

# High-risk **arms trade** and the **financial sector**

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## About this report

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

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## Cover picture

Bombed higher educational facility in Sa'ada, 5 August 2015. Credit: OCHA / Philippe Kropf

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# Executive Summary

This study shows that all of the 15 largest banks in Europe provide financial services to arms producers that supply weapons to states where there is a high risk of the weapons being used against civilians. These countries are defined by six criteria that are detailed in this report.

Some of these countries are involved in serious violations of human rights and/or international humanitarian law. The conduct of Saudi Arabia and the United Arab Emirates (UAE) in Yemen, for example, shows the possible consequences of arms sales to states that pay little attention to human rights and human dignity. Over the past few years, both states have been involved in the bombing of hospitals, schools and residential areas. Recent estimates say the war in Yemen has cost 120,000 lives.

## ARMS COMPANIES

When selling weapons, arms companies should perform due diligence to verify whether the country that wants to purchase the systems is involved in serious violations of human rights or in armed conflict. However, our study shows that between 2016 and 2020, 15 of the largest arms producers in the world have supplied weapons to states involved in armed conflict and/or human rights violations. These 15 are the following companies:

**TABLE 1**  
Companies that supplied weapon systems to 'states at risk'

Airbus	General Electric	Northrop Grumman
AVIC	Honeywell	Raytheon
BAE Systems	L3Harris	Rolls-Royce
Boeing	Leonardo	Thales
General Dynamics	Lockheed Martin	Safran

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

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

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

## BANKS

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, banks 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.

All 15 of the largest banks in Europe continue to provide financial services to these companies, often despite policies that clearly acknowledge the risk of investing in arms producers. The table below lists these banks as well the amount of finance they provided to these companies by means of corporate credit and/or underwritings.

**TABLE 2**  
Total value of financial services to arms companies exporting to countries at risk.<sup>1</sup>

Barclays	4,679
BNP Paribas	16,009
Crédit Agricole	9,182
Crédit Mutuel CIC Group	2,503
Deutsche Bank	14,892
Groupe BPCE	3,620
HSBC	6,249
ING Group	1,237
Intesa Sanpaolo	1,283
Lloyds Banking Group	4,496
NatWest	3,085
Santander	7,673
Société Générale	6,999
UBS	79
UniCredit	5,736
Total (EUR million)	87,722

As shown in the table, the total amount in loans and underwritings provided by the 15 banks in the study is EUR 87.7 billion.

The banks in this study differ between one another in their approach. First, the majority of banks responded, sometimes extensively, to questions by PAX on their policy, showing that they take the subject of the study seriously, while others did not choose to reply or correspond with PAX.

Most banks in the study have at least some kind of policy on human rights; several banks also have a policy on the defence industry. In general, the banks that replied to the questions showed commitment to human rights and arms export regulations. Many of them have also incorporated such commitments in their policies. Some of the most significant differences between the banks have not been clarified for lack of any response on the substance from the banks in question: ING and UBS have only invested in two arms companies on the list, but neither of these banks was willing to comment regarding the reasons for this, nor to respond to the questions put by PAX on their policies.

In general, all of the 15 biggest banks in Europe could improve their policies and/or practices when it comes to providing financial services to arms companies. This report aims to be a first step towards such improvements.

It is essential to make sure that the principles to which many banks have committed do indeed lead to improvement in the practices of those banks and the arms companies that they invest in.

# 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 the UAE are among the ten biggest arms importing countries. And all of the 15 largest European banks provide financial services to arms companies involved in such deals.

This study examines these financial links between major European banks and the companies profiting from the arms trade with controversial destinations. It focuses on the policies of the banks and aims to improve those policies in order to stop weapons from being sold to countries where there is the risk that they will be used in human rights violations or breaches of international humanitarian law. Banks 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 and 4 are the chapters in which the main research is presented. Each chapter presents one pillar of the research:

- Chapter 2 explains why there are high risks attached to arms sales to some states. Based on six criteria, a list of 51 states has been compiled to which military goods should not be sold because of the risks.
- Chapter 3 lists the companies that have sold military goods to one or more of the states listed in Chapter 2.

- Chapter 4 shows the 15 largest European banks and their investments in these companies. It discusses the policies they have in place to prevent their investee companies from contributing to violations of human rights and humanitarian law.
- Finally, Chapter 5 presents the main conclusions and recommendations for the development of policy and practice concerning financial links with arms producers.

## 1.1 The Issue

As researched by the Stockholm International Peace Research Institute (SIPRI), “In 2021 world military expenditure surpassed the two trillion US dollar mark for the first time, reaching \$2113 billion. Global spending in 2021 was 0.7 per cent higher than in 2020.”<sup>2</sup> 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.<sup>3</sup> That is more than the gross domestic product (GDP) of Belgium, Nigeria or Thailand, to give some indication of the size of the international arms trade.<sup>4</sup>

A significant number of states purchase and use military goods<sup>5</sup> 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.

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.

## 1.2 International Standards

States, naturally, have a significant responsibility in the area of arms control. They set the rules for the export of military goods and grant export licences for these goods. Two international standards in particular provide a framework for this role of the state: the Arms Trade Treaty (1.2.1) and the EU Common Position on Arms Export Controls (1.2.2). These standards contain clear norms to guide states in the decision-making process for arms export applications. Despite the clear norms, many states grant export licences that appear to violate these norms.<sup>6</sup> 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.

### 1.2.1 ARMS TRADE TREATY

The Arms Trade Treaty (ATT) is a multilateral treaty that regulates the international trade in conventional arms. On 2 April 2013, the General Assembly of the United Nations adopted the ATT by a large majority. After 50 states had ratified the treaty, it entered into force on 24 December 2014.<sup>7</sup> 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.”<sup>8</sup>

The ATT could be amended in future to include other military technologies as well.<sup>9</sup>

At the time of writing, 111 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.<sup>10</sup> A notable change is the accession of China to the treaty in 2020. On the other hand, the United States, which had signed the treaty but was not yet a State Party, ‘unsigned’ in 2019.<sup>11</sup>

5. 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.

### 1.2.2 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”.<sup>12</sup> 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.<sup>13</sup> 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.

### 1.3 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)<sup>14</sup> 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.<sup>15</sup>

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.<sup>16</sup>

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.

### 1.4 Responsibility of Banks

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 banks but the principles set out herein also apply to other financial institutions.

In very general terms, banks can invest in an arms producer in three ways. First, banks provide loans to companies. Such loans can be for a general purpose, often referred to as a ‘general purpose loan’, or for a specific purpose. The latter is the case when a bank provides ‘project finance’. The loan is then provided for a specific project the company is planning to undertake. Second, some banks own corporate bonds or shares in a company. They often do so in their role as investors, in many cases on behalf of their clients. Lastly, banks provide ‘underwriting services’ to companies. This service entails providing a loan to a company that is divided into small segments, which are then sold as corporate bonds. Given their role, in most cases banks 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.

# 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.

**TABLE 3**  
Responsible investment principles and selection criteria

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



## Who finances controversial arms trade?

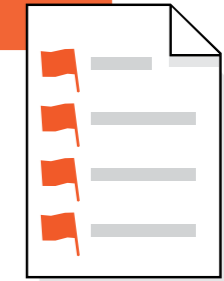
We determine this in 3 steps:



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

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

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



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



Assessment based on 9 independent benchmarks.

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

1 **OR**

Is there a UN or EU arms embargo?

2 **OR**

Does the state oppress its citizens and violate human rights?

3 **OR**

Is the country engaged in armed conflict?

YES

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

4 **AND**

Is there corruption involved in arms trade?

5 **AND**

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

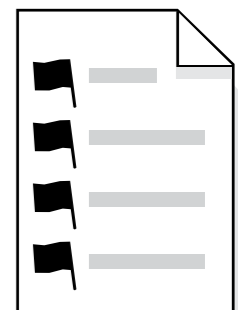
6 **AND**

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

YES



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



**TABLE 4**  
Final selection of states for this report

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

## 2.1 Indicators

Table 3 provides an overview of the principles on the arms trade that PAX suggests as relevant for investors in the arms industry.<sup>17</sup> These principles are also used in weapons-related research by the Fair Finance Guide (FFG), 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. PAX suggests 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.

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.

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

In total, 51 countries were identified to which arms supplies can be considered controversial. They meet one or more of the criteria described in section 6.1.1 (arms embargoes) 6.1.2 (human rights violations) or 6.1.3 (armed conflict), or they meet all three of the criteria described in sections 6.1.4, 6.1.5 and 6.1.6.

## 2.2 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.<sup>18</sup> The US, UK and France have at different times over the past years supported the Saudi-led coalition with logistics and intelligence.<sup>19</sup> 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 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.<sup>20</sup>
- 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.<sup>21</sup>
- 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.<sup>22</sup>

Saudi Arabia and the UAE have committed grave human rights violations for years. Reports by PAX on investments in controversial arms trade, in 2015, in 2017 and 2020, already listed Saudi Arabia and the UAE as 'states at risk' and warned investors that investments in companies that supplied Saudi Arabia and the UAE with military goods were at risk of exposure to significant violations of international humanitarian law and human rights.<sup>23</sup>



### 2.2.1 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”.<sup>24</sup>
- 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.<sup>25</sup>
- The Dutch government banned practically all arms exports to Saudi Arabia early in 2016.<sup>26</sup> 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.<sup>27</sup> 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.<sup>28</sup>
- In December 2019, the European Center for Constitutional and Human Rights (ECCHR) filed a ‘communication’ in which it called upon the International Criminal Court (ICC) to investigate the legal responsibility of political and corporate

actors in European countries, related to the supply of military goods to Saudi Arabia and the UAE. ECCHR filed the communication with organisations including Amnesty International France, Mwatana and the UK Campaign Against Arms Trade. The companies mentioned in the communication are Airbus, BAE Systems, Dassault, Leonardo, MBDA, Raytheon, Rheinmetall and Thales. Except for Dassault and Rheinmetall, all these companies are among the companies selected for this report.<sup>29</sup>

### 2.3 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 situation since 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.

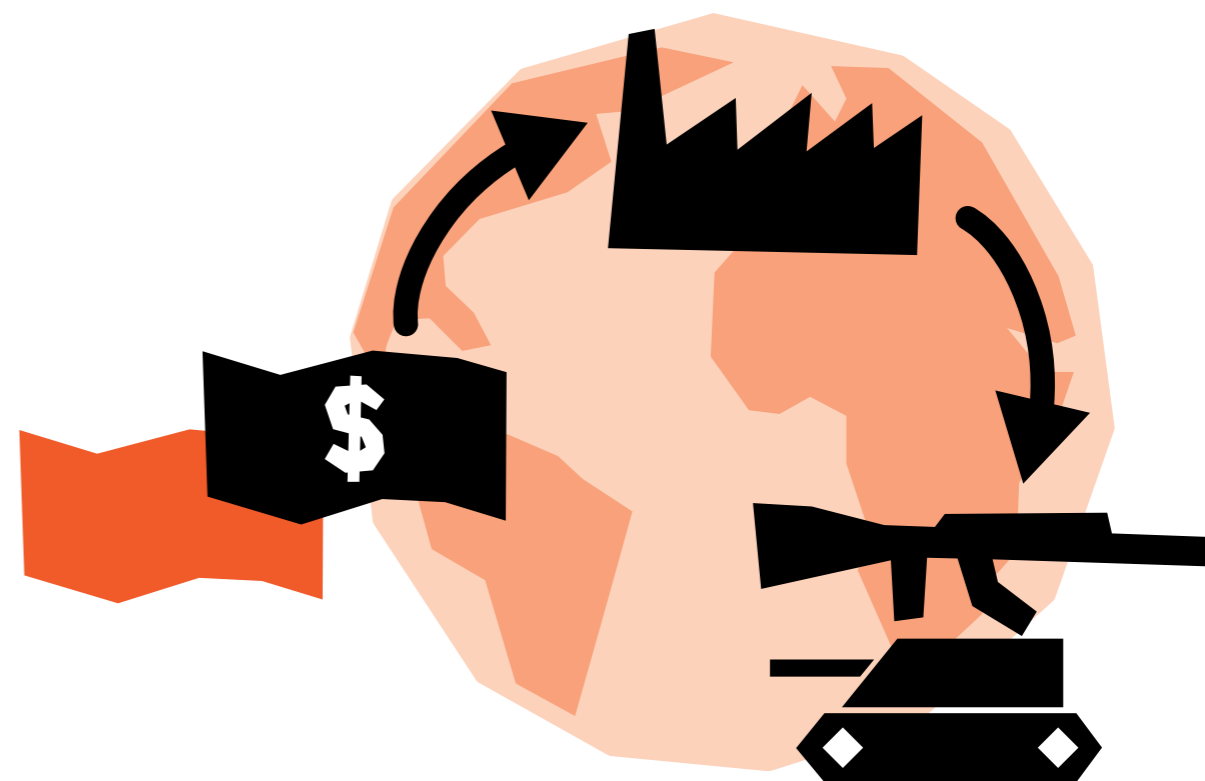
#### Case-specific note

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.



# 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 51 states at risk listed in Table 9. For these countries, more than 750 arms transfers were identified. In total, some 150 companies were involved in one or more arms transfers.

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

- First, we took the 25 largest arms companies worldwide.<sup>30</sup>
- We only wanted companies that could have financial links with the largest European banks. Therefore, most state-owned arms producers were excluded, partly because they often rely on government funding.
- The companies had to have delivered weapons to at least one of the 51 controversial countries between January 2016 and December 2020. For these selected companies, scheduled deliveries for 2021 onwards are listed as additional information.
- There had to be transfers of new weapons, as part of military aid for any of the 51 destination states that are included in the study.
- In the case of second-hand arms deliveries, these are not included in the report unless the producer is known to have been directly involved in the transfer.

This led to the selection of the following 15 companies.

**TABLE 5**  
Arms producers selected for this study

COMPANY	COUNTRY	SIPRI TOP 100 RANK (2020)
Lockheed Martin	United States	1
Raytheon	United States	2
Boeing	United States	3
Northrop Grumman	United States	4
General Dynamics	United States	5
BAE Systems	United Kingdom	6
AVIC	China	8
L3Harris	United States	10
Airbus Group	Trans-European	11
Leonardo	Italy	13
Thales	France	14
Honeywell International	United States	18
Rolls-Royce	United Kingdom	22
General Electric	United States	24
Safran	France	25

For the selected 15 companies, we also considered the following:

- 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.

The following top-25 companies were not included in this study.

**TABLE 6**  
Arms companies not included in this study

SIPRI TOP 100 RANK (2020)	COMPANY	COUNTRY	EXCLUSION REASON
7	Norinco	China	State company; no relevant financial links found
15	Huntington Ingalls Industries	United States	No controversial sales found in SIPRI
21	United Aircraft Corp.	Russia	State company; no relevant financial links found
16	Leidos	United States	No controversial sales found in SIPRI
17	Almaz-Antey	Russia	State company; no relevant financial links found
19	Booz Allen Hamilton	United States	No controversial sales found in SIPRI
20	CSGC	China	State company; no relevant financial links found
23	EDGE	UAE	State company; no relevant financial links found

For the three companies where no controversial sales were found in the SIPRI arms transfers database, this does not mean no controversial sales took place. In some cases, products and services of these companies fall outside the scope of the SIPRI database. This is the case for example for the maintenance of fighter jets (Leidos) and cyber security and services (Booz Allen Hamilton).

### 3.1.1 TRANSFER LIST OF MILITARY GOODS

Sections 3.3 to 3.17 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 2021.<sup>31</sup> 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.

## 3.2 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 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?
3. If such a policy is currently not in place, is your company planning to put such a policy in place in order to guide arms transfers in the future?

We received replies from a clear majority of the arms companies: Airbus, BAE Systems, General Electric, L3Harris, Leonardo, Northrop Grumman, Raytheon, Rolls-Royce, Safran and Thales. Their responses are discussed in the relevant sections below, except when the company refused permission for that.

The companies below are listed in alphabetical order.

### 3.3 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.<sup>32</sup>

In the SIPRI top 100 of arms-producing companies, Airbus ranks 11<sup>th</sup> with total annual arms sales of USD 12 billion (EUR 10.5 billion), accounting for 21 per cent of its total sales in 2020.<sup>33</sup>

The involvement of Airbus Group in controversial arms deals, in the period from January 2016 to December 2020, is summarised in the table below.

#### 3.3.1 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 as they "help to make the world a safer place." It sees itself as conducting business ethically and refers to its commitment to respect all applicable laws and regulations, including international sanctions imposed by the UN, EU, UK and US. It also refers to the company supporting the UN Global Compact and to its commitments to a sustainable strategy, and declares that the company "protects" and "saves lives".

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

Possible positive effects of Airbus products cannot outweigh negative human rights impacts as a rule; the latter should be avoided and remediated if they occur.

TABLE 7

Sales of military goods by Airbus to states at risk (2016-2020)

RECIPIENT	NO. ORDERED	DESIGNATION	WEAPON DESCRIPTION	YEAR ORDER	YEARS DELIVERY	NO. DELIVERED
Burkina Faso	1	C-295	Transport aircraft	2019		
China	..	AS565S Panther	ASW Helicopter	± 1980/1988	1989-2020	± 49+442
China	± 55	SA-321 Super Frelon	Transport helicopter	± 1981	2001-16	± 55
Egypt	± 50	MM-40-3 Exocet	Anti-ship missile	± 2014	2017	± 10
Egypt	± 100	MICA	BVRAAM	2015	2017	± 25
Egypt	± 150	MICA	BVRAAM	2015	2015-2018	± 150
Egypt	± 50	ASTER-15 SAAM	SAM	2020	2020	± 25
Egypt	12	C-295	Transport aircraft	2014-15	2015-2016	12
India	± 22,250	MILAN	Anti-tank missile	± 1979	1984-2019	± 22,250
India	20	SA-315B Lama	Light helicopter	2013	2015-2016	± 20
India	8	SA-316B Alouette-3	Light helicopter	2017	2019-20	± 8
India	36	SM-39 Exocet	Anti-ship missile	2005	2017-20	± 9
India	493	MICA	BVRAAM	2012	2014-20	± 493
India	± 350	MICA	BVRAAM	± 2016	2020	± 175
India	± 200	Meteor	BVRAAM	± 2016	2020	± 100
India	± 200	Storm Shadow/Scalp	ASM	2016	2020	± 100
India	56 + 6	C-295 (MPA)	Transport ac	± 2020		
India	± 384	ASRAAM	BVRAAM/SRAAM	2014	2017	± 384
Iraq	± 1200	MILAN	Anti-tank missile	2014	2014-16	± 1200
Mali	1	C-295	Transport aircraft	2016	2016	1
Mali	1	C-295	Transport aircraft	2020		
Philippines	± 40	Mistral	VSHORAD/portable SAM	2019		
Philippines	2	C-212	Transport ac	2014	2018	2
Philippines	3 + 1	C-295	Transport ac	2014/± 2018	2015-16+2019	3 + 1
Saudi Arabia	± 130	Mistral	Portable SAM	2013	2016-2017	± 130
Saudi Arabia	± 250	MICA	BVRAAM	2013	2018-19	± 250
Saudi Arabia	± 5	VL-MICA	SAM system	2013	2018-19	± 5
Saudi Arabia	23	EC145	Light helicopter	2016	2017-18	± 23
Saudi Arabia	2	C-295	Transport aircraft	2015	2015-2017	2
Saudi Arabia	2	C-295MPA	MP aircraft	2015	2018	2
Saudi Arabia	24	Typhoon Block-20	FGA aircraft	2007	2015-2017	24
Saudi Arabia	± 1000	Brimstone	ASM	± 2015	2016-19	± 1000
Saudi Arabia	± 100	Storm Shadow/SCALP	ASM	2013	2016-2017	± 100
Saudi Arabia	..	Meteor	BVRAAM	± 2014	2018	± 20
Turkey	10	A400M Atlas	Transport aircraft	2003	2014-2019	9
Turkmenistan	± 28	Mistral	Portable SAM	± 2012	2013-17	± 28
Turkmenistan	± 25	Marte-2	Anti-ship missile	± 2014	2015-17	± 25
UAE	2	Helios-2	Recce satellite	2015	2020	1

UAE	150	MM-40-3 Exocet	Anti-ship missile	2006	2010-2017	± 150
UAE	± 300	MM-40-3 Exocet	Anti-ship missile	± 2019		
UAE	± 50	Marte-2	Anti-ship missile	2017	2018-19	± 50
UAE	5	C-295	Transport aircraft	2017	2019	± 5
Uzbekistan	± 8	AS-350/AS-550 Fennec	Light helicopter	± 2013	2014-16	± 8
Uzbekistan	8+8	EC725 Super Cougar	Transport helicopter	2013+2018	2015-18	± 8+3
Uzbekistan	± 4	C-295	Transport ac	± 2014	2015-16	4
Vietnam	2	C-212	Transport ac	± 2010	2018	2

**TABLE 8**  
MBDA sales included in Airbus table<sup>34</sup>

RECIPIENT	NO. ORDERED	DESIGNATION	WEAPON DESCRIPTION	YEAR ORDER	YEARS DELIVERY	NO. DELIVERED
Egypt	± 50	MM-40-3 Exocet	Anti-ship missile	± 2014	2017	± 10
Egypt	± 100	MICA	BVRAAM	2015	2017	± 25
Egypt	± 150	MICA	BVRAAM	2015	2015-2018	± 150
Egypt	± 50	ASTER-15 SAAM	SAM	2020	2020	± 25
India	± 22,250	MILAN	Anti-tank missile	± 1979	1984-2019	± 22,250
India	36	SM-39 Exocet	Anti-ship missile	2005	2017-20	± 9
India	493	MICA	BVRAAM	2012	2014-20	± 493
India	± 350	MICA	BVRAAM	± 2016	2020	± 175
India	± 200	Meteor	BVRAAM	± 2016	2020	± 100
India	± 200	Storm Shadow/Scalp	ASM	2016	2020	± 100
India	± 384	ASRAAM	BVRAAM/SRAAM	2014	2017	± 384
Iraq	± 1200	MILAN	Anti-tank missile	2014	2014-16	± 1200
Philippines	± 40	Mistral	VSHORAD/portable SAM	2019		
Saudi Arabia	± 130	Mistral	Portable SAM	2013	2016-2017	± 130
Saudi Arabia	± 250	MICA	BVRAAM	2013	2018-19	± 250
Saudi Arabia	± 5	VL-MICA	SAM system	2013	2018-19	± 5
Saudi Arabia	± 1000	Brimstone	ASM	± 2015	2016-19	± 1000
Saudi Arabia	± 100	Storm Shadow/SCALP	ASM	2013	2016-2017	± 100
Saudi Arabia	..	Meteor	BVRAAM	± 2014	2018	± 20
Turkmenistan	± 28	Mistral	Portable SAM	± 2012	2013-17	± 28
Turkmenistan	± 25	Marte-2	Anti-ship missile	± 2014	2015-17	± 25
UAE	150	MM-40-3 Exocet	Anti-ship missile	2006	2010-2017	± 150
UAE	± 300	MM-40-3 Exocet	Anti-ship missile	± 2019		
UAE	± 50	Marte-2	Anti-ship missile	2017	2018-19	± 50

### 3.4 AVIC

Aviation Industry Corporation of China (AVIC) is one of the largest Chinese arms producers and focuses on aircraft and avionics.<sup>35</sup> In the SIPRI top 100 of arms-producing companies, AVIC ranks 8<sup>th</sup> with total arms sales of USD 17 billion (EUR 14.9 billion), accounting for 25 per cent of its total sales in 2020.<sup>36</sup>

The involvement of AVIC Systems in controversial arms deals, in the period from January 2016 to December 2020, is summarised in the table below.

AVIC did not respond to PAX's inquiries.

PAX deplores the lack of response from the side of the company. For banks which have 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 9**  
Sales of military goods by AVIC to states at risk (2016-2020)

RECIPIENT	NO. ORDERED	DESIGNATION	WEAPON DESCRIPTION	YEAR ORDER	YEARS DELIVERY	NO. DELIVERED
Egypt	± 10	Wing Loong-I	UAV/UCAV	± 2016	2016-18	± 10
Egypt	± 32	Wing Loong-II	UAV/UCAV	2018		
Mali	2	Y-12	Light transport ac	± 2016	2017	2
Nigeria	2	Wing Loong-II	Armed UAV	2020	2020	2
Pakistan	± 50	JF-17 Thunder/FC-1	FGA aircraft	± 2011	2015-18	± 50
Pakistan	± 12	JF-17 Thunder/FC-1	FGA aircraft	± 2017	2018-19	± 12
Pakistan	26	JF-17 Thunder/FC-1	FGA aircraft	2018	2019-20	± 26
Pakistan	± 48	Wing Loong-2	Armed UAV	± 2018		
Saudi Arabia	± 15	Wing Loong-1	Armed UAV	± 2014	2015-17	± 15
Saudi Arabia	± 50	Wing Loong-2	Armed UAV	2017	2017-20	± 35
Sudan	6	FTC-2000	Trainer/combat ac	± 2015	2017-18	± 6
UAE	± 25	Wing Loong-1	Armed UAV	± 2011	2013-17	± 25
UAE	± 15	Wing Loong-2	Armed UAV	2017	2017-18	± 15
Venezuela	9	K-8	Trainer/combat ac	± 2014	2016	9

### 3.5 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.<sup>37</sup> In the SIPRI top 100 of arms-producing companies, BAE Systems ranks 6th with total arms sales of USD 24 billion (EUR 21 billion), accounting for 95 per cent of its total sales in 2020.<sup>38</sup>

The involvement of BAE Systems in controversial arms deals, in the period from January 2016 to December 2020, is summarised in the table below.

#### 3.5.1 RESPONSE FROM BAE SYSTEMS

In response to PAX's letter, BAE Systems replied, stating in summary the following.

The company does “recognise the serious nature of the work we do and apply the upmost rigour to governance of sales of defence products and services. This includes a detailed evaluation through our Product Trading Policy which in addition to ensuring compliance with national and international protocols also includes assessment of likely use and end use of the product, human rights considerations and the requirement for full observance of our standards on anti-bribery and corruption.”

PAX welcomes the reply from BAE Systems 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 BAE Systems, it is clear why this is so important: many of the destinations clearly enhance the risk of the BAE Systems products being used in contravention of international rules on arms trade, which aim to prevent violations of international humanitarian law and human rights.

On its website, BAE system states: “It's important to us to respect and uphold human rights, wherever we operate in respect of activities where we have full and direct control.”

This statement is clearly not in line with the OECD standards or the UNGPs, as those norms make clear that the responsibility to respect human rights applies throughout the supply chain.

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

RECIPIENT	NO. ORDERED	DESIGNATION	WEAPON DESCRIPTION	YEAR ORDER	YEARS DELIVERY	NO. DELIVERED
Bahrain	56	WGU-59 APKWS	ASM	2018		
Colombia	18	L-118 105mm	Towed gun	2017	2017-18	± 18
Egypt	± 50	MM-40-3 Exocet	Anti-ship missile	± 2014	2017	± 10
Egypt	± 100	MICA	BVRAAM	2015	2017	± 25
Egypt	± 150	MICA	BVRAAM	2015	2015-2018	± 150
Egypt	± 50	ASTER-15 SAAM	SAM	2020	2020	± 25
India	± 22,250	MILAN	Anti-tank missile	± 1979	1984-2019	± 22,250
India	36	SM-39 Exocet	Anti-ship missile	2005	2017-20	± 9
India	493	MICA	BVRAAM	2012	2014-20	± 493
India	± 350	MICA	BVRAAM	± 2016	2020	± 175
India	± 200	Meteor	BVRAAM	± 2016	2020	± 100
India	± 200	Storm Shadow/Scalp	ASM	2016	2020	± 100
India	57	Hawk-100	Trainer/combat ac	2010	2013-16	± 57
India	± 384	ASRAAM	BVRAAM/SRAAM	2014	2017	± 384

India	145	UFH/M-777 155mm	Towed gun	2016	2017-20	± 29
India	± 600	M-982 Excalibur	Guided shell	2019	2019	± 600
Iraq	± 1200	MILAN	Anti-tank missile	2014	2014-16	± 1200
Iraq	± 2000	WGU-59 APKWS	ASM	± 2015	2016-2018	± 2000
Lebanon	± 2000	WGU-59 APKWS	ASM	2016	2019	± 500
Lebanon	2	M-88A2 Hercules	ARV	2017	2019	2
Nigeria	± 400	WGU-59 APKWS	ASM	2019		
Pakistan	2	Seaspray	MP aircraft radar	± 2016	2018-19	2
Philippines	± 40	Mistral	VSHORAD/portable SAM	2019		
Philippines		WGU-59 APKWS	ASM/anti-tank missile	2019		
Saudi Arabia	± 130	Mistral	Portable SAM	2013	2016-2017	± 130
Saudi Arabia	± 250	MICA	BVRAAM	2013	2018-19	± 250
Saudi Arabia	± 5	VL-MICA	SAM system	2013	2018-19	± 5
Saudi Arabia	22	Hawk-100	Trainer/combat ac	2012	2016-2017	22
Saudi Arabia	22	Hawk-100	Trainer/combat ac	2015	2019-20	± 10
Saudi Arabia	24	Typhoon Block-20	FGA aircraft	2007	2015-2017	24
Saudi Arabia	± 1000	Brimstone	ASM	± 2015	2016-19	± 1000
Saudi Arabia	± 100	Storm Shadow/SCALP	ASM	2013	2016-2017	± 100
Saudi Arabia	..	Meteor	BVRAAM	± 2014	2018	± 20
Saudi Arabia	± 20	M-88A2 HERCULES	ARV	± 2016	2019-20	± 20
Turkmenistan	± 28	Mistral	Portable SAM	± 2012	2013-17	± 28
Turkmenistan	± 25	Marte-2	Anti-ship missile	± 2014	2015-17	± 25
UAE	150	MM-40-3 Exocet	Anti-ship missile	2006	2010-2017	± 150
UAE	± 300	MM-40-3 Exocet	Anti-ship missile	± 2019		
UAE	± 50	Marte-2	Anti-ship missile	2017	2018-19	± 50
UAE	2	SAK-70 Mk-2 57mm	Naval gun	2013	2017-18	2

**TABLE 11**  
MBDA sales included in BAE Systems table<sup>39</sup>

RECIPIENT	NO. ORDERED	DESIGNATION	WEAPON DESCRIPTION	YEAR ORDER	YEARS DELIVERY	NO. DELIVERED
Egypt	± 50	MM-40-3 Exocet	Anti-ship missile	± 2014	2017	± 10
Egypt	± 100	MICA	BVRAAM	2015	2017	± 25
Egypt	± 150	MICA	BVRAAM	2015	2015-2018	± 150
Egypt	± 50	ASTER-15 SAAM	SAM	2020	2020	± 25
India	± 22,250	MILAN	Anti-tank missile	± 1979	1984-2019	± 22,250
India	36	SM-39 Exocet	Anti-ship missile	2005	2017-20	± 9
India	493	MICA	BVRAAM	2012	2014-20	± 493
India	± 350	MICA	BVRAAM	± 2016	2020	± 175
India	± 200	Meteor	BVRAAM	± 2016	2020	± 100

India	± 200	Storm Shadow/Scalp	ASM	2016	2020	± 100
India	± 384	ASRAAM	BVRAAM/SRAAM	2014	2017	± 384
Iraq	± 1200	MILAN	Anti-tank missile	2014	2014-16	± 1200
Philippines	± 40	Mistral	VSHORAD/portable SAM	2019		
Saudi Arabia	± 130	Mistral	Portable SAM	2013	2016-2017	± 130
Saudi Arabia	± 250	MICA	BVRAAM	2013	2018-19	± 250
Saudi Arabia	± 5	VL-MICA	SAM system	2013	2018-19	± 5
Saudi Arabia	± 1000	Brimstone	ASM	± 2015	2016-19	± 1000
Saudi Arabia	± 100	Storm Shadow/SCALP	ASM	2013	2016-2017	± 100
Saudi Arabia	..	Meteor	BVRAAM	± 2014	2018	± 20
Turkmenistan	± 28	Mistral	Portable SAM	± 2012	2013-17	± 28
Turkmenistan	± 25	Marte-2	Anti-ship missile	± 2014	2015-17	± 25
UAE	150	MM-40-3 Exocet	Anti-ship missile	2006	2010-2017	± 150
UAE	± 300	MM-40-3 Exocet	Anti-ship missile	± 2019		
UAE	± 50	Marte-2	Anti-ship missile	2017	2018-19	± 50

### 3.6 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.<sup>40</sup>

According to the latest SIPRI top 100 arms-producing companies, Boeing ranks 2<sup>nd</sup> with total arms sales of USD 32.1 billion (EUR 28.1 billion), accounting for 55 per cent of its total sales in 2020.<sup>41</sup>

The involvement of Boeing in controversial arms deals, in the period from January 2016 to December 2020, is summarised in the table below.

Boeing did not respond to PAX's inquiries.

PAX deplores the lack of response from the side of the company. For the banks 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 (2016-2020)

RECIPIENT COUNTRY	NO. ORDERED	DESIGNATION	WEAPON DESCRIPTION	YEAR ORDER	YEARS DELIVERY	NO. DELIVERED
Afghanistan	65	ScanEagle	UAV	2015	2016-18	± 65
Afghanistan	15	ScanEagle	UAV	2020		
Cameroon	± 2	ScanEagle	UAV	2015	2016	± 2
Egypt	20	RGM-84L Harpoon-2	Anti-ship missile	± 2016	2017-20	± 20
Egypt	± 43	AH-64E Apache	Combat helicopter	2020		
India	4	P-8A Poseidon	ASW ac	2016	2020	1
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 missile	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
Israel	± 3450	GBU-39 SDB	Guided bomb	2012	2015-17	± 3450
Israel	4100	GBU-39 SDB	Guided bomb	± 2017	2018-20	± 2186
Israel	3000	JDAM	Guided bomb	2014	2015-16	± 3000
Israel	100	JDAM	Guided bomb	2015	2016	± 100
Israel	± 1588	JDAM	Guided bomb	± 2016	2019	± 1588
Lebanon	6	ScanEagle	UAV	2017	2019	6
Philippines	6 + 8	ScanEagle	UAV	2017 + 2019	2018 +2020	6 + 8
Saudi Arabia	± 24	AH-64E Apache Guardian	Combat helicopter	± 2011	2015-2016	± 24
Saudi Arabia	84	F-15 Advanced Eagle	FGA aircraft	2011	2016-2020	± 84
Saudi Arabia	68	F-15 Advanced Eagle	FGA aircraft	2011	2016-20	± 7
Saudi Arabia	600	JDAM	Guided bomb	2012	2016	± 600
Saudi Arabia	± 400	RGM-84L Harpoon-2	Anti-ship missile	± 2012	2016-2020	± 400
Saudi Arabia	± 400	RGM-84L Harpoon-2	Anti-ship missile	± 2016	2020	± 50

Saudi Arabia	650	AGM-84H SLAM-ER	ASM	± 2018		
Saudi Arabia	1000	GBU-39 SDB	Guided bomb	± 2013	2017-20	± 800
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	2017		
Saudi Arabia	8	CH-47F Chinook	Transport helicopter	2017		
Turkey	6	CH-47F Chinook	Transport helicopter	± 2011	2016	6
Turkey	4	CH-47F Chinook	Transport helicopter	2015	2018-19	± 4
Turkey	± 1300+100+658	JDAM	Guided bomb	2015-18	2017-19	± 1300+100+300
Turkey	± 48	AGM-84H SLAM-ER	ASM	± 2016	2016-17	48
UAE	± 5000	GBU-39 SDB	Guided bomb	± 2014	2015-2019	± 5000
UAE	3600	JDAM	Guided bomb	2014	2015-2016	± 3600
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		
UAE	± 5	ScanEagle	UAV	2019	2020	± 5
Vietnam	6	ScanEagle	UAV	2019		

### 3.7 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.<sup>42</sup>

According to the SIPRI list of top 100 arms-producing companies, General Dynamics ranks 5th with total arms sales of USD 25.8 billion (EUR 22.6 billion), accounting for 68 per cent of its total sales in 2020.<sup>43</sup>

The involvement of General Dynamics in controversial arms deals, in the period from January 2016 to December 2020, is summarised the table below.

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

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

RECIPIENT	NO. ORDERED	DESIGNATION	WEAPON DESCRIPTION	YEAR ORDER	YEARS DELIVERY	NO. DELIVERED
Egypt	125	M-1A1 Abrams	Tank	2011	2015-2018	± 125
Israel	1	Gulfstream-5	Light transport ac	2017	2019	± 1
Philippines	10	Pandur-2	APC	± 2020		
Philippines	8	ASCOD-APC	APC	± 2020		
Saudi Arabia	385	LAV-700	APC	2014	2018-20	± 370
Saudi Arabia	119	LAV-700 AT	Tank destroyer	2014	2018-20	± 27
Saudi Arabia	119	LAV-700 FSFV	AFSV	2014	2019-20	± 62
Saudi Arabia	119	LAV-700 IFV	IFV	2014	2019-20	± 86
Saudi Arabia	± 314	M-1A2S	Tank	2009	2012-2017	± 314
Saudi Arabia	± 153	M-1A2S	Tank	2016	2018-20	± 153

### 3.8 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.<sup>44</sup>

GE is actively involved in servicing its engines once they are in operation.<sup>45</sup> For example, the company states on its website 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.”<sup>46</sup>

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.

According to the latest SIPRI top 100 arms-producing companies, General Electric ranks 24<sup>th</sup> with total arms sales of USD 4.6 billion (EUR 4 billion), accounting for 6 per cent of its total sales in 2020.<sup>47</sup>

The involvement of General Electric in controversial arms deals, in the period from January 2016 to December 2020, is summarised in the table below.

#### 3.8.1 RESPONSE FROM GENERAL ELECTRIC

General Electric replied extensively to the letter by PAX.

First of all, GE is of the opinion that its products should not be qualified as weapons as the products are mainly engines and propellers for aircraft propulsion. GE also 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.

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

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

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

TABLE 14

Sales of military goods by General Electric to states at risk (2016-2020)

RECIPIENT COUNTRY	NO. ORDERED	DESIGNATION	WEAPON DESCRIPTION	YEAR ORDER	YEARS DELIVERY	NO. DELIVERED
Bahrain	± 2	T-700	Turboshaft	± 2018		
Egypt	4	LM-2500	Gas turbine	± 2019		
Egypt	2	LM-2500	Gas turbine	2020	2020	1
India	4 + 14	LM-2500	Gas turbine	± 2004/2017		
India	24	F-404	Turbofan	2007	2016-19	± 13
India	± 6	T-700	Turboshaft	± 2015	2019-20	± 6
Iraq	± 24+24?	F404	Turbofan	2013	± 2016-17	± 24+24
Pakistan	4	LM-2500	Gas Turbine	2020		
Philippines	± 12	F404	Turbofan	± 2014	2015-17	12
Saudi Arabia	± 25	F110	Turbofan	± 2012	2017-19	± 25
Turkey	4	LM-2500	Gas turbine	± 2016		
Turkey	2	LM-2500	Gas turbine	2015	2018-19	2



### 3.9 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.<sup>48</sup> The military products of Honeywell include engines for military aircraft.<sup>49</sup>

According to the SIPRI list of top 100 arms-producing companies, Honeywell ranks 18<sup>th</sup> with total arms sales of USD 5.8 billion (EUR 5.1 billion), accounting for 18 per cent of its total sales in 2020.<sup>50</sup>

The involvement of Honeywell in controversial arms deals, in the period from January 2016 to December 2020, is summarised in the table below.

Honeywell’s Code of Business Conduct contains a section on respecting human rights, but this focuses on the workplace only. The sections on international trade focus on compliance with state regulators. Other than that, the document does not contain policy that is relevant for this report.<sup>51</sup>

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 (2016-2020)

RECIPIENT	NO. ORDERED	DESIGNATION	WEAPON DESCRIPTION	YEAR ORDER	YEARS DELIVERY	NO. DELIVERED
India	± 28	TPE-331	Turboprop	± 2012	2013-16	± 28
India	± 24	TPE-331	Turboprop	± 2016	2019-20	± 16
Israel	60	F-124	Turbofan	2012	2014-16	± 60
Philippines	4	T-800	Turboshaft	2016	2019	4
Turkey	± 100+48	T-800	Turboshaft	2008+2017	2016-2019	± 84+12

### 3.10 L3Harris

L3Harris, a US company, is the result of a merger of Harris Corporation and L3 Technologies.<sup>52</sup> L3Harris describes itself as a global aerospace and defence company, providing defence and commercial technologies across air, land, sea, space and cyber domains.<sup>53</sup>

According to the latest SIPRI top 100 arms-producing companies, L3Harris ranks 10<sup>th</sup> with total arms sales of USD 14.2 billion (EUR 12.4 billion), accounting for 78 per cent of its total sales in 2020.<sup>54</sup>

The involvement of L3Harris in controversial arms deals, in the period from January 2016 to December 2020, is summarised in the table below.

#### 3.10.1 RESPONSE FROM L3HARRIS

L3Harris replied to inquiries by PAX.

As the only arms company in this study, it commented on a specific type of weapon system that is listed by SIPRI as being delivered to a controversial destination. L3Harris stated that it is offered as a defensive maritime system. L3Harris further emphasised that it made sales in accordance with US Department of Defense export laws and requirements. Lastly, the company wrote that it is committed to protecting human rights by promoting and complying with all human rights laws and standards in all its locations.

PAX welcomes the reply from L3Harris 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 transfer by L3Harris, it is clear why this is so important: its destination clearly enhances the risk of the L3Harris products being used in contravention of international rules on arms trade, which aim to prevent violations of international humanitarian law and human rights.

The Code of Conduct says, for example, “we conduct ourselves in an honest and ethical manner and expect the same of everyone who works on our behalf, including our agents, business partners and suppliers.”<sup>55</sup> However, the Code of Conduct lists a limited set of human rights and does not reference any risk of human rights violations by customers of its military products.

If L3Harris were to broaden the scope of its human rights commitment and indeed asked all of its customers to abide by the same standards, this would be a step towards diminishing the risk of contributing or being linked to violations of human rights and international humanitarian law.

**TABLE 16**  
Sales of military goods by L3Harris to states at risk (2016-2020)

RECIPIENT	NO. ORDERED	DESIGNATION	WEAPON DESCRIPTION	YEAR ORDER	YEAR DELIVERY	NO. DELIVERED
Philippines	2	EDO-997	ASW sonar	± 2017	2020	1

### 3.11 Leonardo

Leonardo, based in Italy, develops products and services in the fields of aerospace, military and security.<sup>56</sup> 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.<sup>57</sup>

According to the latest SIPRI top 100 arms-producing companies, Leonardo ranks 13<sup>th</sup> with total arms sales of USD 11.1 billion (EUR 9.8 billion), accounting for 73 per cent of its total sales in 2020.<sup>58</sup>

The involvement of Leonardo in controversial arms deals, in the period from January 2016 to December 2020, is summarised in the table below.

#### 3.11.1 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).<sup>59</sup> 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 1.2.2).

- Leonardo furthermore refers to its Group Policy on Human Rights, in which it reaffirms its commitment to various human rights standards, including the Universal Declaration and the OECD Guidelines.<sup>60</sup> 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.<sup>61</sup>

- Examples of countries on Leonardo's list include Iraq, Belarus, Russia and Ukraine. Leonardo puts measures in place to mitigate risks if sales to

countries on this list are considered. The company states in its letter that a sale will not be processed if the risks are unacceptable in 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. 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 Leonardo, it is clear why performing additional human rights risk assessments is so critically important: many of the destinations clearly enhance the risk of the Leonardo products being used in contravention of international rules on arms trade, which aim to prevent violations of international humanitarian law and human rights. This also appears to be in contravention of Leonardo's own extensive policies on the issue.

It is clear that Leonardo does have significant due diligence procedures in place to deal with the risks related to selling military goods. In these systems, consideration of risks of human rights violations by the client appears to play a role, though it is unclear how much weight this carries in the final decision. Compliance with applicable regulations seems to play a bigger role. In the end, the question is how Leonardo evaluates the sales listed above. Except for Iraq, none of the countries where Leonardo exported to appears on the company's 'sensitive country' list. However, there are significant concerns with several countries that Leonardo has sold military goods to.

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 controlling interest in the MBDA joint venture and therefore should use its controlling interest to implement its strong policies in that company as well.

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

RECIPIENT	NO. ORDERED	DESIGNATION	WEAPON DESCRIPTION	YEAR ORDER	YEARS DELIVERY	NO. DELIVERED
Bahrain	6	Orion RTN-25X	Fire control radar	2015	2018-19	± 4
Burkina Faso	1	AW139	Helicopter	± 2014	2016	1
Cameroon	4	A-109K	Light helicopter	± 2017		
Colombia	1	Compact 76mm	Naval gun	± 2011	2017	1
Egypt	± 50	MM-40-3 Exocet	Anti-ship missile	± 2014	2017	± 10
Egypt	± 100	MICA	BVRAAM	2015	2017	± 25
Egypt	± 150	MICA	BVRAAM	2015	2015-2018	± 150
Egypt	4	Super Rapid 76mm	Naval gun	2014	2017	1
Egypt	32	AW149	Helicopter	2019	2020	5
Egypt	± 50	ASTER-15 SAAM	SAM	2020	2020	± 25
India	± 22,250	MILAN	Anti-tank missile	± 1979	1984-2019	± 22,250
India	36	SM-39 Exocet	Anti-ship missile	2005	2017-20	± 9
India	493	MICA	BVRAAM	2012	2014-20	± 493
India	± 350	MICA	BVRAAM	± 2016	2020	± 175
India	± 200	Meteor	BVRAAM	± 2016	2020	± 100
India	± 200	Storm Shadow/Scalp	ASM	2016	2020	± 100
India	12 + ± 4	Super Rapid 76mm	Naval gun	± 2003-11	2013-20	7
India	13	127/64LW	Naval gun	± 2020		
India	± 384	ASRAAM	BVRAAM/SRAAM	2014	2017	± 384
Iraq	± 1200	MILAN	Anti-tank missile	2014	2014-16	± 1200
Israel	30	M-346 Master	Trainer/combat ac	2012	2014-16	± 30
Israel	12	AW119 Koala	Light helicopter	2019		
Nigeria	6	A-109K	Light helicopter	± 2018	2019-20	4
Pakistan	± 5+5+15	AW139	Helicopter	2016-17	2016-19	± 25
Pakistan	4	Super Rapid 76mm	Naval gun	± 2018		
Pakistan	30	A-129C Mangusta	Combat helicopter	2018		

Philippines	± 40	Mistral	VSHORAD/ portable SAM	2019		
Philippines	2	Orion RTN-25X	Fire control radar	± 2017	2020	1
Philippines	2	Super Rapid 76mm	Naval gun	± 2017	2020	1
Philippines	2	AW-159 Wildcat	ASW helicopter	2016	2019	2
Saudi Arabia	± 130	Mistral	Portable SAM	2013	2016-2017	± 130
Saudi Arabia	± 250	MICA	BVRAAM	2013	2018-19	± 250
Saudi Arabia	± 5	VL-MICA	SAM system	2013	2018-19	± 5
Saudi Arabia	6	RAT-31S	Air search radar	2016	2016-2017	± 6
Saudi Arabia	± 4+5	Super Rapid 76mm	Naval gun	± 2017+2018		
Saudi Arabia	24	Typhoon Block-20	FGA aircraft	2007	2015-2017	24
Saudi Arabia	± 1000	Brimstone	ASM	± 2015	2016-19	± 1000
Saudi Arabia	± 100	Storm Shadow/SCALP	ASM	2013	2016-2017	± 100
Saudi Arabia	..	Meteor	BVRAAM	± 2014	2018	± 20
Turkey	50	A-129C Mangusta	Combat helicopter	± 2008	2016-2020	± 42
Turkey	15	A-129C Mangusta	Combat helicopter	± 2017	2018-19	± 6
Turkey	9	A-129C Mangusta	Combat helicopter	2017		
Turkey	6	ATR-72MP	ASW aircraft	2005	2020	1
Turkey	2+4	Super Rapid 76mm	Naval gun	± 2014+2016	2018-19	2
Turkey	1	Göktürk-1	Recce satellite	2009	2016	1
Turkmenistan	± 28	Mistral	Portable SAM	± 2012	2013-17	± 28
Turkmenistan	± 4	A-109K	Light helicopter	± 2011	2016	± 4
Turkmenistan	8	Compact 40L70	Naval gun	2012	2013-16	8
Turkmenistan	± 25	Marte-2	Anti-ship missile	± 2014	2015-17	± 25
UAE	150	MM-40-3 Exocet	Anti-ship missile	2006	2010-2017	± 150
UAE	± 300	MM-40-3 Exocet	Anti-ship missile	± 2019		
UAE	6	Super Rapid 76mm	Naval gun	± 2003	2012-2016	6
UAE	2	Super Rapid 76mm	Naval gun	± 2019		
UAE	6	Orion RTN-25X	Fire control radar	2004	2011-2017	6
UAE	± 50	Marte-2	Anti-ship missile	2017	2018-19	± 50
UAE	2+1+1	Seaspray	MP aircraft radar	2015-20	2020	2

**TABLE 18**

MBDA sales included in the Leonardo table<sup>62</sup>

RECIPIENT	NO. ORDERED	DESIGNATION	WEAPON DESCRIPTION	YEAR ORDER	YEARS DELIVERY	NO. DELIVERED
Egypt	± 50	MM-40-3 Exocet	Anti-ship missile	± 2014	2017	± 10
Egypt	± 100	MICA	BVRAAM	2015	2017	± 25
Egypt	± 150	MICA	BVRAAM	2015	2015-2018	± 150
Egypt	± 50	ASTER-15 SAAM	SAM	2020	2020	± 25
India	± 22,250	MILAN	Anti-tank missile	± 1979	1984-2019	± 22,250
India	36	SM-39 Exocet	Anti-ship missile	2005	2017-20	± 9
India	493	MICA	BVRAAM	2012	2014-20	± 493
India	± 350	MICA	BVRAAM	± 2016	2020	± 175
India	± 200	Meteor	BVRAAM	± 2016	2020	± 100
India	± 200	Storm Shadow/Scalp	ASM	2016	2020	± 100
India	± 384	ASRAAM	BVRAAM/SRAAM	2014	2017	± 384
Iraq	± 1200	MILAN	Anti-tank missile	2014	2014-16	± 1200
Philippines	± 40	Mistral	VSHORAD/portable SAM	2019		
Saudi Arabia	± 130	Mistral	Portable SAM	2013	2016-2017	± 130
Saudi Arabia	± 250	MICA	BVRAAM	2013	2018-19	± 250
Saudi Arabia	± 5	VL-MICA	SAM system	2013	2018-19	± 5
Saudi Arabia	± 1000	Brimstone	ASM	± 2015	2016-19	± 1000
Saudi Arabia	± 100	Storm Shadow/SCALP	ASM	2013	2016-2017	± 100
Saudi Arabia	..	Meteor	BVRAAM	± 2014	2018	± 20
Turkmenistan	± 28	Mistral	Portable SAM	± 2012	2013-17	± 28
Turkmenistan	± 25	Marte-2	Anti-ship missile	± 2014	2015-17	± 25
UAE	150	MM-40-3 Exocet	Anti-ship missile	2006	2010-2017	± 150
UAE	± 300	MM-40-3 Exocet	Anti-ship missile	± 2019		
UAE	6	Super Rapid 76mm	Naval gun	± 2003	2012-2016	6
UAE	2	Super Rapid 76mm	Naval gun	± 2019		
UAE	6	Orion RTN-25X	Fire control radar	2004	2011-2017	6
UAE	± 50	Marte-2	Anti-ship missile	2017	2018-19	± 50
UAE	2+1+1	Seaspray	MP aircraft radar	2015-20	2020	2

### 3.12 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.<sup>63</sup> The military products of Lockheed Martin include fighter aircraft, attack helicopters, unmanned aircraft, air defence systems, missiles and warships.<sup>64</sup>

According to the latest SIPRI top 100 arms-producing companies, Lockheed Martin ranks 1<sup>st</sup> with total arms sales of USD 58.2 billion (EUR 51 billion), accounting for 89 per cent of its total sales in 2020.<sup>65</sup>

The involvement of Lockheed Martin in controversial arms deals, in the period from January 2016 to December 2020, is summarised in the table below.

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

PAX deplores the lack of response from the side of the company. For banks which have 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 19**  
Sales of military goods by Lockheed Martin to states at risk (2016-2020)

RECIPIENT	NO. ORDERED	DESIGNATION	WEAPON DESCRIPTION	YEAR ORDER	YEARS DELIVERY	NO. DELIVERED
Afghanistan	± 250	Paveway	Guided bomb	± 2017	2017-19	± 250
Bahrain	± 110	ATACMS Block-1A	SSM	± 2019		
Bahrain	24	GMLRS	Guided rocket	2015	2017	± 24
Bahrain	± 720	GMLRS	Guided rocket	± 2018		
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		
Colombia	1	S-70/UH-60L	Helicopter	2018	2019	1
Egypt	± 356	AGM-114K HELLFIRE	Anti-tank missile	2015	2016-2017	± 356
India	6	C-130J-30 Hercules	Transport ac	2013	2017	6
India	± 1354	AGM-114K/L Hellfire	Anti-tank missile	2015	2019-20	± 1352
India	1	C-130J-30 Hercules	Transport ac	± 2018	2019	1
Iraq	24	T-50 Golden Eagle	Trainer/combat ac	2013	2016-17	± 24
Iraq	18	F-16C Block-50/52	FGA aircraft	2013	2016-2017	± 18
Iraq	± 5000	AGM-114K HELLFIRE	Anti-tank missile	2014	2015-2017	± 5000
Iraq	± 300	Paveway	Guided bomb	± 2013	2016-17	± 300
Iraq	1	TPS-77	Air search radar	2019		
Israel	19	F-35A JSF	FGA aircraft	2010	2016-19	19
Israel	14	F-35A JSF	FGA aircraft	2015	2019-20	± 8
Israel	17	F-35A JSF	FGA aircraft	2017		
Israel	4	C-130J Hercules	Transport aircraft	2013	2016-18	± 4
Israel	± 700	Paveway	Guided bomb	2015	2018-19	± 700
Israel	± 1000	GMLRS	Guided rocket	2016	2017-18	± 1000

Lebanon	± 1000	AGM-114K HELLFIRE	Anti-tank missile	2017	2019-20	± 550
Pakistan	15	AAQ-33 Sniper	Aircraft EO system	2015	2015-16	± 15
Philippines	12	FA-50	FGA aircraft	2014	2015-17	12
Philippines	16	S-70/UH-60L	Helicopter	2019	2020	6
Saudi Arabia	± 193	AAQ-13 LANTIRN	Combat ac radar	± 2011	2016-2020	± 124
Saudi Arabia	± 158	AAQ-33 Sniper	Aircraft EO system	2012	2016-2020	± 82
Saudi Arabia	2	KC-130J Hercules	Tanker/transport ac	2013	2016	2
Saudi Arabia	± 2176	AGM-114L HELLFIRE	Anti-tank missile	2014	2015-2016	± 2176
Saudi Arabia	4	MMSC	Frigate	2017		
Saudi Arabia	± 10	PTDS	AGS aerostat	2017		
Saudi Arabia	21	Patriot PAC-3	SAM/ABM system	2011	2014-2017	± 21
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	130	MIM-104F PAC-3	ABM	2017	2020	± 130
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	9	S-70/UH-60L	Helicopter	2016	2017	± 9
Saudi Arabia	± 57	S-70/UH-60L	Helicopter	2017	2018-19	± 30
Turkey	4	Mk41	Naval SAM system	± 2016		
Turkey	± 160	FGM-148 Javelin	Anti-tank missile	± 2017	2017	± 160
Turkey	69	S-70/UH-60L	Helicopter	2014		
UAE	390	GMLRS	Guided rocket	2015	2017	± 390
UAE	12	M-142 HIMARS	Self-propelled MRL	2015	2018	12
UAE	124	MGM-140B ATACMS	SSM	2015	2017-18	± 124
UAE	± 60+452	MIM-104F PAC-3	ABM	2018-19	2020	± 50
UAE	± 1000	AGM-114K HELLFIRE	Anti-tank missile	2017	2018	± 1000
UAE	2	THAAD	ABM system	2011	2015-2016	± 2
UAE	192	THAAD missile	ABM missile	2012	2015-2019	± 192
UAE	± 13640	Paveway	Guided bomb	2017	2018-20	± 9000
UAE	331	FGM-148 Javelin	Anti-tank missile	2020	2020	± 331
Ukraine	± 210	FGM-148 Javelin	Anti-tank missile	2018	2018	

### 3.13 Northrop Grumman

Northrop Grumman, based in the US, provides products, services and solutions in the military aerospace, electronics, information systems and shipbuilding sectors.<sup>66</sup> 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 30.4 billion (EUR 26.6 billion), accounting for 83 per cent of its total sales in 2020.<sup>67</sup>

The involvement of Northrop Grumman in controversial arms deals, in the period from January 2016 to December 2020, 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 banks that finance Northrop Grumman and that engagement is much more difficult on a topic so closely related to high risks for violations of international norms.

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

RECIPIENT	NO. ORDERED	DESIGNATION	WEAPON DESCRIPTION	YEAR ORDER	YEARS DELIVERY	NO. DELIVERED
India	12	APG-78 Longbow	Combat heli radar	2016	2019-20	± 12
Saudi Arabia	± 37	APG-78 Longbow	Combat heli radar	± 2010	2014-16	± 37

### 3.14 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.<sup>68</sup> The military products of Raytheon include missiles and air defence systems.

In October 2019, the shareholders of United Technologies Corporation (UTC) and Raytheon approved a merger between UTC's aerospace business with Raytheon. The merger has materialized over the course of 2020, forming the new company Raytheon Technologies.<sup>69</sup> 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 36.8 billion (EUR 32.2 billion), accounting for 65 per cent of its sales.<sup>70</sup>

The involvement of Raytheon in controversial arms deals, in the period from January 2016 to December 2020, is summarised in the table below.

#### 3.14.1 RESPONSE FROM RAYTHEON

Raytheon replied to inquiries by PAX. It stated that it was unable to respond regarding specific products or programmes. It also referred to its statement on human rights.<sup>71</sup>

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

RECIPIENT	NO. ORDERED	DESIGNATION	WEAPON DESCRIPTION	YEAR ORDER	YEARS DELIVERY	NO. DELIVERED
Afghanistan	± 26	PT6	Turboprop/turboshaft	2013+2017	2016-2018	± 26
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

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

Interestingly, its human rights statement explicitly acknowledges that the company's supply chain has the potential to adversely affect human rights. This is a positive step compared to most other companies in this study. However, the statement is clearly geared towards its suppliers and third-party providers. It also explicitly mentions the right to terminate an existing relationship in case of non-compliance with its Code of Conduct.

The human rights statement mentions a substantial but still limited set of human rights, such as non-discrimination, and the prohibition on forced labour and human trafficking. These rights are clearly unrelated to the arms sold being used against civilians in contravention of human rights law and the laws of war.

Two aspects listed here are positive and important: firstly the self-realisation of its potential to affect human rights adversely and secondly the option to terminate relationships.

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 Raytheon, it is clear why this is so important: many of the destinations clearly enhance the risk of Raytheon products being used in contravention of international rules on arms trade, which aim to prevent violations of international humanitarian law and human rights.

Bahrain	6	DB-110	Aircraft recce systems	2019		
Bahrain	36	MIM-104C PAC-2	SAM	2019		
Bahrain	60	MIM-104F PAC-3	ABM	2019		
Bahrain	± 2	Patriot PAC-3	SAM/ABM system	2019		
Burkina Faso	± 2	PW100	Turboprop/turboshaft	2019		
Colombia	± 8	PT6	Turboprop	2020		
Egypt	± 16+8	PW100	Turboprop/turboshaft	2014-15	2015-2016	± 16+8
Egypt	± 330	AIM-9L/I-1 Sidewinder	SRAAM	± 2017	2018-20	± 330
Egypt	8	MPQ-64 Sentinel	Air search radar	2017	2019-20	± 5
India	± 75+10	PT6	Turboprop/turboshaft	± 2018		
India	± 124	PW100	Turboprop/turboshaft	± 2020		
India	± 32	Mk-54 MAKO	ASW torpedo	± 2011	2013-16	± 32
India	± 245	FIM-92 Stinger	Portable SAM	± 2013	2019-20	± 245
India	± 600	M-982 Excalibur	Guided shell	2019	2019	± 600
Iraq	± 150	AIM-7M Sparrow	BVRAAM	± 2011	2015-2016	± 150
Iraq	± 50	AGM-65 Maverick	ASM	± 2013	2016	± 50
Iraq	± 150	AIM-7M Sparrow	BVRAAM	± 2013	2016-2017	± 150
Iraq	100	AIM-9L Sidewinder	SRAAM	± 2013	2016-2017	± 100
Iraq	4	DB-110	Aircraft recce system	2012	2015-2016	± 4
Israel	± 28	AIM-9X Sidewinder	SRAAM	2014	2016-20	± 28
Israel	± 700	Paveway	Guided bomb	2015	2018-19	± 700
Israel	± 25	APG-82	Combat ac radar	± 2016		
Lebanon	± 8	PT6	Turboprop/turboshaft	2015	2017-18	± 8
Lebanon	± 1500	BGM-71 TOW-2B	Anti-tank missile	2017	2018-20	± 1500
Lebanon	± 350	BGM-71 TOW	Anti-tank missile	± 2016	2017	± 350
Mali	± 4	PT6	Turboprop/turboshaft	2015	2018	4
Mali	2	PW100	Turboprop/turboshaft	2016	2016	2
Mali	2	PW100	Turboprop/turboshaft	2020		
Nigeria	± 12	PT6	Turboprop/turboshaft	2018		
Philippines	2	PW100	Turboprop/turboshaft	± 2018	2019	2
Philippines	± 6	PT6	Turboprop/turboshaft	± 2017	2020	± 6
Philippines	± 130	AIM-9L/I Sidewinder	SRAAM	± 2017	2019-20	± 130

Philippines	± 50+50	Paveway-4	Guided bomb	± 2018+20	2019-20	± 50+50
Philippines	± 125	AGM-65 Maverick	ASM	± 2013	2017-20	± 125
Saudi Arabia	± 8	PW100	Turboprop/turboshaft	2015	2015-2018	8
Saudi Arabia	± 55	PT6	Turboprop/turboshaft	2012	2014-2016	± 55
Saudi Arabia	± 45000	Paveway	Guided bomb	2019	2019-20	± 20000
Saudi Arabia	± 4000	Paveway	Guided bomb	2019	2020	± 500
Saudi Arabia	21	Patriot PAC-3	SAM/ABM system	2011	2014-2017	± 21
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	2018-20	± 300
Saudi Arabia	± 300	AIM-9X Sidewinder	SRAAM	± 2011	2012-2019	± 300
Saudi Arabia	± 3100	Paveway	Guided bomb	± 2011	2013-2016	± 3100
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	± 8120	Paveway	Guided bomb	2015	2016-2017	± 8120
Saudi Arabia	618	AGM-154 JSOW	Guided bomb	2017	2019-20	± 350
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
Saudi Arabia	± 10	DB-110	Aircraft recce system	2012	2014-2016	± 10
Turkey	± 15	PT6	Turboprop/turboshaft	± 2013	2018-19	± 15
Turkey	± 12	PT6	Turboprop/turboshaft	2017		
Turkey	± 16	PW100	Turboprop/turboshaft	2005	2013-2020	± 6
Turkey	± 275	RIM-162 ESSM	SAM	± 2009	2011-2017	± 275
Turkey	4	Mk-15 Phalanx	CIWS	± 2011	2017-18	4
Turkey	± 145	AIM-120C AMRAAM	BVRAAM	± 2014	2016-2019	± 145
Turkey	117	AIM-9X Sidewinder	SRAAM	2014	2015-2016	± 117
Turkey	± 125	RIM-116A RAM	SAM	± 2007	2011-19	± 125
Turkey	± 150	RIM-116A RAM	SAM	± 2016		
Turkey	4	Mk-15 Phalanx	CIWS	± 2015	2017-18	± 4
Turkey	4	Mk-15 Phalanx	CIWS	± 2016		
Turkey	± 160	FGM-148 Javelin	Anti-tank missile	± 2017	2017	± 160
Turkmenistan	± 2	PT6	Turboprop/turboshaft	± 2019	2020	± 2
UAE	± 24	PT6	Turboprop/turboshaft	2014	2015-2017	± 24

UAE	± 24	PT6	Turboprop/ turboshaft	2019		
UAE	10	PW100	Turboprop/ turboshaft	2017	2019	10
UAE	± 96	RIM-162 ESSM	SAM	2016	2018-19	± 96
UAE	± 150	RIM-116A RAM	SAM	2007	2011-2016	± 150
UAE	2	THAAD	ABM system	2011	2015-2016	± 2
UAE	± 200	RIM-116A RAM	SAM	± 2016	2018-20	± 200
UAE	± 2000	Talon	ASM	2013	2015-2018	± 2000
UAE	100	MIM-104C PAC-2	SAM	2017	2019	± 100
UAE	± 13640	Paveway	Guided bomb	2017	2018-20	± 9000
UAE	300	AIM-9X Sidewinder	SRAAM	2018	2019-20	± 200
UAE	2	DB-110	Aircraft recce system	± 2017	2018-19	2
UAE	331	FGM-148 Javelin	Anti-tank missile	2020	2020	± 331
Ukraine	± 210	FGM-148 Javelin	Anti-tank missile	2018	2018	
Uzbekistan	± 8	PW100	Turboprop/ turboshaft	± 2014	2015-16	± 8

### 3.15 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.<sup>72</sup> The military products of Rolls-Royce include engines for fighter aircraft, land vehicles and warships.<sup>73</sup>

According to the SIPRI top 100 of arms-producing companies, Rolls-Royce ranks 22<sup>nd</sup> with total arms sales of USD 4.9 billion (EUR 4.3 billion), accounting for 32 per cent of its total sales in 2020.<sup>74</sup>

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.<sup>75</sup> 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.<sup>76</sup>

The involvement of Rolls-Royce in controversial arms deals, in the period from January 2016 to December 2020, is summarised in the table below.

#### 3.15.1 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 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.

As set out in the methodology section of this report, PAX follows the SIPRI arms transfer database as the source of information about arms transfers. Also, 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. Power and propulsion systems are essential components of military goods, which is an additional reason to list these goods as weapons.

The company further stated that it operates "in accordance with human rights and humanitarian law through strict compliance with strategic export laws and sanctions regulations in the countries where we operate." It also stated that it is committed to investigating where its activities may have adverse human rights impacts. This includes not only complying with export regulations and checks against existing sanctions but also conducting a risk assessment "where necessary" in the light of the geo-political context. Rolls-Royce also wrote that it raises particular concerns about potential violations of human rights with the appropriate regulator.

PAX welcomes the reply from Rolls-Royce 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 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.

The countries of destination in the table below suggests that there are numerous "particular concerns of human rights violations" that the company should have raised with the respective regulators.

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

RECIPIENT	NO. ORDERED	DESIGNATION	WEAPON DESCRIPTION	YEAR ORDER	YEARS DELIVERY	NO. DELIVERED
China	± 30	MTU-956	Naval diesel engines	± 2010	2014-20	± 30
China		Spey	Turbofan	± 1975	1998-2019	± 520
Egypt	8	MTU-4000	Diesel engine	2014	2017	2
India	12	MTU-8000	Diesel engine	2012	2015-17	12
India	10	MTU-8000	Diesel engine	± 2016	2020	4
India	± 100	MT-881	Diesel engine	2017	2018-20	± 100
India	± 4	AE-3007	Turbofan	2008	2017-19	4
Iraq	8	MTU-956	Diesel engine	1981	2017	8
Israel	± 790	MT-883 Ka-501	Diesel engine	± 2000	2002-2020	± 940
Nigeria	4	MTU-4000	Diesel engine	2012	2014-16	4
Pakistan	8	MTU-595	Diesel engine	± 2018		
Philippines	8	MTU-1163	Diesel engine	± 2017	2020	4
Philippines	4	T-800	Turboshaft	2016	2019	4
Saudi Arabia	8	MT-30	Gas turbine	2017		
Turkey	± 40	TP400-D6	Turboprop	2003	2014-2019	± 36
Turkey	4+8	MTU-595	Diesel engine	± 2014+2016	2018-19	4
Turkey	± 100+48	T-800	Turboshaft	2008+2017	2016-2019	± 84+12
Turkmenistan	12	MTU-4000	Diesel engine	2014	2015-17	± 12
UAE	± 24	MTU-595	Diesel engine	± 2003	2011-2017	24
UAE	8	MTU-4000	Diesel engine	2013	2017	8
UAE	4	BR-710	Turbofan	± 2012	2018-19	4
UAE	4	BR-710	Turbofan	2015	2020	± 2
UAE	2	BR-710	Turbofan	2017		
Vietnam	± 12	FJ44-4	Turbofan	± 2020		

### 3.16 Safran

Safran is a company headquartered in France, operating in the aviation, defence and space markets.<sup>77</sup> Besides aircraft and propulsion, the military products of Safran consist of a wide range of military systems and equipment.

According to the SIPRI top 100 of arms-producing companies, Safran ranks 25<sup>th</sup> with total arms sales of USD 4.5 billion (EUR 4.5 billion), accounting for 24 per cent of its total sales in 2020.<sup>78</sup>

The involvement of Safran in controversial arms deals, in the period from January 2016 to December 2020, is summarised in the table below.

#### 3.16.1 RESPONSE FROM SAFRAN

Safran replied to PAX's questions on its human rights policies in relation to these arms sales.

First of all, Safran stated that it did not agree that it is involved in controversial arms trade as stated in this report.

Safran stresses that it rigorously complies with sanctions and embargoes and with all international laws that France and its other countries of incorporation are bound by, which includes the ATT and the EU Common Position. Furthermore, the company "strongly relies" on government decisions and conditions. It says that it has an internal Environmental, Social and Governance (ESG) policy that addresses human rights aspects. These include

internal procedures regarding business ethics and anti-corruption. Finally, Safran points to its Duty of Care plan, which includes respect for human rights and fundamental freedoms. However, as we have seen with other arms companies in this report as well, the focus is clearly on the supply side of the value chain. "Among the human rights guaranteed are the prohibition of child labor and forced labor, respect for the principle of freedom of association and collective bargaining, prevention of the risk of discrimination, and promotion of decent employment and material working conditions."<sup>79</sup>

PAX welcomes the reply from Safran 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 not only for its supply-side value chain but also for its customers and how its products are being used. This is to avoid causing, contributing to or being linked to human rights violations. From the transfers by Safran, it is clear why this is so important: many of the destinations clearly enhance the risk of Safran products being used in contravention of international rules on arms trade, which aim to prevent violations of international humanitarian law and human rights.

As for the terminology, the methodology section of this report explains why we consider the destinations of the sales by Safran listed in the table to be controversial destinations.

**TABLE 23**  
Sales of military goods by Safran to states at risk (2016-2020)

RECIPIENT	NO. ORDERED	DESIGNATION	WEAPON DESCRIPTION	YEAR ORDER	YEARS DELIVERY	NO. DELIVERED
China	..	Arriel	Turboshaft	± 2005	2012-20	± 560
Egypt	± 500	AASM	ASM	2015	2016-2019	± 500
India	± 358	Ardiden-1	Turboshaft	± 2016		
Turkey	± 40	TP400-D6	Turboprop	2003	2014-2019	± 36



### 3.17 Thales

Thales is a French-headquartered, pan-European company engaged in aerospace, defence, ground transportation, security and space.<sup>80</sup> 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.<sup>81</sup>

According to the SIPRI top 100 of arms-producing companies, Thales rank 14<sup>th</sup> with total arms sales of USD 9.1 billion (EUR 7.9 billion), accounting for 47 per cent of its total sales in 2020.<sup>82</sup>

The involvement of Thales in controversial arms deals, in the period from January 2016 to December 2020, is summarised in the table below.

#### 3.17.1 RESPONSE FROM THALES

Thales replied to PAX's questions on its human rights policies in relation to these arms sales.

First of all Thales contended that it did not find the concept of 'controversial arms trade' as used in this report to be sufficiently defined. Thales further stressed that the arms industry is one of the most regulated in the world, and that by complying with

that, the company does not sell any military goods to any country under a UN or EU embargo. Thales also reiterated that national governments assess export licences to minimise the risk of human rights violations. Lastly, the company pointed to its being certified for the ISO 37001:2016 standard and having an anti-corruption management system within the group.

As for the terminology, the methodology section of this report explains why we consider the destinations of the sales by Thales listed in the table below to be controversial destinations.

PAX welcomes the reply from Thales 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 and the company's endeavours to combat corruption.

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 Thales, it is clear why this is so important: many of the destinations clearly enhance the risk of Thales products being used in contravention of international rules on arms trade, which aim to prevent violations of international humanitarian law and human rights.

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

RECIPIENT	NO. ORDERED	DESIGNATION	WEAPON DESCRIPTION	YEAR ORDER	YEARS DELIVERY	NO. DELIVERED
Egypt	± 12	TALIOS	Aircraft EO system	2015	2016-2018	± 12
Egypt	2	UMS-4110 BlueMaster	ASW sonar	2020	2020	1
Egypt	4	SMART	Air search radar	± 2014	2017	1
Egypt	1	SMART	Air search radar	2017	2018	± 1
Egypt		SMART	Air search radar	2019		
Egypt		STING	Fire control radar	2019		
Egypt	4	STING	Fire control radar	± 2014	2017	1
India	19	GS-100	Air search radar	2009	2010-2016	± 19
India	7	LW-08	Air search radar	± 2006	2014-16	3
Iraq	4	Ground Master-400	Air search radar	2020		

Philippines	2	FLASH	ASW sonar	2016	2019	2
Saudi Arabia	± 4	COBRA	Artillery locating radar	± 2014	2019	± 4
Saudi Arabia	± 60	Damocles	Aircraft EO system	± 2007	2009-2017	± 60
Saudi Arabia	± 10	FLASH	ASW sonar	2015	2018-19	± 10
Turkey	15	Ocean Master	MP aircraft radar	2002	2013-20	± 10
Turkey	1	Göktürk-1	Recce satellite	2009	2016	1
Turkey	2	STING	Fire control radar	± 2014	2018-19	2
Turkey	8	STING	Fire control radar	± 2016		
Turkey	2	SMART	Air search radar	± 2011	2017-18	2
Turkey	2	SMART	Air search radar	± 2014	2018-19	2
Turkey	4	SMART	Air search radar	± 2016		
Turkmenistan	8	Scout	Sea search radar	2012	2013-16	8
Turkmenistan	8	Variant	Air/sea search radar	2012	2013-16	8
UAE	17	Ground Master-200	Air search radar	2013	2015-2017	± 17
UAE		RDY	Combat ac radar	2019		
UAE	3	COBRA	Artillery locating radar	± 2019		

### 3.18 Responsibility of Arms Companies

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

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

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

"For the purposes of this recommendation, 'contributing to' an adverse impact should be interpreted as a substantial contribution, meaning an activity that causes, facilitates or incentivises another entity to cause an adverse impact and does not include minor or trivial contributions."<sup>83</sup>

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.

Banks that deliver financial services to 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. Chapter 4 focuses on the 15 largest European banks, their financial services to the arms companies listed above and how the banks have handled this responsibility.

# 4. Loans and Underwritings to Arms Companies by Selected Banks

The previous chapters have shown the behaviour of arms companies and the risks for banks of providing financial services to these companies. This chapter looks into how banks have dealt with arms companies as part of their investment policy and practice. The chapter looks into the policy as well as actual investments of the banks in this study.

## 4.1 Banks' Links with Controversial Arms Trade and their Policy

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

- Data were retrieved from the Refinitiv Eikon and Refinitiv EMAXX databases (formerly Thomson Reuters) in February 2021, using the most recent filing date. In most cases, the filing date of the data was the end of Q4, 2020.
- Data are presented in euros.
- All data are organised at the group level, both for the company and the investor in the company, unless explicitly indicated otherwise.
- Financial data were sent to the banks to give them the opportunity to verify the data. The majority of banks responded in one way or another. Although none of the banks wanted to confirm individual

clients, none of the banks asserted that any of the figures were incorrect.

The banks were asked to reply to a set of questions related to a summary of their policy regarding providing financial services to companies involved in controversial arms trade.

Banks were asked if we had properly summarised their policy. Furthermore, banks that we found to have some type of policy were asked:

- Would you consider adopting a defence policy which makes explicit that you will not finance any transaction that violates the norms formulated in the ATT and EU Common Position?
- Our position is that no financing should be provided to companies which sell arms in contravention of the norms in the ATT and EU Common Position, in part to prevent adverse human rights impacts. Could you comment on that position and would you consider adopting policy to that respect?

This resulted in several answers from the banks, ranging from responses along the lines of "no comment" to an in-depth exchange. It is the aim of PAX that banks should improve their policies in this respect, with a view to changing the behaviour of arms companies. The replies of the banks are summarised below.

PAX welcomes the effort of those banks that did reply to questions as it enables for dialogue with the banks, which could ultimately lead to positive change in policy and practice.

## 4.2 Barclays

Barclays has published a defence sector statement under its 'human rights-related statements'.<sup>84</sup> This statement references an internal defence sector policy that is not publicly available.

The Defence sector statement warns that legal compliance alone is not sufficient and states that a broader assessment is made. The statement indicates that Barclays wants to avoid a situation where defence exports financed by Barclays are used by foreign authorities to oppress their own populations or to support unjustified external aggression.

Barclays references its enterprise risk management framework (ERMF), which sets its strategic approach for risk management by defining standards, objectives and responsibilities for all areas of the bank. Barclays' Group Statement on Human Rights commits the bank to the UN Guiding Principles and the OECD Guidelines amongst others and indicates that all substantial loans are to be reviewed on a case-by-case basis for the potential human rights impact.<sup>85</sup>

Summarising, Barclays does have policy that covers basic elements recommended by this report to be taken into account around arms trade. Barclays clarified that the bank does not limit its policy to the specific activity of trade finance. "Barclays' approach to the provision of services in the defence sector is to evaluate each proposal on a case-by-case basis and we apply our enhanced due diligence (EDD) process to clients in scope of our defence and security standard."<sup>86</sup>

The bank did not detail how the policy of the bank could have allowed financial services to be provided to almost all of the arms companies in this study despite this seemingly being in contravention of its policy. It did indicate that the internal policies are reviewed periodically and that the bank takes into account all international norms conventions and standards as part of these reviews.

	CONTENT CHECK
Does the bank have a defence policy?	YES
Applicable to all types of finance and to entire arms company	?
Reference int'l norms	OECD, UNGP

Does the policy mention the relevant criteria	
Arms embargo	-
Risk of IHL / IHRL Violations	-
Human Rights violations	+
Armed conflict	+/-
Corruption	-
Fragile states	-

### 4.2.1 LOANS AND UNDERWRITINGS BY BARCLAYS TO COMPANIES SUPPLYING ARMS TO STATES AT RISK

INVESTED VALUE (EUR MLN)	
COMPANIES	BARCLAYS
<b>Airbus</b>	<b>317.6</b>
Loans	317.6
Underwriting	
<b>BAE Systems</b>	<b>664.7</b>
Loans	422.0
Underwriting	242.7
<b>Boeing</b>	<b>1,176.4</b>
Loans	513.0
Underwriting	663.4
<b>General Dynamics</b>	<b>31.5</b>
Loans	31.5
Underwriting	
<b>Honeywell</b>	<b>1,235.2</b>
Loans	942.9
Underwriting	292.3
<b>L3 Harris Technologies</b>	<b>266.9</b>
Loans	170.6
Underwriting	96.3

<b>Leonardo</b>	<b>107.3</b>
Loans	90.0
Underwriting	17.3
<b>Lockheed Martin</b>	<b>82.0</b>
Loans	66.0
Underwriting	15.9
<b>Raytheon Technologies Corp</b>	<b>224.4</b>
Loans	224.4
Underwriting	
<b>Rolls-Royce</b>	<b>510.5</b>
Loans	400.2
Underwriting	110.3
<b>Thales</b>	<b>62.5</b>
Loans	62.5
Underwriting	
<b>TOTAL</b>	<b>4,679.0</b>

## 4.3 BNP Paribas

BNP Paribas states that it believes that banks have a role to play in contributing to peace and political stability in the world. As part of its ESG risk management system for its financing and investment activities, BNP Paribas has established a series of due diligence measures in the defence sector to identify the final destination of this equipment, and the intermediaries involved in their trade. BNP Paribas has had a dedicated, publicly available defence policy since 2010, which was updated in 2017.<sup>87</sup> The policy recognises various international regulatory agreements such as the Arms Trade Treaty and the EU Common Position. The policy covers both weapons and dual use equipment, and applies to all activities and subsidiaries in which BNP Paribas has operational control, as well as to proprietary assets under management, with the exception of index-linked products. The policy has a section focusing on defence companies and another section on defence transactions. The stated aim of that section is that "BNP Paribas works to contribute to the respect of the United Nations Arms Trade Treaty (ATT) as well as to avoid any complicity with human rights violations in armed conflicts and to mitigate the risks of corruption and money laundering linked to the export of defence and security equipment to countries subject to conflict or instability, or which fail to offer reliable legal guarantees for control of financial transactions." In response to questions by PAX, the bank states that while IHL and International Human Rights Law (IHRL) are not mentioned explicitly in its policy, the preamble would contain the underlying principles.

Concerning the arms trade, the bank states it has developed due diligence measures to identify the final destination of arms sales. The policy states that BNP Paribas applies exclusion rules for the provision of financial services and products related to the trade of defence and security equipment. This phrasing suggests, however, that only specific transactions are excluded, while other financial services to companies engaged in such transactions could still be performed by the bank. Exclusion is then based on the following criteria:

- There is an arms embargo imposed on the country by the UN, EU, US or France.
- The country is identified by the UN as having committed grave violations against children in armed conflict situations.

- The country is listed by the Financial Action Task Force (FATF) as showing serious shortcomings in legislation designed to combat financing of terrorism or money laundering.
- In addition, companies can be excluded from any financial services by BNP Paribas. This is the case for:
- Sales to non-state entities and states or state-controlled companies outside OECD countries.
- Sale to counterparties, whether private or state-owned, that have a verified, recent history of involvement in deals in violation of UN, EU, United States or French embargoes on arms and international repression equipment.

Furthermore, BNP Paribas applies 'reinforced due diligence' in the case of transactions involving military equipment, based on the following criteria:

- Countries under restrictive measures;
- Countries known for drug production and trafficking;
- The corruption perception index prepared by Transparency International;
- Countries with a known record of grave violations of human rights;
- Assessment of the regulatory framework regarding prevention of money laundering and the financing of terrorism;
- Countries in areas of ongoing conflict according to criteria defined by university research centres recognised for their expertise regarding armed conflicts;
- Countries currently classified or having been classified in the past as Non-Cooperative Countries or Territories (NCCTs) by the FATF, in the global fight against money laundering and terrorist financing.

The bank has committed to the OECD Guidelines and supports the UNGPs. It explains that it wants to ensure it is not complicit in violations, and wants to mitigate human rights risks in its business and operations. The human rights policy states that the

bank expects clients to work in accordance with human rights standards.<sup>88</sup>

Summarising, the policy of BNP Paribas covers a significant number of the criteria recommended in this report to conduct enhanced human rights due diligence regarding arms exporting companies.

BNP Paribas states that it excludes companies and defence-related transactions when not deemed in line with its requirements and standards on security, peace and human rights. BNP Paribas says that by the end of 2021 it had excluded 241 companies and had placed 36 companies under monitoring on these grounds.

BNP Paribas did not want to comment on individual transactions, so it remains unclear how the financing of arms companies as detailed below can be possible in spite of its policy: all these arms companies violate at least some of the norms of the ATT and the EU Common Position that the bank's policy aims to support.

	CONTENT CHECK
Does the bank have a defence policy?	YES
Applicable to all types of finance and to entire arms company	?
Reference int'l norms	ATT, EUCP, OECD, UNGP,

Does the policy mention the relevant criteria	
Arms embargo	+
Risk of IHL / IHRL Violations	+
Human Rights violations	+
Armed conflict	+/-
Corruption	+
Fragile states	-
Poverty and military spending	+

#### 4.3.1 LOANS AND UNDERWRITINGS BY BNP PARIBAS TO COMPANIES SUPPLYING ARMS TO STATES AT RISK

INVESTED VALUE (EUR MLN)	
COMPANIES	BNP PARIBAS
<b>Airbus</b>	<b>1,045.2</b>
Loans	317.6
Underwriting	727.6
<b>BAE Systems</b>	<b>317.6</b>
Loans	74.9
Underwriting	242.7
<b>Boeing</b>	<b>3,618.7</b>
Loans	1,476.7
Underwriting	2,141.9
<b>General Electric</b>	<b>6,362.0</b>
Loans	5903.7
Underwriting	458.4
<b>Honeywell</b>	<b>1,087.5</b>
Loans	611.3
Underwriting	476.2
<b>Leonardo</b>	<b>459.1</b>
Loans	403.5
Underwriting	55.5
<b>Northrop Grumman</b>	<b>84.2</b>
Loans	
Underwriting	84.2
<b>Raytheon Technologies Corp</b>	<b>385.6</b>
Loans	248.7
Underwriting	137.0
<b>Rolls-Royce</b>	<b>1,181.2</b>
Loans	751.9
Underwriting	429.3
<b>Safran</b>	<b>1,046.0</b>
Loans	446.8
Underwriting	599.3
<b>Thales</b>	<b>422.3</b>
Loans	302.3
Underwriting	120.0
<b>TOTAL</b>	<b>16,009.4</b>

#### 4.4 Crédit Agricole

In its policy, Credit Agricole recognises the EU Common Position on arms exports. The bank's policy authorises investment, financing and financial services for arms-exporting companies in OECD countries. This would prohibit investment in, for instance, Chinese, Emirati, Russian or Indian arms-exporting companies.

Further limits are placed only on the specific activity of 'trade finance'. This means that Credit Agricole will invest in OECD-based arms manufactures (excluding those falling under its policy on controversial and sensitive weapons, not further elaborated here).

The bank's policy for trade finance of arms exports contains some elements also recommended by this report, notably whether the country is in conflict and has a high risk of human rights violations. The policy indicates that approval must be obtained from the company's compliance department if the export is to countries that are non-OECD, but also to countries that are on a list of countries that present moderate or high levels of risk associated with human rights and conflict regions.<sup>89</sup> Based on the existing risk indicators of the bank's risk research provider, there would seem to be no issue for Crédit Agricole investing in arms exports to Saudi Arabia.

Summarising, the policy of Credit Agricole does cover basic elements around arms export also recommended in this report, but this only applies to trade finance. Other types of investment or financial services are allowed to any arms company, provided it is in a OECD country and does not produce the controversial weapons listed in the policy. This means that arms companies that export to controversial destinations mentioned in this report could obtain financial services (as long as they are not for the specific arms deal).

Crédit Agricole did not avail itself of the opportunity to respond to PAX's letter.

	CONTENT CHECK
Does the bank have a defence policy?	YES
Applicable to all types of finance and to entire arms company	NO (non-OECD companies excluded)
Reference int'l norms	EU CP

Does the policy mention the relevant criteria	
Arms embargo	-
Risk of IHL / IHRL Violations	+
Human Rights violations	-
Armed conflict	+
Corruption	+ (as: bribery)
Fragile states	(AON political risk map)
Poverty and military spending	-

#### 4.4.1 LOANS AND UNDERWRITINGS BY CRÉDIT AGRICOLE TO COMPANIES SUPPLYING ARMS TO STATES AT RISK

INVESTED VALUE (EUR MLN)	
COMPANIES	CRÉDIT AGRICOLE
<b>Airbus</b>	<b>2,285.8</b>
Loans	1,558.3
Underwriting	727.6
<b>BAE Systems</b>	<b>74.9</b>
Loans	74.9
Underwriting	
<b>Boeing</b>	<b>2,248.1</b>
Loans	941.7
Underwriting	1,306.4
<b>General Electric</b>	<b>41.7</b>
Loans	
Underwriting	41.7
<b>Honeywell</b>	<b>306.4</b>
Loans	239.5
Underwriting	66.9
<b>Leonardo</b>	<b>409.7</b>
Loans	336.9

Underwriting	72.9
<b>Lockheed Martin</b>	<b>886.1</b>
Loans	790.4
Underwriting	95.7
<b>Raytheon Technologies Corp</b>	<b>294.8</b>
Loans	262.4
Underwriting	32.4
<b>Rolls-Royce</b>	<b>966.2</b>
Loans	696.4
Underwriting	269.8
<b>Safran</b>	<b>1,046.0</b>
Loans	446.8
Underwriting	599.3
<b>Thales</b>	<b>622.2</b>
Loans	302.3
Underwriting	320.0
<b>TOTAL</b>	<b>9,182.1</b>

## 4.5 Crédit Mutuel CIC Group

The Crédit Mutuel banking group has a defence sector policy. In this policy, the bank states that it will refrain from providing banking and financial services for specific transactions if there is insufficient knowledge of the purpose, the client and its counterparties and of whether the country concerned is a 'sensitive country' or not. However, the scope of the policy is defined as including all banking and financial services. The policy acknowledges the EU Common Position on arms exports.

Regarding arms trade, the policy says the bank will refrain from financing support for the sale of defence material to non-state entities outside the EU and NATO, and transactions related to terrorism or money-laundering. However, the policy also states that the bank will only take part in transactions if the exporting company is a member state of the EU, or a "country similar to the intra-Community regime in terms of weapons transfer". Also, the "necessary authorizations" must be obtained.

The policy states that the bank will examine each case (of an arms transaction) with regard to countries where there have been serious violations of human rights. It is unclear, however, what this examination could lead to.<sup>90</sup>

No group-wide human rights policy was found for Crédit Mutuel.

Summarising, Crédit Mutuel's policy on arms trade seems to limit specific financial services for arms transactions to companies in the EU or in countries with a similar regime. This makes the policy somewhat vague, and it allows for other types of financial services to arms producers, as long as there is no direct link with a specific arms transaction. The policy does mention the risk of serious violations of human rights as a result of arms transfers, but it is unclear how this is factored into decision-making around investments in arms producers.

Crédit Mutuel did not reply to a letter from PAX.

	CONTENT CHECK
Does the bank have a defence policy?	YES
Applicable to all types of finance and to entire arms company	NO
Reference int'l norms	ATT, EU CP

Does the policy mention the relevant criteria	
Arms embargo	+
Risk of IHL / IHRL Violations	-
Human Rights violations	+
Armed conflict	+
Corruption	+
Fragile states	-
Poverty and military spending	-

#### 4.5.1 LOANS AND UNDERWRITINGS BY CRÉDIT MUTUEL CIC GROUP TO COMPANIES SUPPLYING ARMS TO STATES AT RISK

INVESTED VALUE (EUR MLN)	
COMPANIES	CRÉDIT MUTUEL CIC GROUP
<b>Airbus</b>	<b>462.8</b>
Loans	462.8
Underwriting	
<b>BAE Systems</b>	<b>74.9</b>
Loans	74.9
Underwriting	
<b>General Dynamics</b>	<b>178.9</b>
Loans	178.9
Underwriting	
<b>L3 Harris Technologies</b>	<b>52.0</b>
Loans	52.0
Underwriting	
<b>Leonardo</b>	<b>40.9</b>
Loans	40.9
Underwriting	
<b>Lockheed Martin</b>	<b>44.0</b>
Loans	44.0
Underwriting	

<b>Safran</b>	<b>1,027.5</b>
Loans	677.5
Underwriting	350.0
<b>Thales</b>	<b>622.2</b>
Loans	302.3
Underwriting	320.0
<b>TOTAL</b>	<b>2,503.4</b>

## 4.6 Deutsche Bank

Deutsche Bank does not have a public policy specifically for the defence sector. Its public communication around the defence sector focuses on controversial weapons: the policy on this was updated in 2018.<sup>91</sup>

The bank has a Statement on Human Rights, which it states is 'guided' by international standards like the UNGPs and the OECD Guidelines. In the statement, the bank clearly states it will not engage in any activities or relations where there is clear evidence of severe human rights violations. The statement explains that human rights are integrated in the environmental and social (ES) due diligence procedures and the ES Risk Framework. The statement also encourages stakeholders to contact the bank in case of grievances caused by failure of the bank to avoid severe human rights violations.<sup>92</sup>

The ES Policy Framework referred to in the statement is public. In it, the bank identifies high-risk sectors, but the defence sector is not listed amongst these sectors. Overall, the Framework repeats the commitments laid out in the Human Rights Statement and makes them specific for several sectors. However, the defence sector is not amongst these sectors.<sup>93</sup>

In a response a letter from PAX, the bank indicated it has a defense policy, but this is not published. The bank indicated it assesses the risks associated with human rights violations regularly, ensures due diligence processes remain resilient and monitors as well as evaluate how negative impacts can be consistently avoided. The bank states human rights considerations are embedded within internal policies for any business activities involving the defense sector, in particular whether the transaction or relationship could undermine peace and security and whether the underlying goods could be used:

- to commit or facilitate a violation of international humanitarian law and / or human rights law as established by the United Nations, European Union or the Council of Europe;
- to commit or facilitate an act constituting an offence under international conventions or protocols relating to transnational organised crime;
- to commit or facilitate acts of gender-based violence or acts of violence against women and children; or,

- for internal repressions by state actors.

In response, the bank furthermore stated: Deutsche Bank has established a dedicated due diligence framework for clients and transactions linked to the defense industry, formalized within internal policies. It covers the manufacturing and sales of weapons and military technology, and includes hardware, related software, their major components, and services for military, security, and police purposes. These matters are reviewed by a dedicated control function and referred to the bank's Reputational Risk Framework, where appropriate, which includes potential escalation to the Group Reputational Risk Committee and the Management Board. Multiple factors are reviewed, including the purpose / nature of the underlying goods, products or services; the destination countries; the end users of the goods; client considerations and other risk drivers. All these are considered in relation to a broad spectrum of human rights aspects. In addition, the bank has a number of minimum standards in relation to activities in the defence sector, including for certain countries and products.

Summarising, Deutsche Bank has a human rights commitment but no specific public policy to avoid business relations with arms producers involved in arms trade with high-risk countries.

	CONTENT CHECK
Does the bank have a defence policy?	NO
Applicable to all types of finance and to entire arms company	NO
Reference int'l norms	OECD, UNGP

Does the policy mention the relevant criteria	
Arms embargo	-
Risk of IHL / IHRL Violations	+
Human Rights violations	+
Armed conflict	-
Corruption	-
Fragile states	-
Poverty and military spending	-

### 4.6.1 LOANS AND UNDERWRITINGS BY DEUTSCHE BANK TO COMPANIES SUPPLYING ARMS TO STATES AT RISK

INVESTED VALUE (EUR MLN)	
COMPANIES	DEUTSCHE BANK
<b>Airbus</b>	<b>1,156.8</b>
Loans	1,094.3
Underwriting	62.5
<b>BAE Systems</b>	<b>273.9</b>
Loans	74.9
Underwriting	198.9
<b>Boeing</b>	<b>3,845.7</b>
Loans	1,655.7
Underwriting	2,190.0
<b>General Electric</b>	<b>2,687.8</b>
Loans	1,968.9
Underwriting	718.9
<b>Honeywell</b>	<b>2,427.7</b>
Loans	1,353.6
Underwriting	1,074.1
<b>L3 Harris Technologies</b>	<b>359.9</b>
Loans	242.1
Underwriting	117.8
<b>Leonardo</b>	<b>40.9</b>
Loans	40.9
Underwriting	
<b>Raytheon Technologies Corp</b>	<b>2,906.8</b>
Loans	870.9
Underwriting	2,035.9
<b>Rolls-Royce</b>	<b>311.1</b>
Loans	311.1
Underwriting	
<b>Safran</b>	<b>459.6</b>
Loans	374.8
Underwriting	84.8
<b>Thales</b>	<b>422.3</b>
Loans	302.3
Underwriting	120.0
<b>TOTAL</b>	<b>14,892.4</b>

## 4.7 Groupe BPCE

Groupe BPCE does not have a specific policy for the defence sector at the group level. Its ethical guide contains principles that commit the bank to human dignity (Principle 9) and the promotion of human rights (Principle 12). The bank indicates that it is committed to making ESG criteria an integral part of its lending policies.<sup>94</sup>

Natixis is the part of Groupe BPCE bank that offers wholesale banking services and other financial services to larger companies. Natixis does have a specified defence sector policy, which applies worldwide to all services offered by the bank.

The policy explains that as a general principle, there is compliance with export regulations and with other international legislation on weapons. Arms companies in non-OECD countries as well as countries without export licencing regimes are excluded from the bank's services. Transactions are excluded if they involve a country under a UN, EU, US or French arms embargo.

The Natixis Defence Policy is based on company exclusions (mainly of producers of controversial weapons) and on transactional due diligence with respect to human rights risks and other sector-specific risks, as identified by the EU Common Position. The policy states that Natixis "in its exclusion policy takes into account" violations of human rights, a high risk of corruption and non-compliance with the EU Code of Conduct on Arms Trade<sup>95</sup> as well as protocols regarding counter terrorism and anti-money laundering.

There is a list of arms companies Natixis excludes because they are (as clarified by BPCE) "subject to major controversies, as assessed by Natixis [...], in particular with respect to mismanagement, corruption, and non-compliance with international conventions and protocols." This exclusion list is not public. Groupe BPCE answered questions from PAX: "We do not consider any of the companies to be involved in major controversies as described by the Natixis Defense Policy. None of the companies is on our Exclusion list."<sup>96</sup>

Strengthened oversight is applied by Natixis in the case of arms companies by making use of a 'grid' that involves both credit risk analysis and an assessment of whether the country involved is currently involved in an armed conflict.<sup>97</sup> Groupe BPCE clarified that it views its independent transactional due diligence

sufficient to meet both its legal obligations and its stakeholders' expectations that it should act ethically.<sup>98</sup> It states that the primary responsibility for applying the EU Common Position and ATT lies with governments and its view is that authorised exports "should not serve as a basis for company exclusions". Still, the bank reserves its right to exclude companies from its financial services where it considers that a company bears clear responsibility for human rights violations.<sup>99</sup>

Summarising, Groupe BPCE does not have policy relevant for the defence sector but its subsidiary Natixis does. This policy states that BPCE excludes companies if they are subject to major controversies, with a heightened risk related to arms trade in the light of violations of human rights amongst other things. Natixis applies strengthened oversight when dealing with countries currently in armed conflict. More specific information on how this policy is applied (for instance, the exclusion list) is not public.

	CONTENT CHECK
Does the bank have a defence policy?	Not at a Group level but at relevant subsidiary level
Applicable to all types of finance and to entire arms company	NO
Reference int'l norms	(reference to EU Code of Conduct on Arms Trade)

Does the policy mention the relevant criteria	(evaluated at Natixis subsidiary level)
Arms embargo	+
Risk of IHL / IHRL Violations	-
Human Rights violations	+
Armed conflict	+/- <sup>100</sup>
Corruption	+
Fragile states	-
Poverty and military spending	-

### 4.7.1 LOANS AND UNDERWRITINGS BY GROUPE BPCE TO COMPANIES SUPPLYING ARMS TO STATES AT RISK

INVESTED VALUE (EUR MLN)	
COMPANIES	GROUPE BPCE
<b>Airbus</b>	<b>1,323.1</b>
Loans	1062.2
Underwriting	260.9
<b>General Electric</b>	<b>1,034.4</b>
Loans	1,034.4
Underwriting	
<b>Leonardo</b>	<b>65.9</b>
Loans	65.9
Underwriting	
<b>Safran</b>	<b>713.9</b>
Loans	446.8
Underwriting	267.1
<b>Thales</b>	<b>482.5</b>
Loans	262.5
Underwriting	220.0
<b>TOTAL</b>	<b>3,619.8</b>

## 4.8 HSBC

In its defence-equipment-related sector policy (which is a public summary of its policy), HSBC indicates that in 2000 it decided to withdraw from the financing of the manufacture and sale of weapons. The policy sets out how this was implemented.

The bank explains that it is difficult to define which businesses are actually involved in weapon production. One question is how to deal with weapon components, another is whether the product (weapon or component) is significant to the supplier's business.

The bank indicates that it undertakes checks to assess where and how dual-use equipment could be used as weapons or for military applications. Such assessment is involved in the clearance of current or potential customers of the bank. The bank furthermore indicates that it will finance conglomerates with military subsidiaries if the military turnover does not exceed one third of total turnover and if the conglomerate does not produce or sell anti-personnel mines or cluster bombs.

In a FAQ, HSBC indicates that it is possible that loans by HSBC to weapons companies still exist if the loan predates the policy. The policy applies to lending, bonds, debt and equity capital market activities, advisory work, insurance, and investments where HSBC acts as a principal investor. The policy does not apply to investments HSBC holds on behalf of customers.<sup>101</sup>

HSBC has a human rights statement, which commits the bank to the OECD Guidelines and the UNGPs. The human rights statement refers to the sector policy for more details.<sup>102</sup>

Summarising, HSBC seems to have a rather stringent policy on investments, only accepting clients that derive less than one third of their turnover from sales of military equipment. However, this does allow for continued investment in some arms producers, for which no specific policy seems to exist that takes the risks related to arms trade into account.

HSBC did not make use of the opportunity to respond to the letter from PAX.

	CONTENT CHECK
Does the bank have a defence policy?	YES
Applicable to all types of finance and to entire arms company	Only if more than one third of the turnover is from defence
Reference int'l norms	OECD, UNGP,

Does the policy mention the relevant criteria	
Arms embargo	-
Risk of IHL / IHRL Violations	-
Human Rights violations	-
Armed conflict	-
Corruption	-
Fragile states	-
Poverty and military spending	-

#### 4.8.1 LOANS AND UNDERWRITINGS BY HSBC TO COMPANIES SUPPLYING ARMS TO STATES AT RISK

INVESTED VALUE (EUR MLN)	
<b>COMPANIES</b>	<b>HSBC</b>
<b>Airbus</b>	<b>1,045.2</b>
Loans	317.6
Underwriting	727.6
<b>AVIC</b>	<b>42.2</b>
Loans	
Underwriting	42.2
<b>General Electric</b>	<b>398.1</b>
Loans	
Underwriting	398.1
<b>Honeywell</b>	<b>318.3</b>
Loans	294.1
Underwriting	24.2
<b>L3 Harris Technologies</b>	<b>349.0</b>
Loans	252.7
Underwriting	96.3
<b>Leonardo</b>	<b>345.5</b>
Loans	290.0

Underwriting	55.5
<b>Raytheon Technologies Corp</b>	<b>1,573.4</b>
Loans	1,573.4
Underwriting	
<b>Rolls-Royce</b>	<b>1,112.7</b>
Loans	683.4
Underwriting	429.3
<b>Safran</b>	<b>641.9</b>
Loans	374.8
Underwriting	267.1
<b>Thales</b>	<b>422.3</b>
Loans	302.3
Underwriting	120.0
<b>TOTAL</b>	<b>6,248.6</b>

## 4.9 ING

ING Group has a webpage dedicated to how it deals with the defence sector. On this page, the bank explains that it wants to balance the need for defence equipment with the desire not to harm civilians. The bank indicates that it expects companies to show proof of an export licence if trade financing is requested for weapons.

ING Group indicates that it has a due diligence process in place to avoid financing transactions involving military goods and countries sensitive to corruption.<sup>103</sup>

ING Group's Environmental and Social Risk (ESR) Framework has a chapter on defence as well. In this chapter, the bank explains that it avoids providing financial services to arms producers that make weapons available to countries under an arms embargo, and to non-state actors without UN, US or EU approval. ING also states that it verifies that its 'engagement' with arms companies will not make weapons available to countries if there is a clear risk that the weapons may "be used for internal repression, serious violations of international humanitarian law, to provoke or prolong armed conflicts or aggravate existing tensions, or for any other use which cannot reasonably be considered to have a normal and legitimate national security and defence purpose." The text, through the use of the word 'engagement', does seem to leave room for investments in arms products if these are not directly related to making weapons available as described. Elsewhere in the policy, it is made clear that this restriction only applies to transaction finance: "ING will not finance transactions in the defence sector in relation to countries in which there is a clear risk that international (humanitarian) law will be violated." This leaves open the possibility that ING would finance companies that deliver arms to controversial destinations.

In its ESR Framework, the bank indicates that its integration of human rights in its business engagements is guided by the UNGPs and the OECD Guidelines, amongst other standards.<sup>104</sup>

Summarising, ING Group does take into account a number of the risks this report recommends taking into account. However, this seems to be limited to transaction-specific finance, for instance for the production or sale of weapons to high-risk countries,

while other, more general financial services to companies engaged in such activities are not prohibited by its policy.

ING indicated it was willing to consider explicitly mentioning the ATT and the EU Common Position in a future update of its policy. The bank did not provide further answers to the questions in PAX's letter.

	CONTENT CHECK
Does the bank have a defence policy?	YES
Applicable to all types of finance and to entire arms company	NO
Reference int'l norms	OECD, UNGP Implicitly: ATT, EU CP

Does the policy mention the relevant criteria	
Arms embargo	+
Risk of IHL / IHRL Violations	+
Human Rights violations	+
Armed conflict	+
Corruption	+
Fragile states	-
Poverty and military spending	-

#### 4.9.1 LOANS AND UNDERWRITINGS BY ING TO COMPANIES SUPPLYING ARMS TO STATES AT RISK

INVESTED VALUE (EUR MLN)	
<b>COMPANIES</b>	<b>ING GROUP</b>
<b>Airbus</b>	<b>202.2</b>
Loans	202.2
Underwriting	
<b>General Electric</b>	<b>1,034.4</b>
Loans	1,034.4
Underwriting	
<b>TOTAL</b>	<b>1,236.6</b>



## 4.10 Intesa Sanpaolo

Intesa Sanpaolo has a specific defence sector policy, of which only an abstract is publicly available.<sup>105</sup> The policy recognises Italian law on arms exports and – according to an e-mail by the bank – also references the Arms Trade Treaty (ATT) and the EU Common Position.<sup>106</sup> According to the bank, it is applicable to banking/lending activities for the whole group, while specific rules apply to other entities within the group.<sup>107</sup> No mention is made of investments by third parties (assets under management), which suggests that such investments would not be excluded by the policy.

The policy limits support and financing for transactions or production of weapons to companies located in the EU or NATO countries. The policy hence prohibits support for transactions with, or production of weapons in, countries outside the EU or NATO, except if the weapons are meant for countries in the EU or NATO. This means that the policy does not allow for the production and/or sale of armaments to other countries, even in cases in which this would be in compliance with prevailing law.<sup>108</sup> According to the policy, exceptions can be made by senior management. Transactions involving non-EU and/or non-NATO countries are also allowed but subject to an extraordinary approval process, provided there are intergovernmental programmes with the Italian Republic. Although the policy does not prohibit general purpose corporate loans to arms companies, such loans require an enhanced valuation process, including a commitment of the arms company not to use the proceeds for any arms production or sales related activities.

In another guideline, Intesa Sanpaolo undertakes “not to finance companies and projects if these are located in areas of active armed conflict, or if evidence emerges (...)relating to human rights violations and forced or child labour practices.”<sup>109</sup> The defence policy refers specifically to the values and principles of the bank as expressed in its Code of Ethics. This Code of Ethics describes how the bank plans to conduct its business ethically. The code commits the bank to the Universal Declaration of Human Rights, but not for instance to the UNGPs or the OECD Guidelines. One of the principles regarding its customer relations laid out in the Code is the ‘Assessment of Social-Environmental Risk’. According to this principle, the bank wants to promote peaceful coexistence and avoid supporting activities that jeopardise this.<sup>110</sup>

Summarising, in its defence policy Intesa Sanpaolo references the relevant international norms on arms export and limits financial services to arms companies located in either EU or NATO member states, or if the weapons are sent to or produced for such countries. Exceptions are possible after an enhanced approval process.

The bank would not comment on individual clients or transactions and did not clarify whether there had ever been authorised exceptions made to this policy in respect of transactions regarding arms exports to non-EU/NATO countries. Neither did Intesa Sanpaolo explain how financing of arms companies as listed below were allowed under its policy.

	CONTENT CHECK
Does the bank have a defence policy?	YES
Applicable to all types of finance and to entire arms company	YES
Reference int'l norms	UNGP ATT, EU CP

Does the policy mention the relevant criteria	
Arms embargo	+
Risk of IHL / IHRL Violations	+
Human Rights violations	+
Armed conflict	+
Corruption	+
Fragile states	-
Poverty and military spending	-

### 4.10.1 LOANS AND UNDERWRITINGS BY INTESA SANPAOLO TO COMPANIES SUPPLYING ARMS TO STATES AT RISK

INVESTED VALUE (EUR MLN)	
COMPANIES	INTESA SANPAOLO
<b>Boeing</b>	<b>406.0</b>
Loans	178.7
Underwriting	227.3
<b>Honeywell</b>	<b>126.9</b>
Loans	126.9

Underwriting	
<b>Leonardo</b>	<b>676.4</b>
Loans	603.5
Underwriting	72.9
<b>Raytheon Technologies Corp</b>	<b>73.2</b>
Loans	73.2
Underwriting	
<b>TOTAL</b>	<b>1,282.5</b>

## 4.11 Lloyds Banking Group

Lloyds Banking group has a series of ‘external sector statements’, one of which is devoted to the defence sector. In the statement, the bank recognises the inherent ethical, social and environmental risks associated with the sector, as well as risks of corruption and money laundering.

Regarding the trade in weapons specifically, the bank indicates that it considers UK export licencing requirements as a guide for many of its decisions. According to Lloyds Banking Group, it undertakes “robust due diligence on all customers who may be involved in the manufacture, trade, storage or servicing of weapons and military equipment.”<sup>111</sup>

In its reply to PAX, Lloyds stated that although it had not specified its position on the EU Common Position or the ATT, the bank is supportive of the norms contained within them.<sup>112</sup>

For transactions related to customers subject to other requirements, the bank would consider “less stringent” detailed due diligence is undertaken. The bank indicates that it reserves the right not to support such transactions. The nature of the equipment and its likely use are part of the assessment. It is worth noting that “servicing of military equipment” is specifically mentioned in the bank’s policy.<sup>113</sup>

In its Human Rights Policy Statement, Lloyds Banking Group recognises the OECD Guidelines as well as the UNGPs.<sup>114</sup> In its reply to PAX, the bank stated: “We acknowledge that finance has an important role to play in influencing better social, human rights and environmental outcomes, and we take this into account in our investment, lending and operations.”<sup>115</sup>

Summarising, Lloyds Banking Group relies on the UK export licencing regime and applies due diligence regarding customers under another regime. This seems to apply only to services supporting specific transactions, not to investments in arms producers in general.

	CONTENT CHECK
Does the bank have a defence policy?	YES
Applicable to all types of finance and to entire arms company	NO
Reference int'l norms	OECD, UNGP

Does the policy mention the relevant criteria	
Arms embargo	-
Risk of IHL / IHRL Violations	-
Human Rights violations	-
Armed conflict	-
Corruption	-
Fragile states	-
Poverty and military spending	-

#### 4.11.1 LOANS AND UNDERWRITINGS BY LLOYDS BANKING GROUP TO COMPANIES SUPPLYING ARMS TO STATES AT RISK

INVESTED VALUE (EUR MLN)	
COMPANIES	LLOYDS BANKING GROUP
<b>Airbus</b>	<b>756.4</b>
Loans	693.9
Underwriting	62.5
<b>BAE Systems</b>	<b>273.9</b>
Loans	74.9
Underwriting	198.9
<b>Boeing</b>	<b>700.1</b>
Loans	321.9
Underwriting	378.2
<b>General Dynamics</b>	<b>702.6</b>
Loans	478.8
Underwriting	223.8
<b>General Electric</b>	<b>1,034.4</b>
Loans	1,034.4
Underwriting	
<b>Lockheed Martin</b>	<b>455.5</b>
Loans	439.5

Underwriting	15.9
<b>Rolls-Royce</b>	<b>572.7</b>
Loans	462.5
Underwriting	110.3
<b>TOTAL</b>	<b>4,495.5</b>

## 4.12 NatWest

NatWest has a dedicated defence policy in which the bank indicates that it acts in accordance with the licencing arrangements set by the UK government and international standards regarding weapons that are controversial by nature (such as landmines, cluster munitions and chemical weapons).<sup>116</sup> The bank requires arms transactions to have an export licence but does not consider this sufficient and does not support transactions “going to jurisdictions that have a track record of human rights abuse, or where the country’s adherence to international standards in the conduct of military action undermines confidence in the end use of the weapon”. It seems this is limited to support for the specific transaction, not to other financial services for companies involved in such transactions.

The policy further explains that the bank applies an Environmental, Social and Ethical (ESE) risk framework, which expects client companies to show understanding and implementation of ESE issues. Manufacture, sale and trade of all weapons to ‘high-risk countries’ fall under ‘restricted’ activities. What constitutes a high-risk country is not explained.<sup>117</sup> NatWest did not want to share its country risk ratings but did stress that “these take into account a wide number of factors, one of which is human rights”.<sup>118</sup>

NatWest also has a human rights statement. In this document, the bank indicates that its approach is guided by the UNGPs and the OECD Guidelines, amongst other things. The bank expects its customers to share its commitment to respect human rights within their operations and supply chain.<sup>119</sup>

Summarising, NatWest does consider the risks involved in arms trade to high-risk countries, and considers this a ‘restricted activity’. It is unclear what criteria the bank uses to determine whether an arms company is exporting to a high-risk country. The policy does provide specific criteria (track record of human rights abuse and adherence to international standards on the conduct of military action), but these criteria seem to be applied only for services supporting specific transactions, thereby leaving the possibility open that general-purpose investments are made in arms companies exporting to controversial destinations.

	CONTENT CHECK
Does the bank have a defence policy?	YES
Applicable to all types of finance and to entire arms company	NO
Reference int'l norms	OECD, UNGP

Does the policy mention the relevant criteria	
Arms embargo	-
Risk of IHL / IHRL Violations	+/-
Human Rights violations	+
Armed conflict	-
Corruption	-
Fragile states	-
Poverty and military spending	-

#### 4.12.1 LOANS AND UNDERWRITINGS BY NATWEST TO COMPANIES SUPPLYING ARMS TO STATES AT RISK

INVESTED VALUE (EUR MLN)	
COMPANIES	NATWEST
<b>Airbus</b>	<b>1,530.2</b>
Loans	1,301.1
Underwriting	229.2
<b>BAE Systems</b>	<b>273.9</b>
Loans	74.9
Underwriting	198.9
<b>General Dynamics</b>	<b>20.4</b>
Loans	20.4
Underwriting	
<b>Honeywell</b>	<b>318.3</b>
Loans	294.1
Underwriting	24.2
<b>Leonardo</b>	<b>296.4</b>
Loans	240.9
Underwriting	55.5
<b>Raytheon Technologies Corp</b>	<b>43.1</b>
Loans	43.1
Underwriting	
<b>Rolls-Royce</b>	<b>458.5</b>
Loans	348.2

Underwriting	110.3
<b>Safran</b>	<b>144.0</b>
Loans	144.0
Underwriting	
<b>TOTAL</b>	<b>3,084.7</b>

### 4.13 Santander

Santander has a defence policy that implicitly references international guidelines around arms production and sales, including the risk that weapons are sold to countries in which human rights are violated or to unstable regions. The policy prohibits involvement in the financing or support of a list of controversial weapons.

Regarding the trade in military goods/arms, the bank “pays particular attention to risks” that may arise if the defence goods are delivered to countries meeting certain criteria. These criteria are applied for the country to which the goods are delivered, and are the following:

- Has not ratified core UN legal instruments on human rights or is identified by the Financial Action Task Force as non-cooperative in the prevention of money laundering.
- Has been sanctioned by the UN/EU for human rights violations or internal repression, as defined in the Universal Declaration of Human Rights, the International Covenant on Civil and Political Rights and the Protocol on the Rights of the Child on the involvement of Children in Armed Conflict.
- If goods may cause or exacerbate armed conflicts or aggravate existing tensions in the country of final destination.
- If there is a risk to countries' security, peace, defence and stability.
- If there are serious grounds to believe that the delivery may be diverted from its destination.
- If the financed product could be used to attack another country, or forcibly impose a territorial claim, always with consideration for the country's attitude towards terrorism, the nature of its alliances and respect for international law.

One may notice clear resemblances to the EU Common Position. However, Santander's policy considers activities that meet the above-mentioned criteria to be 'restricted activities', not prohibited, and speaks clearly of a risk that needs to be weighed by the bank's business units.<sup>120</sup> Also, the policy's wording only relates to the financing of specific transactions with countries that meet the above-mentioned

criteria; this means the policy does not in any way restrict more general financing of arms companies that export weapons to such destinations.

The defence sector policy briefly mentions the bank's human rights policy, which commits the bank to (amongst other guidelines) the UN Guiding Principles. In the human rights policy, the bank commits to respect for human rights throughout its supply chain.<sup>121</sup>

Summarising, in its policy Santander does cover basic elements around arms export that are also recommended in this report, and enforces a risk assessment by its units based on a set of criteria. The policy does not formulate red lines on arms trade, but asks for an assessment of the risk.

Santander did not respond to the letter from PAX on this matter.

	CONTENT CHECK
Does the bank have a defence policy?	YES
Applicable to all types of finance and to entire arms company	NO
Reference int'l norms	ICCPR

Does the policy mention the relevant criteria	
Arms embargo	+
Risk of IHL / IHRL Violations	+
Human Rights violations	+
Armed conflict	+
Corruption	+
Fragile states	-
Poverty and military spending	-

#### 4.13.1 LOANS AND UNDERWRITINGS BY SANTANDER TO COMPANIES SUPPLYING ARMS TO STATES AT RISK

INVESTED VALUE (EUR MLN)	
COMPANIES	SANTANDER
<b>Airbus</b>	<b>1,343.9</b>
Loans	1,062.2

Underwriting	281.7
<b>Boeing</b>	<b>1,973.3</b>
Loans	859.4
Underwriting	1,113.9
<b>General Electric</b>	<b>1,242.9</b>
Loans	1,034.4
Underwriting	208.4
<b>Honeywell</b>	<b>782.4</b>
Loans	556.1
Underwriting	226.2
<b>Leonardo</b>	<b>90.0</b>
Loans	90.0
Underwriting	
<b>Raytheon Technologies Corp</b>	<b>73.2</b>
Loans	73.2
Underwriting	
<b>Rolls-Royce</b>	<b>938.7</b>
Loans	669.0
Underwriting	269.8
<b>Safran</b>	<b>706.5</b>
Loans	446.8
Underwriting	259.8
<b>Thales</b>	<b>522.2</b>
Loans	302.3
Underwriting	220.0
<b>TOTAL</b>	<b>7,673.1</b>

## 4.14 Société Générale

Société Générale has a dedicated sector policy for the defence sector, which the bank indicates is a group-wide cross-sectoral policy in addition to environmental, social and human rights guidelines. The policy recognises the Arms Trade Treaty and the EU Common Position.

Regarding the arms trade, the policy states that the bank will “exclude all transactions” that involve defence equipment going to countries:

- Where an arms trade embargo, or a sanctions regime applicable to the defence sector, has been decreed by the UN, the European Union or the Organization for Security and Co-operation in Europe (OSCE);
- Where the transaction would pose a clear risk of non-compliance with human rights and international humanitarian law.

Transactions by organisations acting under a UN mandate are exempted.

The bank assesses “the acceptability of the transaction according to the sensitivity of the final destination (in particular countries where is actively taking place or countries participating in a declared war as per international law or an armed conflict); and in the light of the criteria defined by the common position of the Council of the European” However, this assessment is clearly only done for specific transactions, not for the client relation as a whole.<sup>122</sup>

In its reply to PAX, Société Générale further explained that in the internal process of implementing its defence policy, the bank uses a mapping of countries, which leads to their designation as low risk through to excluded countries.

Société Générale stresses that it operates very cautiously when providing financial services or products to the arms industry. However, it also clearly holds the view that this does “not justify excluding a company that respects the applicable laws and international treaties and does not contravene our exclusion criteria.”<sup>123</sup> In response, PAX emphasizes that this point of view overlooks the banks’ own responsibility, an aspect that this report wishes to stress.

Summarising, Société Générale applies criteria around human rights and the risk of contributing to armed conflict in its assessment when deciding whether to provide financial services to arms companies, as is recommended by this report. However, these criteria are applied only for what the policy refers to as specific ‘transactions’, while the policy seems to allow other financial services to companies engaged in such transactions.

	CONTENT CHECK
Does the bank have a defence policy?	YES
Applicable to all types of finance and to entire arms company	NO
Reference int’l norms	ATT, EU CP, OECD, UNGP

Does the policy mention the relevant criteria	
Arms embargo	+
Risk of IHL / IHRL Violations	+
Human Rights violations	+
Armed conflict	+
Corruption	+
Fragile states	-
Poverty and military spending	-

### 4.14.1 LOANS AND UNDERWRITINGS BY SOCIÉTÉ GÉNÉRALE TO COMPANIES SUPPLYING ARMS TO STATES AT RISK

INVESTED VALUE (EUR MLN)	
<b>COMPANIES</b>	<b>SOCIÉTÉ GÉNÉRALE</b>
<b>Airbus</b>	<b>1,045.2</b>
Loans	317.6
Underwriting	727.6
<b>BAE Systems</b>	<b>317.6</b>
Loans	74.9
Underwriting	242.7
<b>Boeing</b>	<b>2,026.2</b>
Loans	892.2
Underwriting	1,134.1

<b>Honeywell</b>	<b>765.1</b>
Loans	566.0
Underwriting	199.1
<b>Leonardo</b>	<b>370.5</b>
Loans	315.0
Underwriting	55.5
<b>Raytheon Technologies Corp</b>	<b>73.2</b>
Loans	73.2

Underwriting	
<b>Rolls-Royce</b>	<b>815.3</b>
Loans	545.5
Underwriting	269.8
<b>Safran</b>	<b>1,063.9</b>
Loans	446.8
Underwriting	617.1
<b>Thales</b>	<b>522.2</b>
Loans	302.3
Underwriting	220.0
<b>TOTAL</b>	<b>6,999.2</b>

## 4.15 UBS

UBS does not have a specific defence policy. Its Sustainable Exclusion Policy, which applies to asset management only, excludes companies with over 10 per cent of revenue derived from the production of weapons. However, the current report focuses only on loans and underwritings, which means that the asset management policy is not taken into account. On a sidenote, it should be mentioned that several arms producers listed in this report would fall below the 10 per cent threshold that UBS applies, which may lead to UBS having financial ties with companies exporting arms to controversial destinations—an undesirable situation

The only public document relevant at the group level for UBS is its Human Rights Statement. In the statement, the bank commits to respecting human rights as set out in the UNGPs. According to the statement, the bank commits to helping clients identify and manage adverse impacts on human rights. Some ‘controversial activities’ are excluded by the bank, according to the statement; however which activities is not specified.<sup>124</sup>

In its Environmental and Social Risk Framework, the bank makes further commitments. It states: “We avoid transactions, products, services, activities or suppliers if there are material environmental and social risks that cannot be properly assessed. We will not do business with a counterparty/issuer who we judge is not addressing environmental or social issues in an appropriate and responsible manner.” The document lists focus areas, controversial activities and areas of concern, but none of these texts mention the issue of arms trade specifically. It should be noted that controversial weapons *are* mentioned specifically, and in this case exclusion is applied.<sup>125</sup>

UBS had a succinct reply to PAX letter: “UBS does not disclose its policy approach for the defense industry, other than the pieces that you have already identified in your research. However, this doesn’t mean that we don’t have strict internal policies across our businesses to be compliant with other legal and regulatory requirements and to manage salient risks. All our business activities with potentially affected companies require a detailed case-by-case review of the relevant transactions and require prior approval.”

In response, PAX reiterates that it views the role of banks to go beyond the strict check about whether an arms company abides by the law. We cannot assess the internal

case-by-case review procedure that UBS mentions. However, it is clear from the table below that its internal procedures do not fully exclude financing arms companies that have delivered weapons to controversial destinations.

Summarising, UBS's policies that relate specifically to risks attached to the defence sector apply only to its asset management branch. No defence policy exists at a level that would make it applicable to lending and other financial services. The bank's human rights policy commits it to the UNGPs but does not specify the defence sector as a controversial category of activities. Neither does it clarify how an adverse human impact would be taken into account in deciding whether or not to go forward with a transaction.

	CONTENT CHECK
Does the bank have a defence policy?	YES
Applicable to all types of finance and to entire arms company	NO
Reference int'l norms	UNGP

Does the policy mention the relevant criteria	
Arms embargo	-
Risk of IHL / IHRL Violations	-
Human Rights violations	-
Armed conflict	-
Corruption	-
Fragile states	-
Poverty and military spending	-

#### 4.15.1 LOANS AND UNDERWRITINGS BY UBS TO COMPANIES SUPPLYING ARMS TO STATES AT RISK

INVESTED VALUE (EUR MLN)	
<b>COMPANIES</b>	<b>UBS</b>
<b>Airbus</b>	<b>52.2</b>
Loans	52.2
Underwriting	
<b>Boeing</b>	<b>27.0</b>
Loans	27.0
Underwriting	
<b>TOTAL</b>	<b>79.2</b>

## 4.16 UniCredit

UniCredit has a statement about the defence industry, which is "periodically reviewed and updated" according to the bank; however, it seems to focus on controversial weapons, not on arms trade with high-risk countries. In the statement, the bank indicates that it does not deal with 'wholesale arms merchants'. These are not further defined in the policy. The bank indicates that recipients of weapons must be governments, governmental organisations, state-owned companies or supranational organisations. These organisations should not transfer the weapons to recipients outside their countries.<sup>126</sup> UniCredit also stated that the ATT is considered in the policy as a driver for its country classification.<sup>127</sup>

The bank has a human rights commitment which, according to the text, is 'inspired' by the OECD Guidelines and the UNGPs, amongst other standards. In the policy document, the bank states that it aims to avoid causing adverse human rights impacts, to prevent and mitigate adverse impacts to which it is directly linked, and to provide for or cooperate in remediation in cases where it has caused an adverse human rights impact. The document refers to the afore-mentioned statement on the defence industry a number of times for further detail on its policy regarding arms producers.<sup>128</sup>

PAX had a lengthy conversation with UniCredit and the bank also provided a written reply. The bank stressed that it will only pursue transactions that have received government approval and are in line with the bank's ethical, reputational and sustainability principles. UniCredit, like all other banks in the report, declined to comment on individual clients, which means that it could not clarify why it financed the companies listed in the table below. Also, it notes that it performs assessments of "every aspect of the operation" before pursuing a transaction, including the "the supply, the profile and the geopolitical situation of the destination country, the end user and of course the profile of the exporter." UniCredit also does not want to support arms sales that may be used in ongoing conflict or in repression against the civilian population.<sup>129</sup>

PAX recommends UniCredit to make its internal policy known publically, which would allow for exchanges on how the criteria that it applies weigh in when deciding on whether or not to support a transaction.

Summarising, UniCredit has a policy regarding arms trade, which stipulates that the bank wants to ensure weapons are sold to government actors and not diverted and that it wants to avoid causing adverse human rights impacts. Some unclarity remains, for example, as to the application of the policy and its country-classification. This means that arms companies selling weapons to controversial destinations might go unnoticed and such companies might not be blocked from finance by UniCredit. The table below of arms companies being financed by UniCredit shows that this possibility has indeed materialized.

	CONTENT CHECK
Does the bank have a defence policy?	YES
Applicable to all types of finance and to entire arms company	NO
Reference int'l norms	OECD, UNGP, ATT

Does the policy mention the relevant criteria	
Arms embargo	+
Risk of IHL / IHRL Violations	-
Human Rights violations	+
Armed conflict	+
Corruption	-
Fragile states	-
Poverty and military spending	-

#### 4.16.1 LOANS AND UNDERWRITINGS BY UNICREDIT TO COMPANIES SUPPLYING ARMS TO STATES AT RISK

INVESTED VALUE (EUR MLN)	
<b>COMPANIES</b>	<b>UNICREDIT</b>
<b>Airbus</b>	<b>1,445.5</b>
Loans	1,205.5
Underwriting	240.1
<b>AVIC</b>	<b>35.5</b>
Loans	35.5
Underwriting	
<b>General Electric</b>	<b>208.4</b>

Loans	
Underwriting	208.4
<b>Honeywell</b>	<b>1,032.3</b>
Loans	556.1
Underwriting	476.2
<b>Leonardo</b>	<b>501.0</b>
Loans	428.1
Underwriting	72.9
<b>Lockheed Martin</b>	<b>299.8</b>
Loans	283.9
Underwriting	15.9
<b>Northrop Grumman</b>	<b>417.0</b>
Loans	385.4
Underwriting	31.6
<b>Raytheon Technologies Corp</b>	<b>850.1</b>
Loans	817.7
Underwriting	32.4
<b>Rolls-Royce</b>	<b>424.1</b>
Loans	313.8
Underwriting	110.3
<b>Thales</b>	<b>522.2</b>
Loans	302.3
Underwriting	220.0
<b>TOTAL</b>	<b>5,736.0</b>

## 4.17 Investor's Responsibility

This chapter has provided an overview of the loans and underwritings by the selected banks in 15 of the largest companies involved in controversial arms trade. These financial relationships are problematic because they link the banks directly to the violations to which the arms companies are contributing or are in turn directly linked (see 3.17). The table below summarises the investments found for the 15 banks in this study.

Under international standards such as the UNGPs and the OECD Guidelines, companies have a responsibility to *respect* human rights. The arms companies contribute to the violations of human rights by supplying states that violate human rights with the means to do so. Their financiers, which include all of the 15 largest European banks 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).

### 4.17.1 TOTAL OF LOANS AND UNDERWRITINGS IN THE 15 ARMS COMPANIES, BY THE 15 LARGEST EUROPEAN BANKS (IN € MILLION)<sup>130</sup>

#### Value of Loans and Underwritings per Bank (EUR mln)

COMPANIES	BANKS															TOTAL
	BARCLAYS	BNP PARIBAS	CRÉDIT AGRICOLE	CRÉDIT MUTUEL CIC GROUP	DEUTSCHE BANK	GROUPE BPCE	HSBC	ING GROUP	INTESA SANPAOLO	LLOYDS BANKING GROUP	NATWEST	SANTANDER	SOCIÉTÉ GÉNÉRALE	UBS	UNICREDIT	
Airbus	317.6	1,045.2	2,285.8	462.8	1,156.8	1,323.1	1,045.2	202.2		756.4	1,530.2	1,343.9	1,045.2	52.2	1,445.5	14,012.2
AVIC							42.2								35.5	77.7
BAE Systems	664.7	317.6	74.9	74.9	273.9					273.9	273.9		317.6			2,271.3
Boeing	1,176.4	3,618.7	2,248.1		3,845.7				406.0	700.1		1,973.3	2,026.2	27.0		16,021.4
General Dynamics	31.5			178.9						702.6	20.4					933.3
General Electric		6,362.0	41.7		2,687.8	1,034.4	398.1	1,034.4		1034.4		1,242.9			208.4	14,044.2
Honeywell	1,235.2	1,087.5	306.4		2,427.7		318.3		126.9		318.3	782.4	765.1			10,323.3
L3 Harris Technologies	266.9			52.0	359.9		349.0									1,027.8
Leonardo	107.3	459.1	409.7	40.9	40.9	65.9	345.5		676.4		296.4	90.0	370.5		501.0	3,403.7
Lockheed Martin	82.0		886.1	44.0						455.5					299.8	1,767.4
Northrop Grumman		84.2													417.0	501.2
Raytheon Technologies Corp	224.4	385.6	294.8		2,906.8		1,573.4		73.2		43.1	73.2	73.2		850.1	6,497.7
Rolls-Royce	510.5	1,181.2	966.2		311.1		1,112.7			572.7	458.5	938.7	815.3		424.1	7,291.0
Safran		1,046.0	1,046.0	1,027.5	459.6	713.9	641.9				144.0	706.5	1,063.9			6,849.4
Thales	62.5	422.3	622.2	622.2	422.3	482.5	422.3					522.2	522.2		522.2	4,622.9
Total	4,679.0	16,009.4	9,182.1	2,503.4	14,892.4	3,619.8	6,248.6	1,236.6	1,282.5	4,495.5	3,084.7	7,673.1	6,999.2	79.2	5,736.0	87,721.5

# 5. Conclusions and Recommendations

## 5.1 Conclusions

### Regarding the arms companies

- Fifty-one 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 51 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.
- Ten of the arms companies in this report answered to queries from PAX in the preparation of this report, while another two responded in previous years. Some of the responses were quite in-depth, while others were little more than a "no comment". Three of the 15 companies did not reply at all. While this is deplorable, the high percentage of arms companies that did respond shows at least an understanding of the issue at hand and some form of willingness to engage on the topic with civil society.
- 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.
- 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, PAX points out that 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.

### Regarding the banks

All of Europe's top 15 banks provide financial services (loans and underwritings) to one or more of these 15 companies. The loans and underwritings provided to the 15 arms companies in this study by the 15 largest

European banks amount to EUR 87.7 billion in total. This study finds a broad diversity in policy amongst these banks (see below). The majority of the banks responded to PAX's questions in some way. Some banks engaged in meaningful dialogue on the issue, while others showed willingness to revisit their policies.

### Banks' policies on arms trade to states at risk

- Most banks in the study of the largest 15 European banks have at least some kind of policy on human rights; several banks also have a policy on the defence industry. Only Deutsche Bank does not have a publicly available defence policy at the time of research. All of the other banks have published some kind of defence industry policy – mostly at group level.
- In general, the banks that replied to the questions have shown commitment to human rights and arms export regulations. Many of them have also incorporated such commitments in their policies. Some of the most significant differences between the banks have not been clarified for lack of a response on the substance from the banks in question: ING and UBS have only invested in two arms companies on the list, but neither of these banks was willing to comment on the reasons for this, nor on the questions put by PAX on their policies. The fact that all but one of the 15 major European banks have policies on the defence sector, often explicitly including the arms trade, shows that they are well aware that there are risks in providing financial services to arms companies. This awareness is an important first step.
- There are significant differences between the banks in the content of the policies and their applicability. Only Intesa Sanpaolo's policy seems to apply to all branches of the arms company and to all types of financing by the bank; other policies make exceptions – which could turn out to be critical. Another important difference is whether the ATT and the EU Common Position, the most relevant international norms on arms export, are mentioned. Seven banks mention at least one of these norms (or their predecessors), two more banks do not mention the norms but seem to make implicit reference, while the remaining banks mention more generic international norms on human rights such as the

UNGPs or the OECD Guidelines. The content of the policies also differs widely, with some banks ticking most of the relevant boxes while others score on almost none of the relevant criteria.

- Please also note in this regard that the list of companies selected in this report is not an exhaustive list of all arms companies involved in controversial arms trade. Only a strong and properly implemented policy can make sure that no investments are made in such companies in the future. Banks are intimately aware that money is fungible. This means that policies that restrict the financing of arms deals with controversial destinations but at the same time do not exclude general-purpose corporate loans to the same arms company will hardly ever be effective. UniCredit, seemingly acknowledging that, aims to ring-fence its corporate loans: according to the bank, these loans are not to be used to finance arms deals that are not in line with the bank's policies. The effectiveness of such ring-fencing remains questionable however.
- In general, all of the 15 biggest banks in Europe could improve their policies and/or practices when it comes to providing financial services to arms companies. This report aims to be a first step towards such improvements. It is essential to make sure that the principles to which many banks have committed do indeed lead to improvement in the practices of the banks and the arms companies that they invest in.

## 5.2 Recommendations

PAX recommends that the arms companies in this report:

1. Adopt strong internal human rights standards, including as a minimum the commitment to comply with the UNGPs and OESO Guidelines
2. Include adequate clauses in their sales agreements which stipulate that the arms sold cannot be used for any action in contravention of international norms and the company's policy.
3. Building on the recommendations in the report of Amnesty International mentioned in Chapter 1, arms companies should:

- Commit to international human rights standards.
- Have policies in place which ensure strong due diligence processes, to prevent the military goods they produce and/or sell from being used in violations of human rights and/or international humanitarian law.
- Identify and assess the human rights impact of company products and services before, during and after transfer.
- Take steps to address human rights risks and impacts, if needed through remediation of negatively affected individuals and communities. This includes steps to prevent the military goods the company produces from being used again in similar violations.
- Take steps to mitigate the negative impacts in which the military goods they produced were involved.
- Be transparent about the negative impacts in which their products were (or are) involved.

PAX recommends that banks:

1. Ensure that they are not providing financial services to 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 banks should exclude these companies from loans and underwritings and other financial services, 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:
  - The risk of violation of human rights and/or international humanitarian law by the end user of these goods;

- The risk of fuelling an armed conflict;
  - The risks of selling military goods to a corrupt state;
  - The risks of selling military goods to a fragile state;
  - The risks of selling military goods to a state that spends a disproportionate share of its budget on military goods.
3. Apply this policy without making an exception for companies which have civilian activities besides their military activities.
  4. Banks 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. Banks should be transparent about the way they shape their responsible business conduct. This includes making their defence policy publicly available and responding to questions asked by stakeholders. As shown by this study, several banks have already taken steps in that direction.
  6. We commend BNP Paribas, Crédit Agricole, Crédit Mutuel, Intesa Sanpaolo, Société Générale and UniCredit for having public policies on arms trade that incorporate most of the relevant norms from the ATT and EU Common Position. Groupe BPCE indicated to PAX that they will include reference to the EU Common Position at the next update of their policy and will also take into consideration reference to the ATT. Santander and ING do allude to the norms but do not reference them explicitly – we would recommend that these banks include those norms in the next review of their policies. ING already indicated it was willing to consider explicitly mentioning the ATT and the EU Common Position in a future update of its policy.
  7. Banks 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.

8. HSBC for example, indicates that in 2000 it decided to withdraw from the financing of the manufacture and sale of weapons. However, our data show that this has not yet happened, which, after 22 years, can hardly be the result of pre-existing loans, as the bank has suggested in its public statements. It would be useful for HSBC to see whether its current client portfolio matches the intent it had 22 years ago.
9. PAX recommends that all banks engage with the arms companies they are financing 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 banks should sever the ties with these companies.
10. For banks that already have included these norms in their policies, this report could serve as reminder to start conversations with the arms companies that act in contravention of the banks' own policies.
11. As with all human rights norms, banks (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.
12. Banks should also exert pressure on arms companies that they have financial ties with to persuade them to implement the recommendations to the companies as listed above.

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

All the banks in this report have provided financial services to companies that sold or delivered weapons to such governments in the past five years. We recommend that everyone within these banks revisit the images of these wars and reconsider whether they want to remain in a financial relationship with the arms companies fuelling these wars.



# Annex 1:

## Table of States at Risk with Reference to the Indicators

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

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 25**  
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		5.5	AR	3.631	2016-2020	Very high corruption risk	102.1	LHD	4.5%
Algeria		5.5	AR	2.310		Critical corruption risk	73.6	HHD	17.0%
Angola		5.5	AR	2.017		Critical corruption risk	89.0	MHD	7.8%
Azerbaijan		6.5	AR	2.334		Critical corruption risk	75.1	HHD	12.7%
Bahrain		6.5	AR	2.121		Critical corruption risk	66.7	VHHD	12.5%
Bangladesh		5.0	HR	2.068		High corruption risk	85.0	MHD	9.3%
Belarus	EU	6.5	AR	2.285		No data	68.0	VHHD	30.8%
Benin		3.0	HR	2.093		High corruption risk	72.8	LHD	2.7%
Botswana		2.5	FD	1.753		Very high corruption risk	57.0	HHD	9.5%

Burkina Faso		4.0	AR	2.527	2019-2020	Critical corruption risk	87.1	LHD	8.5%
Burundi		6.5	AR	2.434	2019-2020	Very high corruption risk	97.1	LHD	6.90%
Brazil		2.5	FD	2.430	No conflict	Very high corruption risk	75.8	HHD	3.2%
Cambodia		6.0	AR	2.008		Critical corruption risk	80.6	MHD	10.2%
Cameroon		6.0	AR	2.700	2016-2020	Critical corruption risk	97.2	MHD	5.8%
Central African Republic	UN (NGF) EU	7.0	AR	3.131	2018-2020	Critical corruption risk	107.0	LHD	8.0%
Chad		6.5	AR	2.489	2016-2020	Critical corruption risk	105.8	LHD	15.6%
China	EU	6.5	AR	2.114	2020	Very high corruption risk	68.9	HHD	4.7%
Colombia		3.0	FD	2.694	2016, 2018-2020	Low corruption risk	79.3	HHD	9.5%
Comoros		4.5	AR	No data		Very high corruption risk	82.5	MHD	No data
Congo-Brazzaville		6.5	AR	2.291		Critical corruption risk	92.4	MHD	12.2%
Côte d'Ivoire	UN (lifted) EU (lifted)	4.5	HR	2.123		Very high corruption risk	90.7	LHD	5.0%
Cuba		6.5	AR	2.042		No data	59.5	HHD	No data
Democratic Republic of Congo	UN (NGF) EU (NGF)	6.0	AR	3.196	2016-2020	Critical corruption risk	108.4	LHD	6.0%
Djibouti		6.0	AR	2.146		No data	82.4	LHD	No data
Egypt	EU	6.0	AR	2.397	2016-2017	Critical corruption risk	85.0	HHD	4.6%
Equatorial Guinea		7.0	AR	1.915		Critical corruption risk	84.1	MHD	No data
Eritrea	UN EU	7.0	AR	2.555	2016-2018	Critical corruption risk	97.0	LHD	No data
Eswatini			AR	1.955		No data	82.5	MHD	5.0%
Ethiopia		6.0	AR	2.613	2016 and 2020	Very high corruption risk	99.0	LHD	3.2%
Gabon		6.0	AR	2.074		Critical corruption risk	67.4	HHD	8.5%
Gambia		n.d.	HR	1.853		Very high corruption risk	80.5	LHD	3.0%

Guinea		5.0	AR	2.069		Critical corruption risk	97.4	LHD	8.4%
Guinea-Bissau		4.5	AR	2.113		Critical corruption risk	92.0	LHD	6.5%
Haiti		5.0	HR	2.151		No data	97.5	LHD	0.0%
India		3.0	FD	2.553	2016-2020	High corruption risk	77.0	MHD	9.1%
Iran	UN EU	6.0	AR	2.637	2016-2020	Critical corruption risk	84.5	HHD	11.7%
Iraq	UN (NGF) EU (NGF)	5.5	AR	3.257	2016-2020	Critical corruption risk	96.2	MHD	8.3%
Israel		2.5	FD	2.669	2018-2020	No data	43.0	VHHD	12.1%
Jordan		5.5	AR	1.916		Critical corruption risk	76.8	HHD	14.8%
Kazakhstan			AR	1.936			61.2	VHHD	4.6%
Kuwait		5.0	AR	1.688		Very high corruption risk	52.9	VHHD	10.0%
Laos		6.5	AR	1.809		No data	76.0	MHD	No data
Lebanon	UN (NGF) EU (NGF)	4.5	HR	2.797	2017	Very high corruption risk	89.0	HHD	10.8%
Liberia	UN (lifted) EU (lifted)	3.5	HR	1.998		Very high corruption risk	89.5	LHD	1.7%
Libya	UN (NGF) EU	6.5	AR	3.166	2016-2020	Critical corruption risk	97.0	HHD	No data
Madagascar		3.5	HR	1.963		Very high corruption risk	79.5	LHD	3.5%
Malawi		3.0	HR	1.909		Very high corruption risk	83.2	LHD	3.7%
Mali		5.5	AR	2.813	2016-2020	Very high corruption risk	96.6	LHD	12.7%
Mauritania		5.0	AR	2.290		Critical corruption risk	88.7	LHD	12.5%
Mexico		3.5	FD	2.620	No conflict	Low corruption risk	69.9	HHD	1.9%
Morocco		5.0	HR	2.015		Critical corruption risk	71.5	MHD	12.2%
Mozambique		4.5	AR	2.123		Very high corruption risk	93.9	LHD	3.4%
Myanmar (Burma)	EU	5.5	AR	2.457	2016-2020	Critical corruption risk	93.8	MHD	14.0%
Nicaragua		5.5	AR	2.445	No conflict	No data	77.1	MHD	2.2%

Niger		4.0	AR	2.589	2016-2020 (also UN)	Very high corruption risk	96.0	LHD	7.4%
Nigeria		4.5	HR	2.712	2016-2020 (also UN)	Very high corruption risk	98.0	LHD	5.0%
North Korea	UN EU	7.0	AR	2.923	No conflict	No data	90.0	No data	No data
Oman		5.5	AR	1.982		Critical corruption risk	50.4	VHHD	21.9%
Palestine		6.0	AR	2.610	2018-2019	Very high corruption risk	86.0	HHD	No data
Pakistan		5.0	HR	2.868	2016-2020	Very high corruption risk	90.5	MHD	17.4%
Philippines		3.5	FD	2.417	2016-2020	High corruption risk	82.4	HHD	4.0%
Qatar		5.5	AR	1.605		Critical corruption risk	44.1	VHHD	No data
Russia	EU	6.5	AR	2.993	2016-2020	High corruption risk	73.6	LHD	11.4%
Rwanda		6.0	AR	2.028		Very high corruption risk	85.0	LHD	5.0%
Saudi Arabia		7.0	AR	2.376	2016-2020	Critical corruption risk	69.7	VHHD	21.7%
Senegal		3.0	HR	1.864		Very high corruption risk	73.4	LHD	5.8%
Sierra Leone		3.0	HR	1.813		Very high corruption risk	83.4	LHD	2.2%
Somalia	UN EU	7.0	No data	3.211	2016-2020	Critical corruption risk	110.9	No data	No data
South Sudan	UN EU	7.0	No data	3.363	2016-2020	Critical corruption risk	109.4	LHD	No data
Sri Lanka		4.0	FD	2.083		Very high corruption risk	80.5	HHD	10.3%
Sudan	UN (Darfur) EU	6.5	AR	2.936	2016-2020	Critical corruption risk	105.2	LHD	8.3%
Syria	EU	7	AR	3.371	2016-2020	Critical corruption risk	110.7	MHD	No data
Tajikistan		6.5	AR	2.095		No data	75.1	MHD	3.3%
Tanzania		5.0	HR	1.892		Very high corruption risk	79.3	LHD	6.1%
Thailand		6.0	FD	2.205		Very high corruption risk	70.9	HHD	5.5%
Togo		4.5	AR	2.239		Critical corruption risk	85.1	LHD	6.7%
Turkey		5.5	HR	2.843	2016-2020	High risk	79.7	VHHD	7.5%

Turkmenistan		7.0	AR	2.154		No data	68.2	HHD	No data
Uganda		5.5	HR	2.219		Very high corruption risk	92.9	LHD	13.1%
Ukraine		3.5	HR	2.660	2016-2020	High corruption risk	69.8	HHD	8.8%
United Arab Emirates		6.5	AR	1.848		Very high corruption risk	40.3	VHHD	No data
Uzbekistan		6.5	AR	2.062		Very high corruption risk	72.0	HHD	No data
Venezuela	EU	6.5	AR	2.934	No conflict	No data	92.6	HHD	No data
Vietnam		6.5	AR	1.835		No data	63.3	HHD	No data
Yemen	UN (NGF) EU	6.5	AR	3.407	2016-2020	Critical corruption risk	111.7	LHD	No data
Zambia		4.0	HR	1.964		Very high corruption risk	84.9	MHD	4.8%
Zimbabwe	EU	5.5	AR	2.490	No conflict	Critical corruption risk	99.1	MHD	No data

# 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 26**  
Role of the six criteria

	PRIMARY CRITERIA	SUPPORT CRITERIA
	<ul style="list-style-type: none"> <li>· Arms embargo</li> <li>· Human rights violations</li> <li>· Armed conflict</li> </ul>	<ul style="list-style-type: none"> <li>· Corruption</li> <li>· Fragile states</li> <li>· Poverty and military spending</li> </ul>
How the criteria lead to selection:	Surpass the threshold on <b>any</b> criterion = selection	Surpass the threshold on <b>all three</b> 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.<sup>131</sup> 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.<sup>132</sup>



## 1. 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 2016 to December 2020. 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 27**

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

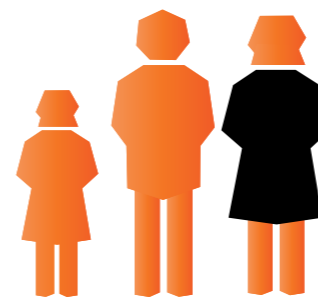
COUNTRY/ENTITY	EMBARGO EU	EMBARGO UN	REMARKS
Belarus	Yes		EU: since 20 June 2011
Central African Republic	Yes	Yes	EU: since 23 December 2013; UN: since 5 December 2013
China	Yes		
Cote d'Ivoire	Yes	Yes	EU: lifted 9 June 2016 UN: lifted 28 April 2016
DRC	Yes	Yes	EU: NGF since 2003
Egypt	Yes		EU: since 21 August 2013
Eritrea	Yes	Yes	EU: Lifted 12 December 2018 UN: lifted 14 November 2018
Iran	Yes	Yes	
Iraq	Yes	Yes	EU and UN: NGF since 2004
Lebanon	Yes	Yes	EU and UN: NGF
Liberia	Yes	Yes	EU: lifted 20 June 2016 UN: lifted 26 May 2016
Libya	Yes	Yes	
Myanmar (Burma)	Yes		
North Korea (DPRK)	Yes	Yes	
Russia	Yes		EU: since 31 July 2014
Somalia	Yes	Yes	
South Sudan	Yes	Yes	
Sudan	Yes	Yes	UN: Darfur region
Syria	Yes		
Ukraine			EU: 20 February 2014 until 16 July 2014
Venezuela	Yes		EU: since 13 November 2017
Yemen	Yes	Yes	EU: since 8 June 2015 UN: since 14 April 2015 (NGF)
Zimbabwe	Yes		

Source: <https://www.sipri.org/databases/embargoes>, accessed May 2022.

Three of these states were not under an arms embargo for the whole period of January 2016 through to December 2020: Cote d'Ivoire, Liberia and Venezuela. Because the embargo against Venezuela is still in place at the time of writing, it has been incorporated in the final selection. For Cote d'Ivoire and Liberia, an existing embargo was lifted during the research period. For these countries, the arms embargo is not considered an absolute criterion leading to their inclusion in the final selection. However, if these states also meet all three criteria in sections 6.1.4 to 6.1.6, they have still been incorporated in the final selection.

## 2. 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.<sup>135</sup>

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:<sup>134</sup>

- 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 2020 edition of the Freedom in the World Index and are considered authoritarian states according to the 2020 Democracy Index.

The countries selected based on the two indices have been incorporated in the final selection of countries. This concerns the 29 states presented in the table below.

**TABLE 28**

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

Azerbaijan	Equatorial Guinea	South Sudan
Bahrain	Eritrea	Sudan
Belarus	Eswatini	Syria
Burundi	Laos	Tajikistan
Central African Republic	Libya	Turkmenistan
Chad	North Korea	United Arab Emirates
China	Russia	Uzbekistan
Congo-Brazzaville	Saudi Arabia	Venezuela
Cuba	Somalia	Yemen



### 3. 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.<sup>135</sup> 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.<sup>136</sup> 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 2016 to 2020. We used the Uppsala Conflict Data Program database of Uppsala University to establish whether a country was in conflict.<sup>137</sup>

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 2016, 2017, 2018, 2019 and/or 2020. 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 29**  
States in armed conflict

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



### 4. 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 measures the risk of corruption in the purchase of military goods. 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 Anti-Corruption Index is the first global analysis of corruption risk in defence establishments worldwide. The index assesses and compares levels of corruption risk and vulnerability across countries. 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.<sup>138</sup> The index is currently undergoing an update and contains assessments from as recently as 2020, as well as assessments from 2015. For this study, we used the most recent assessment available per country (as at May 2021).

The 65 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 30**  
States with very high or critical risk of corruption

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



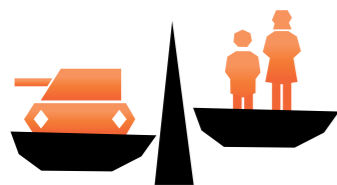
## 5. Support criterion: fragile states

The fifth criterion lists countries with a fragile state. According to the 2021 Fragile States Index, 32 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 2021 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.<sup>139</sup>

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 31**  
States considered fragile

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



## 6. 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).<sup>140</sup> 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.<sup>141</sup> 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 32**  
States with a low level of development and relatively high military expenditure

Burkina Faso	Mauritania
Burundi	Niger
Central African Republic	South Sudan
Chad	Sudan
Guinea	Uganda
Mali	

## Final selection

In total, 51 countries were identified to which arms supplies can be considered controversial. They meet one or more of the criteria described in section 6.1.1 (arms embargoes) 6.1.2 (human rights violations) or 6.1.3 (armed conflict), or they meet all three of the criteria described in sections 6.1.4, 6.1.5 and 6.1.6.

**TABLE 33**  
Final selection of states for the report

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

# Annex 3: Letter to the Arms Producers in the Survey

*Ref: Your company's involvement in controversial arms trade*

Date: ...

Dear Madam, Dear Sir,

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

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

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

We have analysed supply of military goods to 51 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 51 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:

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

We would very much welcome your answers to these questions. We would like to include these, where possible, in our report due to be published in March 2022. 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 **28 February 2022**.

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

Yours sincerely,

# 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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131. 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.
132. The country list for this report was composed in May 2021, as it precedes the other research components. This means that at the publication date of the report, some indices used have been renewed. This is true for the embargoes, Freedom House 'Democracy in the World', the EIU Democracy Index and the SIPRI data on military expenditure. The data on corruption, by Transparency International is, as mentioned in 6.1.4, is updated incrementally.
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