad | Not in the study | 0 |
| Menzis | 0 | 0 |
| NN Group | 6 | 1 |
| ONVZ | Not in the study | 0 |
| Unigarant | Not in the study | 0 |
| Univé | Not in the study | 0 |
| VGZ | 0 | 1 |
| ZLM | Not in the study | 0 |
| Zorg en Zekerheid | Not in the study | 0 |

In earlier studies, investors were warned that continued investment without appropriate action would lead to increased responsibility for the human rights violations these arms companies are contributing or directly linked to. In the 2020 study for the Fair Insurance Guide, we quoted the UN Principles for Responsible Investment:

The UNPRI states the following about an investor's 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.’⁸¹

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

6.2 Conclusions regarding the arms companies

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

6.3 Recommendations

PAX recommends that the arms companies in this report:

1. Adopt strong internal human rights standards, including as a minimum the commitment to comply with the UNGPs and OESO Guidelines.

2. Include adequate clauses in their sales agreements which stipulate that the arms sold cannot be used for any action in contravention of international norms and the company's policy.
3. Arms companies should:
 - Commit to international human rights standards.
 - Have policies in place which ensure strong due diligence processes, to prevent the military goods they produce and/or sell from being used in violations of human rights and/or international humanitarian law.
 - Identify and assess the human rights impact of company products and services before, during and after transfer.
 - Take steps to address human rights risks and impacts, if needed through remediation of negatively affected individuals and communities. This includes steps to prevent the military goods the company produces from being used again in similar violations.
 - Take steps to mitigate the negative impacts in which the military goods they produced were involved.
 - Be transparent about the negative impacts in which their products were (or are) involved.^{xv}

PAX recommends that financial institutions:

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

^{xv} These recommendations are in line with Amnesty International (2019) *Outsourcing Responsibility*.

8. As with all human rights norms, financial institutions (like arms companies) cannot rely on government approvals of arms deals. To realise that point, one only need look at all the weapons that have been approved for delivery to Saudi Arabia, the UAE and Russia after these countries already had a track record of violations of IHL and IHRL. And the result of the lack of adequate control mechanisms is also deplorably clear: civilians pay the price and become victims of the misuse of weapons.

This report should first of all serve as a pointer for financial institutions which still lack comprehensive policies on arms trade that they need to rectify this in short order. The wars in Yemen and Ukraine can serve as an example of how weapons in the hands of governments that do not respect international norms can have horrific impacts on civilians.

We recommend all financial institutions in this report with financial links to companies that transferred weapons to such governments to revisit the impacts of these wars and take action either through engagement or exclusion to ensure they stop investing in such companies.

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

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

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

Table 39 Full table of states at risk

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

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

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

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

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

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

Annex 2: Six criteria in detail

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

Table 40 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 |

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

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

Arms embargoes



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

Table 41 Entities under an arms embargo by the EU and/or UN between January 2017 and December 2021

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

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

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

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

Human rights violations



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

Freedom House is a US-based non-profit organisation. Its annual report 'Freedom in the World' assesses more than 200 countries and territories with regard to their political and civil rights, assigning scores to each country or territory. There are two scores (for political rights and for civil rights) on a scale from 1 to 7, which are then averaged. The most unfree countries scored a 6.5 or 7 for political and civil rights.⁸²

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

world and the vast majority of the world's states (microstates are excluded). The Democracy Index is based on five categories:⁸³

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

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

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

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

Table 42 Countries selected for human rights violations based on the Freedom in the World Index and the Democracy Index

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

Armed conflict



The third criterion selects states involved in armed conflicts. Two datasets are used for the selection of countries. The first dataset used is the Global Peace Index of the Institute for Economics and Peace (IEP), an Australian research institute. The IEP is an independent institute, which works with the OECD, UN, World Bank and a long list of other partners. The Global Peace Index assesses the extent to which states are in peace or are caught up in conflicts, using 22 indicators for its assessments. The index categorises the overall score into five levels of peacefulness, namely very high, high, borderline, low and very low.⁸⁴ A score above 2.375 falls in the category 'low'. Therefore any state scoring over 2.375 was selected for a second check on armed conflict.

The second step involved checking whether the states above the threshold were in armed conflict in one or more years during the research period from 2017 to 2021. We used the Uppsala Conflict Data Program database of Uppsala University to establish whether a country was in conflict.⁸⁵

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

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

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

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

Table 43 States in armed conflict

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

Corruption



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

military, and wasting considerable sums of public money.

Transparency International's (TI) Government Defence Anti-Corruption Index, used in previous reports, is being transformed in the 'Government Defence Integrity Index'. The index assesses the quality of institutional controls to manage the risk of corruption in defence and security institutions. TI is an international non-profit organisation that campaigns against the destructive influence corruption has on the lives of people all over the world. The Government Defence Integrity Index is the first global analysis of corruption risk in defence establishments worldwide. The index assesses and compares levels of corruption risk and vulnerability across countries. It places the countries in six different categories to indicate their level of corruption risk. The categories range from very low, low and moderate to high, very high and critical. In this research we focus on the countries with the highest risk levels: very high or critical corruption risk.⁸⁶ As the index is currently undergoing an transformation, not all country assessments are published. In this study we only use the country assessments that where published.

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

Table 44 States with very high or critical risk of corruption

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

Support criterion: fragile states



The fifth criterion lists countries with a fragile state. According to the 2023 Fragile States Index, 31 countries can be identified as fragile states. This index is published by Foreign Policy magazine and the Fund for Peace, an American research institute. The 2023 Fragile States Index assesses 178 states, using 12 social, economic, political and military indicators to determine which states are most vulnerable to violent internal conflicts and social decline. The Index has 11 categories, from very sustainable to very high alert.⁸⁷

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

Table 45 States considered fragile

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

Support criterion: poverty and military spending



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

There is no international standard to define the threshold percentage above which governments' spending on military equipment harms the sustainable development of a country. We therefore combine two indices. The development of a country is based on the Human Development Index of the United Nations Development Programme (UNDP).⁸⁸ For this criterion, all countries with a low level of human development according to the UNDP have been pre-selected. To determine military spending, data have been used from SIPRI, an internationally recognised research institute. Among many other things, they publish data on levels of military spending as a proportion of total government expenditure. To establish which countries spend a disproportionately large share of their government budget on military equipment, the SIPRI military expenditure list has been used.⁸⁹ A relatively high threshold of 7 per cent of total government spending has been used in this report.

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

Table 46 States with a low level of development and relatively high military expenditure

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

Final selection

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

Table 47 Final selection of states for the report

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

^{xvii} See paragraph 3.3 of this report for our position on arms supplies to Ukraine

| | | | |
|------|------|---------|----------|
| Cuba | Laos | Somalia | Zimbabwe |
|------|------|---------|----------|

Annex 3: Letter to the Arms Producers in the Survey

Ref: Your company's involvement in controversial arms trade

Dear

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

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

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

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

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

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

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

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

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

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

Yours sincerely,

Annex 4 Questions sent to financial institutions

Survey Fair Finance Guide case study 'Controversial Arms Trade'

9 May 2023

Deadline: 30 May 2023

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

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

2. *Have you taken any action towards the selected companies in which you hold investments, either through (collective) engagement, through voting on shareholder meetings or by reducing investments in the company, to persuade the company in question to:*
 - a. *Adopt a human rights policy in line with existing standards such as the UN Guiding Principles on Business and Human Rights? And / or;*
 - b. *Specifically change its policy and practice around the supply of military goods to the countries listed in this report?*
3. *If you have taken any action, could you provide more information about the actions you have taken, specifically:*
 - a. *The goals of the action*
 - b. *The results so far*
 - c. *The timeframe you have established for your actions*
 - d. *The way you have communicated about your actions. If possible, please provide us with a link. Please respond for each company separately if applicable.*

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

4. *How does the action you have taken relate to your investment policies?*
5. *Will you take measures (in policy or practice) based on this study?*
6. *Most pension funds were and insurers are part of the RBC-agreements. As part of these agreements, frameworks were drafted to offer assistance on responsible investment around the theme of controversial weapons and arms trade. You can find the frameworks here: [insurers and pension funds](#). Could you indicate what has changed or will change in your policy or practice as result of this framework?*

Acronyms

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

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