

Case study: Controversial Arms Trade

A case study prepared for the Fair Insurance
Guide



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Summary

The aim of the case study is to assess whether the largest insurance groups active in the Netherlands, as selected by the Fair Insurance Guide, invest in companies that are actively involved in controversial arms trade.

Controversial arms trade relates to the supply of (important parts of) weapons and weapon systems, military transport systems and other military goods, as referred to by the Common Military List of the EU, to:

- countries under an UN/EU arms embargo;
- unfree countries;
- countries involved in a (civil) war;
- countries with a high risk of corruption in military procurement;
- countries considered a fragile state; and
- poor countries spending a disproportional share of their government budget on weapons.

Research framework

While states are obligated to protect citizens and defend security interests, by many governments arms are also used for oppression and human rights abuses. In this light it is disturbing that there has been a lack of expediency by governments and multilateral bodies to monitor the international arms trade. Civil society research reports show how the arms industry, despite existing regulatory regimes, continues to sell arms to human rights abusing regimes and conflict zones.¹

Additional to direct human rights violations there is evidence of a relationship between military expenditure and socio-economic development, with military expenditure often forming a significant barrier to reaching Millennium Development Goals (MDGs) in developing countries. Furthermore, debts are frequently made to pay for military expenses, with interest on military debts in many developing countries surpassing expenditure on health care and education.² The international arms trade is also strongly linked to corruption,³ contributing to roughly 40% of all corruption in global transactions.⁴ Transparency International estimates that corruption in the arms trade leads to a loss of US\$ 20 billion annually.⁵

Because of these issues, the global arms industry needs to be thoroughly and structurally reformed to ensure, as a minimum, that:

- Arms are not supplied to repressive regimes, fragile states, and non-state actors;
- Corruption is eliminated and transparency in reporting is improved;
- Products and services supplied/sold do not affect the sustainable development of poor countries.

As long as these structural changes do not occur in the arms industry, investing in this industry imposes large corporate social responsibility (CSR) risks. Financial institutions could unwillingly be investing in companies that are involved in corrupt practices or in trade with oppressive regimes. Hence, it is of great importance that financial institutions implement a responsible investment policy for this industry that is based on the international standards described below.

International standards

There are various initiatives to regulate arms trade in order to, for instance, prevent arms from being delivered to repressive regimes or countries in conflict. The most important to consider are:

- EU and UN arms embargoes;
- International conventions that ban the production, the use, the stockpiling, and the trade of specific arms systems;
- the EU arms export policy;
- the international Arms Trade Treaty (ATT) agreed by the United Nations.

The UN and EU do not allow the supply of arms to countries against which an arms embargo is imposed. Furthermore, supplying arms to countries where people lack basic freedoms or where armed conflicts rage, is widely seen as undesirable. Likewise, in countries most receptive to corruption, in fragile states, or countries where a relatively high share of public spending is diverted to military expenditure, there is a serious risk that supplying arms enhances violations of human rights and/or contributes to creating more poverty.⁶

In this study, controversial arms trade relates to the supply of (important parts of) weapons and weapon systems, military transport systems and other military goods, as referred to by the Common Military List of the EU, part of the EU Common Position on arms export, to:

- countries under an UN/EU arms embargo;
- unfree countries;
- countries involved in a (civil) war;
- countries with a high risk of corruption in military procurement;
- countries considered a fragile state; and
- poor countries spending a disproportional share of their government budget on weapons.

Based on the criteria of internationally renowned indices and standards, 38 countries are identified which meet these criteria. Fifteen publicly listed arms companies that have traded arms and military goods to these countries in the research period (2010 and 2014) were selected.

Results

The ten main insurance groups active in the Netherlands are managing a total amount of € 6.8 billion in the fifteen selected arms producing companies, consisting of € 4.7 billion in shareholdings and € 2.0 billion in bond holdings.^a Allianz (39%) and Legal & General (30%) are responsible for over two-thirds of the total investments of the ten insurance groups. The top three of investees:

- United Technologies: € 1,439 million (21% of total investments);
- BAE Systems: € 1,016 million (15% of total investments);
- Honeywell International: € 965 million (14% of total investments).

Table 1 gives an overview of the shareholdings of the ten insurance groups in the fifteen arms companies active in controversial arms trade with one or more of the 38 selected countries.

^a Small differences between sum of individual amounts and total shareholdings due to rounding.

Table 1 Shareholdings insurers in 15 arms companies (million euros)

Arms companies involved in controversial arms trade	Achmea	Aegon	Allianz	APG	ASR	Delta Lloyd	Generali	NN Group	Legal&General	SNS Reaal	Total
Airbus Group	-	23	118	168	-	1	9	58	16	-	393
BAE Systems	-	99	48	59	-	-	0	-	579	-	785
Boeing	-	22	116	135	-	3	3	16	262	-	557
Finmeccanica	-	2	6	13	-	-	20	-	2	-	43
General Dynamics	-	2	3	59	-	-	0	-	140	-	204
Honeywell International	-	14	3	188	-	3	1	126	240	-	575
Lockheed Martin	-	65	11	67	-	2	1	-	196	-	342
Northrop Grumman	-	6	390	31	-	-	-	-	101	-	528
Orbital ATK	-	-	81	-	-	-	-	-	1	-	82
Raytheon	-	7	18	47	-	-	-	-	109	-	181
Saab	-	-	-	-	-	-	-	0	-	-	0
Textron	-	-	5	-	-	-	-	-	38	-	43
Thales	-	3	14	17	-	0	-	-	2	-	36
ThyssenKrupp	-	8	37	15	-	0	1	1	5	0	67
United Technologies	-	80	265	184	-	4	3	32	328	3	899
Total investments *	-	331	1,115	984	-	13	38	235	2,020	3	4,735

Note that a 0 represents investments below 0.5 million euros and a – means that no investments were found.

* Small differences between sum of individual amounts and total shareholdings due to rounding.

Table 2 gives an overview of the bondholdings of the ten insurance groups in fifteen arms producing companies active in controversial arms trade with one or more of the 38 selected countries.

Table 2 Bondholdings insurers in 15 arms companies (million euros)

Arms companies involved in controversial arms trade	Achmea	Aegon	Allianz	APG	ASR	Delta Lloyd	Generali	NN Group	Legal&General	SNS Reaal	Total
Airbus Group	-	24	4	-	-	-	-	-	1	-	29
BAE Systems	-	32	196	-	-	-	-	-	3	-	231
Boeing	-	110	202	-	-	-	-	0	1	-	313
Finmeccanica	-	-	106	-	-	-	3	-	-	-	109
General Dynamics	-	-	4	-	-	-	-	-	8	-	12

Arms companies involved in controversial arms trade	Achmea	Aegon	Allianz	APG	ASR	Delta Lloyd	Generali	NN Group	Legal&General	SNS Reaal	Total
Honeywell International	-	83	306	-	-	-	-	-	1	-	390
Lockheed Martin	-	1	37	-	-	-	-	-	4	-	42
Northrop Grumman	-	-	132	-	-	-	-	-	5	-	137
Orbital ATK	-	-	1	-	-	-	-	-	-	-	1
Raytheon	-	36	141	-	-	-	-	-	3	-	180
Saab	-	-	-	-	-	-	-	-	-	-	-
Textron	-	0	10	-	-	-	-	-	-	-	10
Thales	-	-	2	-	-	-	2	-	-	-	4
ThyssenKrupp	-	-	40	-	-	5	0	-	-	-	45
United Technologies	-	187	341	-	-	-	0	-	12	-	540
Total investments *	-	474	1,520	-	-	5	5	0	38	-	2,043

Note that a 0 represents investments below 0.5 million euros and a – means that no investments were found.

* Small differences between sum of individual amounts and total shareholdings due to rounding.

Two of the ten insurance groups have no shareholdings or bondholdings in the selected arms companies: Achmea and ASR.

Eight out of ten insurance groups do have shareholdings and/or bond holdings in the fifteen selected arms companies. The largest investments were made by Allianz (a total amount of € 2,635 million), Legal & General (a total amount of € 2,058 million) and APG (a total amount of € 984 million).

The top-three largest investors are followed by Aegon (a total amount of € 805 million), ING (a total amount of € 235 million) and Generali (a total amount of € 43 million). Delta Lloyd (a total amount of € 18 million) and SNS Reaal (a total amount of € 3 million) have only minor share- or bondholdings in the selected arms companies.

Overall, the responsible investment policies and practices of the insurance groups are not sufficient to prevent investments in controversial arms trading companies (see the insurance group profiles in Chapter 3 for detailed results):

- **Achmea:** Achmea has no share- nor bondholdings in the selected arms companies. Although Achmea does not have a policy in place for controversial arms trade, Achmea's exclusion list prevents it from investing in the majority of the selected companies in this research. This is due to the large overlap with companies producing controversial weapons (such as cluster munitions, landmines and nuclear weapons), which Achmea excludes.
- **Aegon:** this research identified investments by Aegon for a total amount of € 805 million in shares (€ 331 million) and bonds (€ 474 million) of thirteen of the fifteen selected arms companies.

Aegon has a weapons policy which covers arms trade to countries under an arms embargo and arms trade to countries where there is a risk that weapons will be used for human rights violations. This means the policy does not cover all relevant responsible investment principles, such as arms trade to unfree countries, to countries in armed conflict, to fragile states, to low income states with relatively high military spending or corrupt regimes, allowing Aegon to invest in companies involved in various forms of controversial arms trade. Furthermore, its policy is limited in scope as it is not applied at group level. This enables foreign subsidiaries of the Aegon Group to invest in arms companies that are excluded by Aegon Nederland. Furthermore, exceptions for index funds are made.

- **Allianz:** this research identified investments by Allianz for a total amount of € 2,635 million in shares (€ 1,115 million) and bonds (€ 1,520 million) of fourteen of the fifteen selected arms companies. Allianz does not have a public policy in place related to controversial arms trade. Although Allianz claims on its website that its investment policy regarding the defence sector includes ESG-criteria on "weapons to/in high-tension areas", it remains unclear which criteria are applied. The absence of a published policy on controversial arms trade with clear criteria might explain the investments found, as policy implementation requires clear guidelines.
- **APG:** this research identified investments by APG for a total amount of € 984 million in shares of twelve of the fifteen selected arms companies. No investments in bonds of any of the selected arms companies were found in this study. Although APG has an arms policy in place, it does not cover controversial arms trade, enabling it to invest in the selected arms companies.
- **ASR:** ASR has no share- nor bondholdings in the selected arms companies. ASR's controversial arms trade policy is comprehensive and prevents it from investing in the selected companies.
- **Delta Lloyd:** this research identified investments by Delta Lloyd for a total amount of € 18 million in shares (€ 13 million) and bonds (€ 5 million) of seven of the fifteen selected arms companies. Delta Lloyd has a weapons policy which covers arms trade to countries under an arms embargo. This means that the policy does not cover all relevant responsible investment principles, such as arms trade to unfree countries, to countries in armed conflict, to fragile states, to low income states with relatively high military spending or to corrupt regimes, allowing Delta Lloyd to invest in companies involved in various forms of controversial arms trade.
- **Generali:** this research identified investments by Generali for a total amount of € 43 million in shares (€ 38 million) and bonds (€ 5 million) of ten of the fifteen selected arms companies. Generali has a weapons policy which covers arms trade to countries under an arms embargo. The policy does not cover all relevant responsible investment principles, such as arms trade to unfree countries, to countries in armed conflict, to fragile states, to low income states with relatively high military spending or to corrupt regimes, allowing Generali to invest in companies involved in various forms of controversial arms trade. Furthermore, Generali's policy does not apply to all types of investments (such as third party investments or investments in index trackers).
- **NN Group:** this research identified investments by NN Group for a total amount of € 235 million in shares (€ 235 million) and bonds (€ 0,5 million) of six of the fifteen selected arms companies. NN Group has a policy related to controversial weapons which covers arms trade to countries under an arms embargo and to non-government armed groups. The policy does not cover all relevant responsible investment principles, such as arms trade to unfree countries, to countries in armed conflict, to fragile states, to low income states with relatively high military spending or to corrupt regimes, allowing NN Group to invest in companies involved in various forms of controversial arms trade. Furthermore, the policy is not applied to all business units as exceptions are made for some index trackers, discretionary mandates in some jurisdictions and funds managed by third party managers.

- **Legal & General:** this research identified investments by Legal & General for a total amount of € 2,058 million in shares (€ 2,020 million) and bonds (€ 38 million) of fourteen of the fifteen selected arms companies. Legal & General does not have a group policy in place related to controversial arms trade, enabling it to invest in companies involved in controversial arms trade.
- **SNS Reaal:** this research identified investments by SNS Reaal for a total amount of € 3 million in shares of two of the fifteen selected arms companies. No investments in bonds of any of the selected arms companies were found in this study. SNS Reaal maintains a policy related to controversial arms trade. Although Actiam, SNS Reaal's asset manager, excludes twelve of the companies included in this research due to involvement with weapons, investments were identified in the shares of two companies involved in controversial arms trade. These companies do not feature on Actiam's exclusion list, indicating that its policy does not cover all relevant responsible investment principles such as arms trade to countries in armed conflict, to fragile states, to low income states with relatively high military spending or to corrupt regimes. This allows SNS Reaal to invest in companies involved in various forms of controversial arms trade.

Recommendations

Based on the results of this case study on investments by the main insurance groups operating in the Dutch market in 15 arms companies involved in controversial arms trade, the Dutch *Fair Insurance Guide* makes the following recommendations to the insurance groups:

1. Develop and publish an exclusion policy on controversial arms trade and apply it to all investments (including third party investment and funds that follow an index) and all subsidiaries of the insurance group in all countries. The policy should cover investments in companies that deliver weapons and military goods to countries with an arms embargo, to unfree countries, to countries engaged in an armed conflict, to fragile states, to countries where corruption is high and to countries where poverty alleviation is limited by military expenditure. Exclude companies involved in controversial arms trade from investments.
2. Identify countries to which arms trade is problematic and establish stringent policies which can be used to screen if arms companies deliver deliver military goods to these countries. Insurance groups can use the independent indices referenced in this case study to assess the risk that an arms trading company will be involved in controversial arms trade.
3. Increase transparency by publishing not only the insurance group's responsible investment policies on controversial arms trade but also, if applicable, the corresponding exclusion list featuring the companies involved in controversial arms trade. This provides clarity about the implementation of the policy and enables customers to make well-informed decisions about their insurance company.
4. The insurance groups could and should be a lot more transparent with regard to their investments and engagement processes. Without disrespecting the duty of care they have towards clients, they could and should be more transparent in the information they provide to society. Each insurance group could take the following steps in this regard:
 - Publish and regularly update a consolidated overview of the group's share- and bondholdings, covering all its assets under management.
 - Publish an annual overview of the number of companies with whom the insurance group has exchanged information regarding social and environmental issues (GRI indicator FS10)^a.

^a The Global Reporting Initiative provides companies with a framework to report on sustainability.

- Publish records of the engagement processes with individual companies or publish a detailed, and externally monitored overview of the goals and success rates of the engagement processes.
 - Ensure that the annual sustainability report is audited by an independent auditor. This auditor should check whether GRI standards are taken into account and whether there is information in the report regarding each of the GRI criteria. These audits should be more than just a conclusion that there is no reason to believe that the given information would be contrary to the GRI standards. They should also assess whether sufficient information has been provided with regard to decisive criteria (like sector disclosure indicators FS6 and FS10).
5. Do not limit the policy to United Nations or European Union embargoes or national laws. Political reality as defined by embargoes and laws does not acquit insurance groups of the responsibility to make decisions that prevent investments in controversial arms trading companies. Human rights violating governments of fragile, corrupt and impoverished states might be the legal recipients of arms deals, but that does not mean that arms trading companies and their investors should refrain from making their own decisions on the desirability of these arms deals.
 6. The companies identified in this case study present a selection of companies active in arms trade to controversial countries. While outside of the scope of this research, dozens of other publicly listed companies, private companies and state-owned companies are involved in controversial arms trade. Insurers should apply screening throughout their entire investment universe to prevent investments in companies that are active in controversial arms trade.

Samenvatting

Het doel van dit praktijkonderzoek is om na te gaan of de belangrijkste verzekeringsgroepen op de Nederlandse markt, volgens de selectie van de Eerlijke Verzekeringswijzer, investeren in bedrijven die actief zijn in controversiële wapenhandel.

Controversiële wapenhandel verwijst naar het aanleveren van (belangrijke onderdelen van) wapens en wapensystemen, militaire transportsystemen en overige militaire goederen zoals beschreven wordt in de EU Common Military List (onderdeel van de EU Common Position over wapenhandel), aan:

- landen waartegen een UN of EU wapenembargo is afgekondigd;
- onvrije landen;
- landen die betrokken zijn bij een (burger)oorlog;
- landen met een hoog risico op corruptie bij het militaire aankoopbeleid;
- landen die als 'fragiel' zijn aangemerkt; en
- arme landen die een disproportioneel aandeel van het overheidsbudget uitgeven aan wapens.

Onderzoekskader

Hoewel nationale overheden verplicht zijn om burgers en veiligheidsbelangen te beschermen, gebruiken vele overheden wapens om de eigen bevolking te onderdrukken en mensenrechten te schenden. In dit licht is het verontrustend dat regeringen en multilaterale organisaties dikwijls tekort schieten in het houden van toezicht op de internationale handel in wapens. Onderzoeksrapporten van maatschappelijke organisaties laten zien hoe de wapenindustrie, ondanks de bestaande regelgeving, de handel in wapens aan conflictgebieden en regimes die mensenrechten schenden voortzet.⁷

Naast directe mensenrechtenschendingen is er tevens bewijs voor een relatie tussen militaire uitgaven en sociaaleconomische ontwikkeling, waarbij militaire uitgaven vaak een belangrijke belemmering vormen voor het bereiken van de Millennium Development Goals (MDGs) in ontwikkelingslanden. Bovendien worden er regelmatig schulden gecreëerd door het financieren van militaire uitgaven, waarbij rente op militaire schuld in veel ontwikkelingslanden hoger is dan uitgaven aan de gezondheidszorg of onderwijs.⁸ De internationale handel in wapens wordt ook sterk in verband gebracht met corruptie,⁹ waarbij de internationale wapenhandel ongeveer 40% van alle corruptie in internationale transacties vertegenwoordigt.¹⁰ Transparency International schat dat corruptie in de wapenhandel leidt tot een jaarlijks verlies van US\$ 20 miljard.¹¹

Vanwege deze problemen dient de internationale wapenindustrie grondig en structureel hervormd te worden om te garanderen dat er ten minste voldaan wordt aan de volgende voorwaarden:

- Wapens worden niet geleverd aan repressieve regimes, fragiele staten of andere partijen dan overheden;
- Corruptie wordt uitgesloten en transparantie wordt verbeterd;
- Militaire goederen en diensten die verkocht/geleverd worden, belemmeren niet de duurzame ontwikkeling van arme landen.

Zo lang deze structurele veranderingen in de wapenindustrie niet plaatsvinden, zal het investeren in deze industrie grote risico's met zich meebrengen met betrekking tot maatschappelijk verantwoord ondernemen. Financiële instellingen zouden hierdoor onbewust in bedrijven kunnen investeren die betrokken zijn bij corrupte praktijken, of in de handel met repressieve regimes. Om deze reden is het van groot belang dat financiële instellingen verantwoord beleggingsbeleid implementeren dat gebaseerd is op de internationale standaarden die hieronder beschreven worden.

Internationale standaarden

Er zijn verschillende initiatieven om de wapenhandel te reguleren om bijvoorbeeld het leveren van wapens aan repressieve regimes of conflictgebieden tegen te houden. De belangrijkste zijn:

- EU en VN-wapenembargo's;
- internationale conventies die de productie, het gebruik, de opslag en de handel in specifieke wapensystemen verbieden;
- het EU-wapenexportbeleid;
- de internationale Arms Trade Treaty (ATT) van de Verenigde Naties.

De VN en de EU staan het niet toe om wapens te leveren aan landen waartegen een wapenembargo geldt. Daarnaast is het niet wenselijk om wapens te leveren aan landen waar de bevolking geen fundamentele vrijheden heeft of waar een gewapend conflict heerst. Er is ook een groot risico dat het leveren van wapens leidt tot het verergeren van mensenrechtenschendingen en/of het vergroten van armoede, in landen die vatbaar zijn voor corruptie, fragiele staten of landen waar een relatief hoog aandeel van de overheidsuitgaven besteed wordt aan militaire uitgaven.¹²

In deze studie verwijst controversiële wapenhandel naar het leveren van (belangrijke delen van) wapens en wapensystemen, militaire transportsystemen en andere militaire goederen, zoals beschreven wordt in de EU Common Military List (onderdeel van de EU Common Position over wapenhandel), aan:

- landen waartegen een UN of EU wapenembargo is afgekondigd;
- onvrije landen;
- landen die betrokken zijn bij een (burger)oorlog;
- landen met een hoog risico op corruptie bij het militaire aankoopbeleid;
- landen die als 'fragiel' zijn aangemerkt; en
- arme landen die een disproportioneel aandeel van het overheidsbudget uitgeven aan wapens.

Op basis van de criteria van internationaal gerespecteerde ranglijsten en standaarden, zijn achtendertig landen geïdentificeerd die aan deze criteria voldoen. Vijftien beursgenoteerde bedrijven die wapens en militaire goederen hebben geëxporteerd naar deze landen in de onderzoeksperiode 2010 en 2014 zijn geselecteerd.

Resultaten

De tien geselecteerde verzekeringsgroepen hebben in totaal € 6.8 miljard in de vijftien geselecteerde wapenbedrijven geïnvesteerd, waarvan € 4.7 miljard in aandelen en € 2.0 miljard in obligaties.^a Allianz (39%) en Legal & General (30%) zijn verantwoordelijk voor meer dan tweederde van het totaal aan verzekeringsinvesteringen van deze tien verzekeringsgroepen. De drie bedrijven waarin het meest geïnvesteerd wordt zijn:

- United Technologies: € 1,439 miljoen (21% van de totale investeringen);
- BAE Systems: € 1,016 miljoen (15% van de totale investeringen);
- Honeywell International: € 965 miljoen (14% van de totale investeringen).

Tabel 1 geeft een overzicht van de aandelen van de tien verzekeringsgroepen in vijftien wapenbedrijven.

Tabel 1 Overzicht van aandelen van verzekeraars (in miljoenen euro's)

Wapenbedrijven	Achmea	Aegon	Allianz	APG	ASR	Delta Lloyd	Generali	NN Group	Legal&General	SNS Reaal	Total investments per company
Airbus Group	-	23	118	168	-	1	9	58	16	-	393
BAE Systems	-	99	48	59	-	-	0	-	579	-	785
Boeing	-	22	116	135	-	3	3	16	262	-	557
Finmeccanica	-	2	6	13	-	-	20	-	2	-	43
General Dynamics	-	2	3	59	-	-	0	-	140	-	204
Honeywell International	-	14	3	188	-	3	1	126	240	-	575
Lockheed Martin	-	65	11	67	-	2	1	-	196	-	342
Northrop Grumman	-	6	390	31	-	-	-	-	101	-	528
Orbital ATK	-	-	81	-	-	-	-	-	1	-	82
Raytheon	-	7	18	47	-	-	-	-	109	-	181
Saab	-	-	-	-	-	-	-	0	-	-	0
Textron	-	-	5	-	-	-	-	-	38	-	43
Thales	-	3	14	17	-	0	-	-	2	-	36
ThyssenKrupp	-	8	37	15	-	0	1	1	5	0	67
United Technologies	-	80	265	184	-	4	3	32	328	3	899
Total investments *	-	331	1,115	984	-	13	38	235	2,020	3	4,735

N.B. het getal 0 geeft investeringen weer die onder 0.5 miljoen euro zijn en een – betekent dat er geen investeringen gevonden zijn.

^a Er is een klein verschil tussen de som van individuele bedragen en het totaal aan aandelen wegens afronding.

* Er is een klein verschil tussen de som van individuele bedragen en het totaal aan aandelen wegens afronding.

Tabel 2 geeft een overzicht van de obligaties van de verzekeringsgroepen in de vijftien wapenbedrijven.

Tabel 2 Overzicht van de obligaties van verzekeraars (in miljoenen euro's)

Wapenbedrijven	Achmea	Aegon	Allianz	APG	ASR	Delta Lloyd	Generali	NN Group	Legal&General	SNS Reaal	Total investments per company
Airbus Group	-	24	4	-	-	-	-	-	1	-	29
BAE Systems	-	32	196	-	-	-	-	-	3	-	231
Boeing	-	110	202	-	-	-	-	0	1	-	313
Finmeccanica	-	-	106	-	-	-	3	-	-	-	109
General Dynamics	-	-	4	-	-	-	-	-	8	-	12
Honeywell International	-	83	306	-	-	-	-	-	1	-	390
Lockheed Martin	-	1	37	-	-	-	-	-	4	-	42
Northrop Grumman	-	-	132	-	-	-	-	-	5	-	137
Orbital ATK	-	-	1	-	-	-	-	-	-	-	1
Raytheon	-	36	141	-	-	-	-	-	3	-	180
Saab	-	-	-	-	-	-	-	-	-	-	-
Textron	-	0	10	-	-	-	-	-	-	-	10
Thales	-	-	2	-	-	-	2	-	-	-	4
ThyssenKrupp	-	-	40	-	-	5	0	0	-	-	45
United Technologies	-	187	341	-	-	-	0	-	12	-	540
Total investments *	-	474	1,520	-	-	5	5	1	38	-	2,043

N.B. het getal 0 geeft investeringen weer die onder 0.5 miljoen euro zijn en – betekent dat er geen investeringen gevonden zijn.

* Er is een klein verschil tussen de som van individuele bedragen en het totaal aan aandelen wegens afronding.

Twee van de tien verzekeraars hebben geen aandelen of obligaties in de geselecteerde wapenbedrijven: Achmea en ASR.

Acht van de tien verzekeraars hebben aandelen en/of obligaties in de vijftien geselecteerde wapenbedrijven. De grootste investeringen zijn van Allianz (in totaal € 2,635 miljoen). Legal & General (een totaal van € 2,058 miljoen) en APG (een totaal van € 984 miljoen). Daarna volgen Aegon (een totaal van € 805 miljoen), NN Groep (een totaal van € 235 miljoen) en Generali (een totaal van € 43 miljoen). Delta Lloyd (een totaal van € 18 miljoen) en SNS Reaal (een totaal van € 3 miljoen) hebben minieme investeringen in de geselecteerde wapenbedrijven.

In het algemeen is het verantwoord beleggingsbeleid van de verzekeringsgroepen niet voldoende om investeringen in de geselecteerde wapenbedrijven te voorkomen (zie de profielen van de verzekeringsgroepen in Chapter 3 voor gedetailleerde resultaten):

- **Achmea:** Achmea investeert niet in de geselecteerde wapenbedrijven. Hoewel Achmea geen beleid heeft over controversiële wapenhandel, is Achmea's uitsluitingslijst voldoende om het grootste gedeelte van de geselecteerde wapenbedrijven uit te sluiten. De reden hiervoor is waarschijnlijk de grote overlap met bedrijven die controversiële wapens produceren (zoals clustermunitie, landmijnen en kernwapens), welke al door Achmea worden uitgesloten.
- **Aegon:** Aegon investeert in totaal € 805 miljoen in aandelen (€ 331 miljoen) en obligaties (€ 474 miljoen) van dertien van de vijftien van de geselecteerde wapenbedrijven. Aegon heeft beleid over controversiële wapens dat ook betrekking heeft op wapenhandel met landen met een wapenembargo, alsook wapenhandel aan landen waar het risico bestaat dat wapens gebruikt kunnen worden bij het schenden van mensenrechten. Het beleid omvat niet alle relevante investeringsprincipes, zoals wapenhandel aan onvrije landen, landen waar conflict heerst, fragiele staten, lage-inkomenslanden met relatief hoge militaire uitgaven of corrupte regimes, waardoor Aegon kan investeren in bedrijven die betrokken zijn bij controversiële wapenhandel. Het beleid wordt niet op groepsniveau toegepast, waardoor buitenlandse dochternemingen kunnen investeren in bedrijven die door Aegon Nederland zijn uitgesloten. Bovendien maakt Aegon uitzonderingen voor indexfondsen.
- **Allianz:** dit onderzoek heeft voor Allianz investeringen geïdentificeerd van in totaal € 2,635 miljoen in aandelen (€ 1,115 miljoen) en obligaties (€ 1,520 miljoen) van veertien van de vijftien geselecteerde wapenbedrijven. Allianz heeft geen openbaar beleid met betrekking tot controversiële wapenhandel. Hoewel Allianz op haar website stelt dat het investeringsbeleid voor de defensiesector ESG-criteria over "wapenhandel naar conflictgebieden" omvat. Het is echter onduidelijk welke criteria dit zijn. De onduidelijke criteria kunnen een verklaring zijn voor de gevonden investeringen, aangezien beleidsimplementatie duidelijke richtlijnen vereist.
- **APG:** dit onderzoek heeft voor APG in totaal € 984 miljoen aan investeringen geïdentificeerd in aandelen van twaalf van de vijftien wapenbedrijven. Er zijn geen investeringen in obligaties van de geselecteerde bedrijven gevonden. Hoewel APG beleid heeft met betrekking tot belegging in de wapenindustrie, bevat dit beleid geen investeringsprincipes over controversiële wapenhandel, waardoor het mogelijk is om te investeren in de geselecteerde wapenbedrijven.
- **ASR:** Er zijn voor ASR geen investeringen gevonden in de geselecteerde wapenbedrijven. ASR's investeringsbeleid omvat alle relevante criteria ten aanzien van controversiële wapenhandel en voorkomt investeringen in de geselecteerde bedrijven.
- **Delta Lloyd:** In dit onderzoek zijn een totaal van € 18 miljoen aan investeringen geïdentificeerd, in aandelen (€ 13 miljoen) en obligaties (€ 5 miljoen) van zeven van de vijftien geselecteerde wapenbedrijven. Het beleid van Delta Lloyd beleid met betrekking tot controversiële wapenhandel sluit bedrijven uit die exporteren naar landen waartegen een wapenembargo geldt. Dit betekent dat het beleid van Delta Lloyd niet alle relevante investeringsprincipes omvat, zoals wapenhandel met onvrije landen, handel aan landen met een gewapend conflict, fragiele staten, lage inkomenslanden met relatief hoge militaire uitgaven of corrupte regimes, waardoor Delta Lloyd kan investeren in bedrijven die betrokken zijn bij controversiële wapenhandel.

- **Generali:** Dit onderzoek heeft investeringen van Generali geïdentificeerd van in totaal € 43 miljoen in aandelen (€ 38 miljoen) en obligaties (€ 5 miljoen) van tien van de vijftien geselecteerde wapenbedrijven. Generali's beleid sluit wapenhandel aan landen met waartegen een wapenembargo geldt uit. Het beleid van Generali omvat niet alle relevante investeringsprincipes, zoals wapenhandel met onvrije landen, handel aan landen met een gewapend conflict, kwetsbare staten, lage inkomenslanden met relatief hoge militaire uitgaven of corrupte regimes, waardoor Generali kan investeren in bedrijven die betrokken zijn bij controversiële wapenhandel. Bovendien heeft Generali's beleid niet betrekking op alle typen investeringen (zoals investeringen van derden of investeringen in indextrackers).
- **NN Group:** Dit onderzoek heeft in totaal € 235 miljoen aan investeringen van NN Groep geïdentificeerd in aandelen (€ 235 miljoen) en obligaties (€ 0,5 miljoen) van zes van de vijftien geselecteerde wapenbedrijven. NN Groep's beleid met betrekking tot controversiële wapens dekt wapenhandel naar landen waartegen een wapenembargo geldt en verbiedt wapenleveranties aan niet-gouvernementele gewapende groepen. Het beleid van NN Group omvat niet alle relevante investeringsprincipes, zoals wapenhandel met onvrije landen, handel aan landen met een gewapend conflict, fragiele staten, lage inkomenslanden met relatief hoge militaire uitgaven of corrupte regimes, waardoor NN Group kan investeren in bedrijven die betrokken zijn bij controversiële wapenhandel. Daarbij wordt het beleid niet toegepast op alle buitenlandse dochterondernemingen binnen de groep: uitzonderingen worden gemaakt voor indextrackers, discretionaire mandaten en fondsen die beheerd worden door externe managers.
- **Legal & General:** Dit onderzoek heeft investeringen van Legal & General geïdentificeerd van in totaal € 2,058 miljoen in aandelen (€ 2,020 miljoen) en obligaties (€ 38 miljoen) van veertien van de vijftien geselecteerde wapenbedrijven.
- **SNS Reaal:** Dit onderzoek heeft in totaal € 3 miljoen aan investeringen van SNS Reaal geïdentificeerd in aandelen van twee van de vijftien geselecteerde bedrijven. Er zijn geen investeringen in obligaties in de geselecteerde wapenbedrijven zijn gevonden. SNS Reaal heeft beleid met betrekking op controversiële wapenhandel. Hoewel Actiam, SNS Reaal's vermogensbeheerder, twaalf van de bedrijven uit deze studie uitsluit wegens betrokkenheid bij controversiële wapenhandel, zijn er twee investeringen geïdentificeerd in de aandelen van twee bedrijven die voor dit onderzoek zijn geselecteerd. Deze bedrijven staan niet op de uitsluitingslijst van Actiam, wat aangeeft dat aangezien het beleid niet alle relevante principes voor verantwoord investeren omvat, zoals wapenhandel met landen in gewapend conflict, fragiele staten, lage-inkomenslanden met relatief hoge militaire uitgaven en corrupte regimes, het mogelijk is voor SNS Reaal om te investeren in bedrijven die betrokken zijn bij controversiële wapenhandel.

Aanbevelingen

Gezien de uitkomsten van dit praktijkonderzoek over investeringen van verzekeringsgroepen in bedrijven die betrokken zijn bij controversiële wapenhandel, heeft de Eerlijke Verzekeringswijzer de volgende aanbevelingen geformuleerd voor financiële instellingen:

1. Formuleer en publiceer een uitsluitingsbeleid over controversiële wapenhandel en pas dit beleid toe op alle investeringen (inclusief investeringen van derden en fondsen die een index volgen) van alle dochterondernemingen wereldwijd. Het beleid zou betrekking moeten hebben op de selectiecriteria die zijn gebruikt in dit onderzoek: landen met een VN of EU-wapenembargo, onvrije landen, landen in conflict, fragiele staten, corrupte landen en ontwikkelingslanden die een disproportioneel deel van hun overheidsuitgaven besteden aan militaire goederen. Sluit de bedrijven die betrokken zijn bij controversiële wapenhandel uit van investeringen.

2. Identificeer problematische landen voor wapenhandel en stel streng beleid op, waardoor bedrijven die militaire goederen leveren aan deze landen worden gemonitord. Verzekeringsgroepen kunnen de onafhankelijke indices gebruiken die in dit onderzoek zijn toegepast, om in te schatten of een bedrijf betrokken is bij controversiële wapenhandel.
3. Vergroot transparantie door het publiceren van een uitsluitingslijst met daarop de wapenbedrijven die door de verzekeringsgroep uitgesloten zijn van investeringen. Dit zorgt voor duidelijkheid over de manier waarop het verantwoord investeringsbeleid wordt geïmplementeerd en stelt consumenten in staat om weloverwogen beslissingen te nemen over hun verzekeringsmaatschappij.
4. Verzekeringsgroepen kunnen en moeten veel transparanter zijn over hun investerings- en engagementpraktijken. Zonder de zorgplichten naar klanten te verwaarlozen is het mogelijk om de maatschappij van meer informatie te voorzien. In dit kader zou iedere verzekeringsgroep de volgende stappen kunnen zetten:
 - Het publiceren en regelmatig updaten van een geconsolideerd overzicht van de aandelen- en obligatiebeleggingen (al het beheerde vermogen) van de groep.
 - Het publiceren van een jaarlijks overzicht van het aantal bedrijven waarmee de verzekeringsgroep in gesprek is geweest over sociale en milieuonderwerpen (GRI indicator FS10)^a.
 - Het publiceren van verslagen van engagementprocessen met individuele bedrijven of het publiceren van een gedetailleerd, extern geverifieerd, overzicht van de engagementactiviteiten en resultaten.
 - Er zorg voor dragen dat het maatschappelijk jaarverslag door een onafhankelijke auditor is geverifieerd. De auditor moet checken of GRI-standaarden gebruikt zijn en of de verstrekte informatie in het jaarverslag correct is. Een dergelijke audit moet zich niet beperken tot een conclusie dat er geen reden is om te geloven dat de informatie niet voldoet aan de GRI-standaarden. De auditor moet controleren of het jaarverslag voldoende informatie geeft over belangrijke GRI-criteria, zoals sectorindicatoren FS6 en FS10).
5. Het beleid zou niet beperkt moeten worden tot de wapenembargo's van de Verenigde Naties of de Europese Unie of tot nationale wetgeving. De politieke realiteit van deze embargo's en wetten stellen verzekeringsgroepen niet vrij van hun verantwoordelijkheid om beslissingen te nemen ten aanzien van bedrijven die betrokken zijn bij controversiële wapenhandel. Hoewel juridisch gezien de regeringen van fragiele, corrupte of verarmde staten wapens kunnen importeren, betekent dit niet dat wapenbedrijven en hun investeerders zelf geen afwegingen kunnen maken over de wenselijkheid van deze wapenverkoop.
6. De wapenbedrijven die in dit onderzoek zijn geïdentificeerd vertegenwoordigen een selectie van bedrijven die actief betrokken zijn bij de wapenhandel aan controversiële landen. Hoewel het buiten het bereik van dit onderzoek is, zijn er tientallen bedrijven, zowel beursgenoteerde bedrijven als staatsbedrijven en besloten vennootschappen, die betrokken zijn bij controversiële wapenhandel. Verzekeraars moeten screening toepassen op de defensie-industrie om investeringen te kunnen monitoren.

^a Het Global Reporting Initiative biedt bedrijven een kader om te rapporteren over duurzaamheid.

Introduction

In September 2013 the Dutch Fair Insurance Guide (*Eerlijke Verzekeringswijzer*) was launched. This tool informs consumers about the financing and investment policies and practices of insurance companies that are active on the Dutch market. The Fair Insurance Guide builds on the methodology of the Fair Bank Guide (*Eerlijke Bankwijzer*), a joint initiative of Amnesty International, Dierenbescherming (Dutch Society for the Protection of Animals), FNV (Dutch Trade Union), Milieudefensie (Friends of the Earth Netherlands), Oxfam Novib and PAX. Besides policy reviews the Fair Bank and Insurance Guide also publishes case studies.

The aim of this case study is to assess whether the insurance groups researched in the Fair Insurance Guide invest in companies that are actively involved in international controversial arms trade. Here, “controversial” refers to trade and thus not to a specific arms category. Controversial arms trade relates to the supply of (important parts of) weapons and weapon systems, military transport systems and other military goods to countries with an arms embargo, where political or civil rights abuses occur, that are involved in armed conflict to countries where there is corruption related to military procurement, to fragile states or low income states with excessive military spending.

Because of the negative relations between controversial arms trade on the one hand, and poverty, conflict and human rights violations on the other, the Fair Insurance Guide argues that insurance companies should not invest in companies that are actively involved in arms trade to countries that meet the criteria set forth in this research.

To which countries arms supply is deemed “undesirable”, because of the aforementioned reasons, is subject to international debate. In accordance with the standards described in Chapter 1, a selection of countries is made based on indices of a number of authoritative organizations. According to the Fair Insurance Guide, arms supplies to these countries can be considered controversial.

The methodology for this study is largely based on the study carried out for the Fair Bank Guide in 2009 (*Banken en wapens: de praktijk*).¹³ The methodology has been slightly modified and updated for this current study for the Fair Insurance Guide.

The researched insurance companies were invited to give their feedback on this methodology. After the final selection of countries and companies was confirmed by the Fair Insurance Guide, Profundo researched which arms production companies have delivered arms to these specific countries, and which insurance companies invest in those companies.

Chapter 1 explains the background of the debate on controversial arms trade and Chapter 2 explains the methodology for this research and more specifically, how the selection of countries and companies was made. Chapter 3 presents the results of the financial research for each insurance group. Chapter 4 presents the conclusions and recommendations.

Chapter 1 Background

1.1 What is at stake?

Arms can kill, maim and destroy. Therefore, they are a threat to the most fundamental human right: the right to life. Arms are deployed in wars and armed conflicts between and within states, by government forces as well as armed groups that do not belong to a state (also known as non-state actors). Armed conflicts threaten the safety of millions of people around the world. Moreover, small arms are not only used in armed conflicts but also in conflicts between individuals, within families and between groups and gangs. Nowadays, there are about 875 million small arms in circulation.¹⁴

States have the right - and indeed the obligation - to protect their citizens and individually or collectively defend security interests. States' responsibilities towards public security include regulating, checking and monitoring the manufacture, transfer, possession, stockpiling and use of arms. Yet, in practice there has been a lack of expediency to governments and multilateral bodies (such as the United Nations Security Council) to monitor the international arms trade. Civil society research reports show how the arms industry, despite existing regulatory regimes, continues to sell arms to human rights abusing regimes and conflict zones.¹⁵

In 2014, total global military expenditure had an estimated value of € 1,460 billion. On average, military expenditure was about 2.3% of the Gross National Product (GNP). The United States spending of € 501 billion accounted for 34% of global military expenditure, followed at a large distance by China (12%), Russia (4.8%), Saudi Arabia (4.5%), and France (3.5%). Military spending grew the most in Central America and the Caribbean (9.1%), North Africa (7.6%), and Eastern Europe (8.4%).¹⁶

There seems to be a relationship between military expenditure and the socio-economic development of poor countries. Globally, military expenditure counts for about 9% of total public spending. In developing countries - where there is a large need for investments in agriculture and food, education, health care and infrastructure - military expenditure is often a significant barrier to reaching the Millennium Development Goals (MDGs).¹⁷ According to the 2013 figures of the SIPRI Military Expenditure Database (1988-2013), Afghanistan, with 26%, is the country with the most military spending in relation to its total public spending. Myanmar (13.5%) and Angola (12.2%) are other examples of developing countries that spent a significant amount of their total government budget on military material.¹⁸

The harmful effect of military expenditure on human development is further aggravated by debts made for purchasing military equipment. An estimated 15 to 20 percent of global indebtedness is related to military spending. In many developing countries, interest payments on military debts surpass the expenditures on health care and education.¹⁹

Perhaps more than any other legal trade, international arms trade is also strongly connected to corruption.²⁰ Despite the fact that arms trade only constitutes for 1% of global trade, studies by SIPRI suggest that corruption in the arms trade contributes roughly to 40% of all corruption in global transactions.²¹ Transparency International estimates that corruption in the arms trade leads to a loss of US\$ 20 billion annually, which is equivalent to the total sum pledged by the G8 in L'Aquila in 2009 to fight world hunger.²² A large part of arms exports goes to developing countries and emerging economies²³ and through corruption, public funds are diverted from spending on economic and social development and may end up fuelling conflict.

The industry needs to be thoroughly and structurally reformed to ensure, as a minimum, that:

- Arms are not supplied to repressive regimes, fragile states, and non-state actors;
- Corruption is eliminated and transparency in reporting is improved;
- Products and services supplied/sold do not affect the sustainable development of poor countries.

As long as these structural changes do not occur in the arms industry, investing in this industry imposes large corporate social responsibility (CSR) risks. Financial institutions could invest in companies that are involved in corrupt practices or in trade with oppressive regimes. Hence, it is of great importance that financial institutions implement a policy for this industry that is based on the international standards described below.

1.2 Trends in international arms trade

According to the most recent information of the SIPRI Arms Transfer Database, last updated on 16 March 2015, arms trade is flourishing. In fact, compared to 2005-2009, the volume of transfers of major weapons has increased by 16% in the last five years.

The biggest exporters in the period 2010-2014 were the United States, Russia, China, Germany and France, which together accounted for 74% of the total volume of arms exports. Especially China has been enlarging its arms production, going from the ninth place in 2005-2009, to third in 2010-2014. Furthermore, in 2010-2014 total exports from EU member states decreased by 16% compared to the previous research period. As a result, in 2010-2014 EU export volumes were below those of the United States or Russia, while in 2005-2009 they were higher.

The five biggest importers in 2010-2014 were India, Saudi Arabia, China, the UAE and Pakistan, together accounting for 33% of all arms imports. With 48%, Asia and Oceania was the main recipient region, followed by the Middle East (22%), Europe (12%), the Americas (10%) and Africa (9%).

Only in Europe arms imports decreased (36 per cent). In the rest of the world arms imports increased: Africa (45%), Asia and Oceania (37%), the Middle East (25%) and the America's (7%).²⁴

1.3 International standards

There are various international conventions that ban the production, the use, the stockpiling, and the trade of specific arms systems. Examples are the 1997 Mine Ban Treaty (MBT) banning anti-personnel mines and the 2008 Convention on Cluster Munitions (2008). This study focuses on the trade of *all* types of military equipment, as described in the Common Military List of the EU²⁵, to the countries identified in this research.

It is not allowed to supply arms to countries against which an arms embargo is imposed. Furthermore, supplying arms to countries where people lack basic freedoms or where armed conflicts rage, is undesirable. Likewise, in countries most receptive to corruption, in fragile states, or countries where a relatively high share of public spending is diverted to military expenditure, there is a serious risk that supplying arms enhances violations of human rights and/or contributes to creating more poverty.²⁶

There are various initiatives to regulate arms trade in order to, for instance, prevent arms from being delivered to repressive regimes or countries in conflict. The most important international standards relevant to arms trade are outlined below.

1.3.1 Arms embargoes

Organizations such as the UN Security Council, the EU and the Organisation for Security and Co-operation in Europe (OSCE) have the (international) authority to establish arms embargoes against certain countries or combat troops. Mostly, embargoes are established following involvement in conflicts involving serious violations of human rights.²⁷

Some arms embargoes are partial in nature. For example, the EU embargo against China is understood to ban the export of “lethal” goods²⁸, whereas the EU embargo against Egypt relates to goods deployed towards internal repression.²⁹ This research does not make such distinctions, because in most cases, transferring arms to countries under a partial embargo means supporting repressive regimes.

Other embargoes only apply to so-called non-government forces (NGF's). In this research, the countries' territories, within which the NGF's under an embargo operate, are also considered controversial with regard to arms trade. These countries should by definition be considered as weak or fragile states, as the government does not have a monopoly on the use of violence within its own territory. Consequently, it is not uncommon that arms supplied to government forces of fragile states end up with NGF's.³⁰

1.3.2 EU arms export policy

The EU recognizes the need for a system to control arms transfers. Its Common Position “defining common rules governing control of exports of military technology and equipment” contains eight criteria, aimed at, among others, preventing military exports likely to be used in the country of final destination for internal repression, in internal or international conflicts. The EU arms export policy also contains measures to facilitate implementation by the member states and improve cooperation between the member states. The EU criteria are summarized below:³¹

1. Respect for international commitments of Member States, in particular sanctions decreed by the UN Security Council and the EU, as well as agreements on non-proliferation and other international obligations;
2. The respect of 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, taking into account the desirability that states should achieve their legitimate needs of security and defence with the least diversion for armaments of human and economic resources, e.g. through considering the recipient country's relative levels of military and social spending.

1.3.3 Arms Trade Treaty

The Arms Trade Treaty (ATT) is a multilateral treaty that regulates the international trade in conventional arms. It entered into force on 24 December 2014. Put forward in 2003 by a group of Nobel Peace Laureates, the ATT was first addressed in the UN in December 2006 when the UN General Assembly adopted resolution 61/89 "Towards an Arms Trade Treaty: establishing common international standards for the import, export and transfer of conventional arms".³²

In 2009, Oscar Arias, President of Costa Rica and one of the initiators of the ATT, introduced the Treaty at the United Nations. At the end of 2009 the General Assembly of the United Nations decided to convene a Conference on the Arms Trade Treaty in 2012 "to elaborate a legally binding instrument on the highest possible common international standards for the transfer of conventional arms".³³

On 2 April 2013 the General Assembly of the United Nations has adopted the ATT with a large majority of votes. After obtaining the required 50 ratifications, the treaty entered into force on 24 December 2014.³⁴ The ATT obliges governments to adopt national legislation in order to improve inspections of arms export and also to maintain the ban on trading arms that may be used for genocide, terrorism and crimes against humanity.³⁵ States should report on their arms exports annually, and they should also take measures that ensure compliance to the Treaty. Although not all types of arms are covered by the treaty, it does regulate the most important conventional arms. The treaty is open to additional regulations on future military technologies.³⁶

The Control Arms Campaign and specifically Amnesty International have insisted on including the so-called Golden Rule on Human Rights and Humanitarian Law in the ATT. The Golden Rule specifies that: "all governments must avoid trade in arms - also military arms, munitions and gear - when there is a substantial risk that the weapons be used for severe violations of international human rights and humanitarian rights."³⁷ In the ATT the term *overriding risk* has been chosen for the aforementioned *substantial* risk. Taken into account that humanitarian principles form the basis of the ATT, this means, according to the Control Arms Campaign, that states are not allowed to export in case of a 'substantial or clear' risk of the arms being used for violations of human or humanitarian rights.³⁸

1.4 Definition controversial arms trade

The Fair Insurance Guide has established assessment elements for its policy review of the theme 'Arms' based on the international standards and initiatives described above. These are the following.³⁹

- Production and supplying of arms and weapon systems, military transport, and other military goods is unacceptable if there is an overriding risk that the arms will be used for serious violation of international human rights and humanitarian rights (Golden Rule).^a
- Supplying arms and weapon systems, military transport, and other military goods to countries that are under a United Nations or European Union arms embargo, is unacceptable.
- Supplying arms and weapon systems, military transport, and other military goods to regimes that violate human rights, is unacceptable.
- Supplying arms and weapon systems, military transport, and other military goods to countries that are involved in armed conflict, is unacceptable.
- Supplying arms and weapon systems, military transport, and other military goods to countries that are severely corrupt, is unacceptable.
- Supplying arms and weapon systems, military transport, and other military goods to countries having a failed or fragile state, is unacceptable.
- Supplying arms and weapon systems, military transport, and other military goods to countries that spend a disproportionate part of their budget on purchases of arms, is unacceptable.

The definition of controversial arms trade is based on these assessment elements and the underlying international standards. In this research, controversial arms trade therefore relates to the supply of (important parts of) weapons and weapon systems, military transport systems and other military goods, as referred to by the Common Military List of the EU, to:

- countries under an UN/EU arms embargo;
- unfree countries;
- countries involved in a (civil) war;
- countries with a high risk of corruption in military procurement;
- countries considered a fragile state; and
- poor countries spending a disproportional share of their government budget on weapons.

^a In the 2015 Fair Finance Guide International, the assessment element has been updated to comply with the wording of the Arms Trade Treaty. The new assessment element is: Production and supplying of arms and arm systems, military transport, and other military goods is unacceptable if there is a overriding risk that the arms will be used for serious violation of international human rights and humanitarian right.

Chapter 2 Methodology

2.1 Approach

This case study assesses whether ten financial institutions, selected within the framework of the *Fair Insurance Guide*, invest in controversial arms trade.

The research approach consists of several steps:

- writing the background chapter;
- selecting the countries to which arms supplies are considered controversial (for details, see section 2.3);
- selecting the companies that trade arms with countries that have been selected in section 2.3;
- analysing the relationship between the financial institutions and the selected arms companies;
- analysing policy of the insurance companies;
- processing the response of the insurance companies;
- writing the results chapter; and
- writing final conclusions.

During this process the researched insurance groups were asked for feedback.

2.2 Selected insurance groups

Table 3 gives an overview of the ten insurance groups that are included in the *Fair Insurance Guide*, including the brand names that they use in the Netherlands for insurance products.

Table 3 Insurance groups included in the *Fair Insurance Guide*

Insurance group	Brand names for insurance in the Netherlands
Achmea	Achmea, Agis, Avéro, Centraal Beheer, De Friesland, FBTO, GoedGenoeg, Inshared, Interpolis, OZF, Prolife, Syntrus, Woonfonds, Zilveren Kruis
Aegon	Aegon, Kroodde, Optas
Allianz	Allianz, Allsecur, London Verzekeringen
APG (Loyalis)	Loyalis
ASR	a.s.r., Budgio, de Amersfoortse, Ditzo, Europeesche Verzekeringen, Ardanta
Delta Lloyd	ABN Amro Verzekeringen, Be Frank, Delta Lloyd, Erasmus Leven, Nationaal Spaarfonds, Ohra
Generali	Generali
NN Group	Movir, Nationale-Nederlanden
Legal & General	Legal & General
SNS Reaal (Vivat Verzekeringen)	Proteq, Reaal, Zelf, Zwitserleven

All business relationships of these financial institutions with the selected companies, including the business relationships of their sister companies and subsidiaries at home and abroad, are relevant to this study. The assessment distinguishes between investments in shares and bonds.

2.3 Selection of countries

In order to select countries to which delivery of arms can be considered controversial, the criteria are operationalized based on existing indices of authoritative institutions. The next sections present the indices that have been used for each of the six defined criteria. The final section presents the list of selected countries considered controversial destinations for military goods.

In Table 4 seven responsible investment principles regarding controversial arms trade are linked to the selection criteria used to identify controversial countries. These principles are the assessment elements used in the Fair Insurance Guide policy study.⁴⁰

Table 4 Investment principles and selection criteria

Investment principle	Selection criterion
Production and supplying of arms and weapon systems, military transport, and other military goods is unacceptable if there is an overriding risk that the arms will be used for serious violation of international human rights and humanitarian rights (Golden Rule).	Unfree country
Supplying arms and weapon systems, military transport, and other military goods to countries that are under a United Nations or European Union arms embargo, is unacceptable.	Arms embargo
Supplying arms and weapon systems, military transport, and other military goods to regimes that violate human rights, is unacceptable.	Unfree country
Supplying arms and weapon systems, military transport, and other military goods to countries that are involved in armed conflict, is unacceptable.	Armed conflict
Supplying arms and weapon systems, military transport, and other military goods to countries that are severely corrupt, is unacceptable.	Corruption
Supplying arms and weapon systems, military transport, and other military goods to countries having a failed or fragile state, is unacceptable.	Fragile states
Supplying arms and weapon systems, military transport, and other military goods to countries that spend a disproportionate part of their budget on purchases of arms, is unacceptable.	Poverty and military spending

2.3.1 Arms embargoes

The first criterion contains the countries that have been placed under an arms embargo by the EU or the UN in the research period from January 2010 to December 2014. As described in subsection 1.3.1, there are more organisations that issue arms embargoes. However, in this research we only focus on UN/EU embargoes, because these are considered most authoritative. The twenty-three countries selected are listed separately according to EU and UN arms embargoes. The embargo lists, as presented in Table 5 show large overlap.

Table 5 Entities embargoed by the EU and UN

Country/entity	Embargo EU	Embargo UN	Remarks
Al Qaeda, Taliban, Osama Bin Laden	Yes	Yes	
Belarus	Yes		EU: since 20 June 2011
Central African Republic	Yes	Yes	EU: since 23 December 2013; UN: since 5

Country/entity	Embargo EU	Embargo UN	Remarks
China	Yes		December 2013
Cote d'Ivoire	Yes	Yes	
DRC	Yes	Yes	EU: NGF since 2003
Egypt	Yes		EU: since 21 August 2013
Eritrea	Yes	Yes	EU: since 1 March 2010
Guinea	Yes		EU: lifted on 14 April 2014
Iran	Yes	Yes	
Iraq	Yes	Yes	EU and UN: NGF since 2004
Lebanon	Yes	Yes	EU and UN: NGF
Liberia	Yes	Yes	
Libya	Yes	Yes	UN: since 26 February 2011
Myanmar (Burma)	Yes		
North Korea (DPRK)	Yes	Yes	
Russia	Yes		EU: since 31 July 2014
Somalia	Yes	Yes	
Sierra Leone		Yes	UN: lifted on 29 September 2010
South Sudan	Yes		
Sudan	Yes	Yes	UN: Darfur region
Syria	Yes		
Taliban		Yes	
Ukraine	Yes		EU: From 20 February to 16 July 2014
Zimbabwe	Yes		

There are nine countries in these tables have not been under a UN/EU arms embargo for the entire period of January 2010 to December 2014. For the following six countries it holds that they have been placed under a UN/EU embargo during this period: Belarus, Central African Republic, Egypt, Eritrea, Libya and Russia. Because the embargoes against the six countries are still in place at the time of writing, these countries have been incorporated in the final selection.

There are three countries for which the embargo was lifted during the research period: Guinea, Sierra Leone and Ukraine. The UN embargo against Sierra Leone was lifted on 29 September 2010. The EU embargo against Guinea was lifted more recently, on 14 April 2014. The EU embargo against Ukraine had a temporary nature and lasted from 20 February to 16 July 2014. For these countries it holds that an arms embargo is not considered as an absolute criteria, based on which a country is placed in the final selection. However, if these countries also meet three out of three criteria in section 2.3.4 to 2.3.6, they have still been incorporated in the final selection.

2.3.2 Unfree countries

The second criterion selects the most unfree countries in the world. Our assessment is based on the Freedom House Index and the Democracy Index by the Economist. Freedom House is a US based non-profit organization; its annual report “Freedom in the World” assesses more than 200 countries and territories with regard to their political and to their civil rights, which receive a score each. The two scores, on a scale from 1 to 7 are averaged. The most unfree countries scored a 6.5 or 7 on political and civil rights in the 2015 edition.⁴¹

The Economist’s Democracy Index provides a snapshot of the state of democracy worldwide for 165 independent states and two territories. This covers almost the entire population of the world and the vast majority of the world’s states (micro states are excluded). The Democracy Index is based on five categories:⁴²

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

Countries are placed within one of four types of regimes: full democracies, flawed democracies, hybrid regimes, and authoritarian regimes. In this research we will focus on the countries with a score below four, as these are considered authoritarian regimes.

In order to create a selection of countries that is as complete as possible, the two aforementioned indices are combined and compared. The countries that have been incorporated in the final selection score both an average of 6.5 or 7 on political and civil rights in the 2015 edition of the Freedom in the World Index, and are considered authoritarian states, according to the Democracy Index of 2013.

The selection of countries based on the two indices has been incorporated in the final selection of countries. This concerns the countries presented in Table 6.

Table 6 Selected unfree countries as defined by the Freedom House Index and the Democracy Index

Bahrein	Equatorial Guinea	Sudan
Belarus	Eritrea	Syria
Central African Republic	Laos	Turkmenistan
Chad	North Korea	Uzbekistan
China	Saudi Arabia	
Cuba	Somalia	

2.3.3 Armed conflict

The third criterion indicates countries that have been caught up in armed conflicts. Two datasets are used for the selection of countries. First the countries that have been in armed conflict in one or more years during the research period from 2010 to 2014, according to the Uppsala Conflict Data Program of the Uppsala University, were selected. At the time of writing Uppsala did not yet release the conflict data for 2014. The research therefore does not look at conflicts that took place in 2014, such as in eastern Ukraine.⁴³

The Global Peace Index of Vision of Humanity, an Australian research institute, assesses the extent to which countries live in peace or are caught up in conflicts. It uses twentytwo indicators for its assessments and is supported by a long list of Nobel Prize winners, politicians, academics, business people and civil society organizations. The Global Peace Index categorises the overall score into five levels of peacefulness, namely very high, high, borderline, low and very low.⁴⁴

For this case study, the selected countries have both a 'low' or 'very low' state of peace according to the Global Peace Index 2014, and are mentioned in the Uppsala Conflict Data Program as a country involved in conflict in the years 2010, 2011, 2012 or 2013. An assessment of the two indices results in the selection of the following countries presented in Table 7.

Table 7 Selected countries in armed conflict

Afghanistan	Iraq	Rwanda
Central African Republic	Israel	Somalia
Colombia	Mali	South Sudan
Democratic Republic of Congo	Myanmar	Sudan
Ethiopia	Nigeria	Syria
India	Pakistan	Yemen

2.3.4 Corruption

The fourth criterion selects countries that are corrupt and can be found in the Government Defence Anti-Corruption Index of Transparency International (TI). TI is an international non-profit organization that campaigns against the destructive influence corruption has on the lives of men, women and children, all over the world. The Government Defence Anti-Corruption Index is the first global analysis of corruption risk in defence establishments worldwide. The index assesses and compares levels of corruption risk and vulnerability across countries. Hereby, it placed the countries in six different categories to indicate their level of corruption risk. The categories range from very low, low and moderate to high, very high and critical. In this research we focus on the countries with highest risk levels: very high or critical corruption risk.⁴⁵

The twentyeight countries with a very high or critical corruption risk are presented in Table 8.

Table 8 Selected countries with very high or critical corruption

Afghanistan	Iran	Sri Lanka
Algeria	Iraq	Syria
Angola	Libya	Tunisia
Bahrain	Morocco	Uganda
Cameroon	Nigeria	Uzbekistan
Cote d'Ivoire	Oman	Venezuela
Democratic Republic of Congo	Philippines	Yemen
Egypt	Qatar	Zimbabwe
Eritrea	Rwanda	
Indonesia	Saudi Arabia	

2.3.5 Fragile states

The fifth criterion lists countries with a fragile state. According to the Fragile States Index 2014, thirtyfour countries can be identified as fragile states. This index is published by Foreign Policy magazine and the Fund for Peace, an American research institute. The Fragile States Index 2014 assesses 178 states, using twelve social, economic, political and military indicators in order to indicate which states are most vulnerable to violent internal conflicts and social decline. The Index differentiates eleven categories: very sustainable, sustainable, very stable, stable, less stable, warning, high warning, very high warning, alert, high alert and very high alert.⁴⁶

The selected countries are those countries that go over the critical boundary of 90 (out of 120) points and fall in the categories: alert, high alert and very high alert. According to the Index, the countries in these categories can be considered a fragile state. The selected countries are presented in Table 9.

Table 9 Selected countries considered a fragile state

Afghanistan	Guinea Bissau	Pakistan
Bangladesh	Haiti	Rwanda
Burundi	Iraq	Somalia
Cameroon	Kenya	South Sudan
Central African Republic	Liberia	Sri Lanka
Chad	Mauritania	Sudan
Cote d'Ivoire	Myanmar	Syria
Democratic Republic of Congo	Nepal	Timor-Leste
Egypt	Niger	Uganda
Eritrea	Nigeria	Yemen
Ethiopia	North Korea	Zimbabwe
Guinea		

2.3.6 Poverty and military spending

The sixth criterion selects low human development countries, according to the Human Development Index,⁴⁷ which spend a large share of their national budget on arms, using data of the Stockholm International Peace Research Institute (SIPRI), an international research institute. Among many other things, they publish data on levels of relative military spending. To indicate which countries spend a disproportionate share of their government budget on military equipment, we refer to the SIPRI military expenditure list.⁴⁸ There is no international standard to define the threshold percentage above which governments' spending on military equipment harms the sustainable development of a country. Therefore, we have applied a relatively high threshold of 7% of its total government spending. The high threshold should limit the amount of countries to be included.^a

Thus, the countries that are characterized as low development countries with a military expenditure over 7% of their total government spending have been selected. This holds for the seventeen countries presented in Table 10.

Table 10 Selected countries on poverty and military spending

Afghanistan	Djibouti	Pakistan
Angola	Guinea-Bissau	Swaziland
Cameroon	Kenya	Togo
Central African Rep.	Mauritania	Uganda
Chad	Myanmar	Zimbabwe
Côte d'Ivoire	Nepal	

2.3.7 Final selection

In total, 41 countries to which arms supplies can be considered controversial because they meet one or more of the criteria described in section 2.3.1 (arms embargoes) 2.3.2 (unfree countries) or 2.3.3 (armed conflict) have been identified. Excluded from the final selection are the three countries that were, but are no longer under a UN/EU arms embargo: Guinea, Sierra Leone and Ukraine. For these countries holds that next to the arms embargo, they also need to meet all of the criteria in section 2.3.4 to 2.3.6. This holds for none of the aforementioned countries and therefore they are not selected for this research.

Consequently, 38 countries have been incorporated in the final selection.

There is a considerable risk that arms supplies contribute to human rights violations and/or increase poverty because a country does not respect civil or political rights, because it concerns a fragile state, because a country is involved in armed conflict, because it has a high level of corruption, and because it is very poor and spends a disproportionate share of its government budget on arms.

Most of the countries incorporated in the final selection – based on the criteria arms embargo, lack of freedom or armed conflict – also meet one or more criteria related to corruption, fragile states and poverty and military spending. Consequently, incorporating the selection criteria in section 2.3.4 to 2.3.6 contributes to the legitimacy of the final selection of countries.

^a At the time of publication of this case study the 2014 data will be available in the SIPRI database. During the study the data of 2013 is used.

The 38 selected countries according to the different indices and criteria are summarized in Table 11. The selected countries are written in bold. Furthermore, the 33 countries that only score high on corruption, fragility or poverty and military spending are listed in the table as well. These countries are not included in the study. However, investors should be aware of the potential misuse of arms by these countries.

The data in bold corresponds to the selection criteria and the countries concerned fall within the scope of this research.

Table 11 Final selection of countries for the case study

Institution	European Union & United Nations	Freedom House & The Economist*	Vision of Humanity & Uppsala**	Transparency International	Foreign Policy & The Fund for Peace	United Nations Development Programme / SIPRI***
Name of Index	Arms Embargo	Freedom & Democracy Rating	Global Peace Index & Conflict Data Program	Government Defence Anti-Corruption Index	Fragile State Index	Human Development Index (low development) & > 7% government budget on military spending
Afghanistan	No	6.0/AR	3.416	Very high corruption risk	106.5	LHD/16.8%
Algeria	No	5.5/AR	2.239	Critical corruption risk	78.8	HHD/9.9%
Angola	No	5.5/AR	2.143	Critical corruption risk	87.4	LHD/9.6%
Bahrain	No	6.5/AR	2.225	Very high corruption risk	64.7	VHHD/11.4%
Bangladesh	No	3.5/HR	2.106	Very high corruption risk	92.0	MHD/9.2%
Belarus	EU	6.5/AR	2.078	Very High corruption risk	75.0	HHD/3.0%
Burundi	No	5.0/AR	2.418	No data	97.1	LHD/6.9%
Cambodia	No	5.5/HR	2.201	No data	88.5	MHD/8.4%
Cameroon	No	5.5/HR	2.235	Critical corruption risk	93.1	LHD/7.4%
Central African Republic	EU/UN	7.0/AR	3.331	No data	110.6	LHD/11.7%
Chad	No	6.5/AR	2.558	No data	108.7	LHD/17.1%
China	EU	6.5/AR	2.207	Very high corruption risk	79.0	HHD/8.9%
Colombia	No	3.5/FD	2.701	Low corruption risk	83.1	HHD/12.2%
Côte d'Ivoire	EU/UN	4.5/AR	2.520	Very high corruption risk	101.7	LHD/7.6%
Cuba	No	6.5/AR	1.986	No data	70.8	VHHD/No data

Institution	European Union & United Nations	Freedom House & The Economist*	Vision of Humanity & Uppsala**	Transparency International	Foreign Policy & The Fund for Peace	United Nations Development Programme / SIPRI***
Democratic Republic of Congo	EU/UN	6.0/AR	3.213	Critical corruption risk	110.2	LHD/5.4%
Djibouti	No	5.5/AR	1.979	No data	87.1	LHD/9.1%
Egypt	EU	5.5/AR	2.571	Critical corruption risk	91.0	MHD/5.9%
Equatorial Guinea	No	7.0/AR	2.097	No data	85.3	MHD/6.8%
Eritrea	EU/UN	7.0/AR	2.337	Critical corruption risk	95.5	LHD/No data
Ethiopia	No	6.0/AR	2.502	Very high corruption risk	97.7	LHD/6.5%
Guinea	EU (lifted)	5.0/AR	2.296	No data	102.7	LHD/No data
Guinea-Bissau	No	5.5/AR	2.591	No data	100.6	LHD/8.7%
Haiti	No	4.5/AR	2.127	No data	104.3	
India	No	2.5/FD	2.571	High corruption risk	76.9	MHD/9.7%
Indonesia	No	3.0/FD	1.853	Very high corruption risk	76.8	MHD/3.8%
Iran	EU/UN	6.0/AR	2.437	Very high corruption risk	87.2	HHD/10.0%
Iraq	EU/UN	5.5/HR	3.377	Very high corruption risk	102.2	MHD/5.8%
Israel	No	1.5/FD	2.689	High corruption risk	79.5	VHHD/13.6%
Kenya	No	4.0/HR	2.452	High corruption risk	99.0	LHD/7.0%
Kyrgyzstan	No	5.0/HR	2.382	No data	83.9	MHD/9.4%
Laos	No	6.5/AR	1.723	No data	84.3	
Lebanon	EU/UN	4.5/HR	2.620	High corruption risk	86.9	HHD/13.2%
Liberia	EU/UN	3.5/HR	2.014	No data	94.3	LHD/2.2%
Libya	EU/UN	4.5/HR	2.453	Critical corruption risk	87.8	HHD/No data
Mali	No	4.5/HR	2.465	No data	89.8	LHD/6.7%
Mauritania	No	5.5/HR	2.350	No data	93.0	LHD/11.0%
Morocco	No	4.5/HR	1.915	Very high corruption risk	74.4	MHD/No data
Myanmar (Burma)	EU	5.5/AR	2.473	No data	94.3	LHD/16.0%
Namibia	No	2.0/FD	1.808	No data	71.5	MHD/10.3%
Nepal	No	4.0/HR	1.989	High corruption	91.0	LHD/9.2%

Institution	European Union & United Nations	Freedom House & The Economist*	Vision of Humanity & Uppsala**	Transparency International	Foreign Policy & The Fund for Peace	United Nations Development Programme / SIPRI***
Niger	No	3.5/HR	2.351	risk No data	97.9	LHD/4.2%
Nigeria	No	4.0/AR	2.710	Very high corruption risk	99.7	LHD/3.2%
North Korea	EU/UN	7.0/AR	3.071	No data	94.0	No data
Oman	No	5.5/AR	1.889	Very high corruption risk	53.1	HHD/27.3%
Pakistan	No	4.5/HR	3.107	Very high corruption risk	103.0	LHD/17.6%
Philippines	No	3.0/FD	2.456	Very high corruption risk	85.3	MHD/6.5%
Qatar	No	5.5/AR	1.491	Very high corruption risk	48.9	VHHD/6.3%
Russia	EU	5.5/AR	3.039	High corruption risk	76.5	HHD/10.4%
Rwanda	No	5.5/AR	2.494	Very high corruption risk	90.5	LHD/5.5%
Saudi Arabia	No	7.0/AR	2.003	Very high corruption risk	73.1	VHHD/23.1%
Sierra Leone	EU (lifted)	3.0/HR	1.942	No data	89.9	LHD/4.6%
Somalia	EU/UN	7.0/AR	3.368	No data	112.6	No data
South Sudan	EU	6.0/No data	3.397	No data	112.9	No data/33.8%
Sri Lanka	No	4.5/HR	2.197	Very high corruption risk	92.6	HHD/14.3%
Sudan	EU/UN	7.0/AR	3.362	No data	110.1	No data
Swaziland	No	No data/AR	2.056	No data	85.8	LHD/8.6%
Syria	EU	7.0/AR	3.650	Critical corruption risk	101.6	MHD/14.7%
Timor-Leste	No	3.5/FD	1.947	No data	91.0	MHD/2.4%
Togo	No	4/0/AR	2.003	No data	78.8	LHD/8.2%
Tunisia	No	3.0/HR	2.001	Very high corruption risk	77.5	HHD/No data
Turkmenistan	No	7.0/AR	2.093	No data	78.2	MHD/No data
Uganda	No	5.0/HR	2.221	Very high corruption risk	96.0	LHD/14.2%
Ukraine	EU (lifted)	3.5/HR	2.546	Moderate corruption risk	67.2	HHD/5.6%
Uzbekistan	No	7.0/AR	2.179	Very high corruption risk	86.3	MHD/No data
Venezuela	No	5.0/HR	2.410	Very high corruption risk	76.7	HHD/3.2%

Institution	European Union & United Nations	Freedom House & The Economist*	Vision of Humanity & Uppsala**	Transparency International	Foreign Policy & The Fund for Peace	United Nations Development Programme / SIPRI***
Vietnam	No	6.0/AR	1.792	No data	72.7	MHD/7.6%
Yemen	No	6.0/AR	2.629	Critical corruption risk	105.4	LHD/6.8%
Zambia	No	3.5/FD	1.791	No data	86.2	MHD/7.1%
Zimbabwe	EU	5.5/AR	2.662	Very high corruption risk	102.8	LHD/7.3%

Countries written in bold are selected in this case study.

* The abbreviations for the terminology used in this table stand for: authoritarian regime (AR); hybrid regime (HR); flawed democracy (FD).

** The scores in the Global Peace Index that fall within the scope of this research correspond to the categories "low" and "very low" state of peace (≤ 2.465). However, in order to be incorporated in the final selection, a country must also be involved in armed conflict according to the Uppsala Conflict Data Program in the years 2010, 2011, 2012 or 2013.

*** The abbreviations for the terminology used in this table stand for: very high human development (VHHD); high human development (HHD); medium human development (MHD); low human development (LHD).

2.4 Selection of companies

This section contains an overview of the selected arms companies and their links to the 38 controversial countries listed in Table 11. Many companies were identified as involved in controversial arms trade. However, the selection is limited to fifteen companies and focuses on companies for which several controversial deliveries could be identified. Therefore, this list cannot be considered a comprehensive list of companies involved in controversial weapons trade. To select the companies, the following guidance was applied:

- The company has delivered arms to at least one of the 38 controversial countries.
- The list is composed of publicly listed companies, because all the selected insurance groups invest in publicly traded companies. Investor information of public companies is (partially) publicly available.
- The company list consists of parent companies. If a subsidiary or joint venture is involved in controversial arms trade, the parent company is held responsible.
- If a deal is executed by a joint venture company with no majority shareholder, this is listed as additional information if the involved companies are already included in the study for other deliveries.
- The research focuses on arms deliveries in the period from January 2010 to December 2014. Arms deals of which it is not yet clear whether arms have been delivered already until the end of 2014 or if the delivery is scheduled in 2015, are therefore not taken into account. However, for companies that are selected for a 2010 to 2014 delivery, the scheduled deliveries for 2015 (and onwards) are listed as additional information.
- Deliveries in the period from January 2010 to December 2014 to embargoed countries (see subsection 2.3.1) which took place outside the embargo period are only included as additional information if the involved company is already included in the study for other deliveries.
- Arms deliveries based on military aid for the 38 controversial countries are included in the study.

- In case of second hand arms deliveries, the producer is not included in the study, as the producer is not directly responsible for second hand trade. However, it should be noted that arms deliveries to countries known to resell arms to controversial countries should be prevented.
- In case of second hand arms deliveries, the company involved in refurbishing or reselling the arms is included in the research.
- Companies are only included if, in 2013, they either made arms sales - to controversial and non-controversial countries together - of more than US\$ 1 billion or if the value of its total arms sales as a percentage of the company's total sales was above 10%.⁴⁹

As more companies than expected were identified, the following rules narrowed the selection down:

- Companies involved in multiple controversial arms deliveries are selected over companies involved in a single controversial arms delivery.
- Companies involved in the delivery of weapon systems are selected over companies involved in the delivery of essential parts or maintenance of weapon systems.

The sources used to select companies include:

- Company websites;
- Exporting agencies reports;
- The SIPRI database;
- United Nations arms trade monitoring databases;
- Professional journals;
- Newspaper and online articles.

PAX, the principal commissioning party for this research, sent letters to all the selected companies to verify the deliveries and to inquire if the companies have policies in place related to controversial weapons trade. The relevant parts of the responses of the five companies - Finmeccanica, Honeywell International, Lockheed Martin, Thales and ThyssenKrupp - that replied have been summarized in their respective profiles.

Table 12 contains the fifteen selected companies, ranked based on their score in the SIPRI list of top 100 arms-producing companies of 2013.⁵⁰

Table 12 Selection of arms companies

Company	Country from which the company exported the arms	Importing country
Lockheed Martin	United States	Bahrain, Egypt, Iraq, Israel, Libya, Pakistan, Saudi Arabia
Boeing	United States	Egypt, India, Israel, Pakistan, Saudi Arabia
BAE Systems	France, Italy, South Africa, United Kingdom, United States	Bahrain, India, Libya, Pakistan, Saudi Arabia
Raytheon	United States	Bahrain, Egypt, India, Israel, Pakistan, Saudi Arabia
Northrop Grumman	United States	India, Iraq, Israel, Saudi Arabia
General Dynamics	Canada, United States	Bahrain, Colombia Iraq, Israel, Saudi Arabia
Airbus	Finland, France, Germany, Spain, United States, United Kingdom	Colombia, Egypt, India, Iraq, Pakistan, Saudi Arabia
United Technologies Corporation	Canada, United States	Bahrain, Colombia, India, Israel, Pakistan Saudi Arabia
Finmeccanica	Italy, United Kingdom	Egypt, Israel, Libya, Nigeria, Pakistan, Saudi Arabia
Thales	France, the Netherlands, United States	Colombia, Egypt, India, Saudi Arabia
Honeywell International	United States	India, Iraq, Israel, Saudi Arabia
Textron	United States	Afghanistan, Colombia, India, Iraq, Lebanon, Pakistan, Saudi Arabia
Saab	Sweden	Pakistan, Saudi Arabia
Orbital ATK	United States	Lebanon, Saudi Arabia
ThyssenKrupp	Germany	Colombia, India, Israel, Saudi Arabia

In the following sections, short profiles of the companies and overviews of the identified weapon exports are presented. Deals marked in italics are those for which delivery dates are anticipated in the future, or deals for which no conclusive information on the actual delivery could be identified.

2.4.1 Airbus Group (France)

Airbus Group, before January 2014 known as EADS Group, is an aerospace and defence corporation based in France and registered in the Netherlands. Airbus has strong European roots and operates in 170 locations worldwide. The group consists of the three main divisions Airbus, Airbus Defence and Space, and Airbus Helicopters^{a 51}.

^a Until January 2014 known as Eurocopter.

In the financial year ending 31 December 2013, Airbus Group reported revenues of €59.3 billion, resulting in an operating profit of €2.6 billion and a net profit of €1.5 billion.⁵² According to the SIPRI list of top 100 arms-producing companies of 2013, the Airbus Group ranked seventh with total arms sales of US\$15.7 billion (€11.4 billion), accounting for 20% of its total sales that year.⁵³

The involvement of Airbus Group in controversial arms deals, in the period from January 2010 to December 2014, is summarized in Table 13.

Table 13 Controversial arms deals Airbus Group (2010-2014)

Manufacturing company	Importing country	Weapon class	Quantity/weapon	Year of (anticipated) delivery	Value (US\$ mln)	Source
Airbus Defence and Space	Colombia	Aircraft	1 C295	(2013)	n/a	54
Airbus Defence and Space	Iraq	Helicopter	24 EC-135/EC-635	2011-2012	360	55
Airbus Defence and Space	Saudi Arabia	Aircraft	1 A330 MRTT	2014	n/a	56
Airbus Defence and Space	Egypt	Aircraft	3 C-295	2010-2011	n/a	57
Airbus Defence and Space	Egypt	Aircraft	8 C295	(2015)	n/a	58
Airbus Helicopters	Pakistan	Helicopter	10 Fennec armed AS-550C3 version	2013	n/a	59
Airbus Helicopters	Pakistan	Helicopter	7 Fennec S-350B3 version	2011	n/a	60
Airbus Helicopters	Saudi Arabia	Helicopter	6 AS565M Panthers	2010-2011	n/a	61
Airbus Helicopters	Iraq	Aircraft	16 EC 635	2011	n/a	62
Atlas Elektronik ^a	India	Information systems	6 ACTAS towed array sonar systems	(2016)	51	63
Eurofighter Jagdflugzeug GmbH ^b	Saudi Arabia	Aircraft	8 Eurofighter Typhoons	2012-2013	n/a	64
MBDA ^c	Bahrain	Missiles	17 MM-40 Exocet anti-ship missiles	2010	n/a	65
MBDA	Pakistan	Missiles	200 SPADA 2000 air defence missiles and system	2010-2013	415	66
MBDA	Saudi Arabia	Missiles	350 Storm Shadow/SCALP ASM	2011-2013	n/a	67
MBDA	Saudi Arabia	Missiles	560 Bimstone ASM	2011-2013	n/a	68
MBDA	Libya	Missiles	1000 MILAN anti-tank missiles	2008-2011	170	69

^a Atlas Elektronik (Germany) is jointly owned by Airbus (49%) and ThyssenKrupp (Germany) (51%). In September 2014, Airbus announced its intention to sell its stake as part of a streamlining strategy.

^b Eurofighter Jagdflugzeug GmbH is a joint venture between Airbus Defence & Space, part of Airbus Group (46%), BAE Systems (United Kingdom) (33%), and Alenia Aermacchi, part of Finmeccanica (Italy) (21%).

^c MBDA is a joint venture between BAE Systems (United Kingdom) (37.5%), Airbus Group (France) (37.5%), and Finmeccanica (Italy) (25%).

Airbus Group has traded military goods to, or has deals with, countries that are considered controversial for the following reasons:

- Lack of freedom;
- Partial arms embargoes;
- Involved in armed conflict;
- Corruption;
- Fragile state;
- Poverty and military spending.

2.4.2 BAE Systems (United Kingdom)

BAE Systems, based in the United Kingdom, is a defence, security and aerospace company. The company's main divisions are Electronic Systems, Intelligence & Security, Land & Armaments, Maritime, Military, Air & Services and Support Solutions.⁷⁰

In the financial year ending 31 December 2013, BAE Systems reported revenues of £16.9 billion (€20.2 billion), resulting in an operating profit of £695 million (€832 million) and a net profit of £176 million (€211 million).⁷¹ According to the SIPRI list of top 100 arms-producing companies of 2013, BAE Systems ranked third with total arms sales of US\$26.8 billion (€19.5 billion), accounting for 94% of its total sales that year.⁷²

The involvement of BAE Systems in controversial arms deals, in the period from January 2010 to December 2014, is summarized in Table 14.

Table 14 Controversial arms deals BAE Systems (2010-2014)

Manufacturing company	Importing country	Weapon class	Quantity/weapon	Year of (anticipated) delivery	Value (US\$ mln)	Source
BAE Systems	Saudi Arabia	Aircraft	22 Hawk Advanced Jet Trainers	(2016)	n/a	73
BAE Systems	India	Aircraft	17 Hawk Advanced Jet Trainers	2013	n/a	74
BAE Systems Southeast Shipyards	Pakistan	Frigate	1 Perry ^a	2010	65	75
Eurofighter Jagdflugzeug GmbH ^b	Saudi Arabia	Aircraft	8 Eurofighter Typhoons	2012-2013	n/a	76
Land Systems OMC ^c	India	Armoured Personnel Carrier (APC)	300 Casspir-6	2011-2013	n/a	77
MBDA ^d	Bahrain	Missiles	17 MM-40 Exocet anti- ship missiles	2010	n/a	78

^a SIPRI: Second-hand; aid; modernized in \$65 million deal before delivery.

^b Eurofighter Jagdflugzeug GmbH is a joint venture between BAE Systems (33%), Airbus Defence & Space, part of Airbus Group (France) (46%) and Alenia Aermacchi, part of Finmeccanica (Italy) (21%).

^c Land Systems OMC (South Africa) is part of Land Systems South Africa, a joint venture between BAE Systems (75%) and South African Black Economic Empowerment Company, DGD Technologies (2001) (South Africa) (25%). In 2015 BAE Systems completed the sale of its 75% stake to South African state-owned Denel.

^d MBDA (United Kingdom) is a joint venture between BAE Systems (37.5%), Airbus Group (France) (37.5%), and Finmeccanica (25%).

Manufacturing company	Importing country	Weapon class	Quantity/weapon	Year of (anticipated) delivery	Value (US\$ mln)	Source
MBDA	Pakistan	Missiles	200 SPADA 2000 air defence missiles and system	2010-2013	415	79
MBDA	Saudi Arabia	Missiles	350 Storm Shadow/SCALP ASM	2011-2013	n/a	80
MBDA	Saudi Arabia	Missiles	560 Brimstone ASM	2011-2013	n/a	81
MBDA	Libya	Missiles	1000 MILAN anti-tank missile	2008-2011	170	82

BAE Systems has traded military goods to, or has deals with, countries that are considered controversial for the following reasons:

- Lack of freedom;
- Partial arms embargoes;
- Involved in armed conflict;
- Corruption;
- Fragile state;
- Poverty and military spending.

2.4.3 Boeing (United States)

Boeing, based in the United States, is an aerospace company and manufacturer of commercial jetliners and military aircrafts combined. Additionally, Boeing designs and manufactures rotorcraft, electronic and defence systems, missiles, satellites, launch vehicles and advanced information and communication systems. It also provides numerous military and commercial airline support services.⁸³

In the financial year 2013, ending 31 December 2013, Boeing reported revenues of US\$86.6 billion (€62.9 billion), resulting in an operating profit of US\$6.6 billion (€4.8 billion) and a net profit of US\$4.6 billion (€3.3 billion).⁸⁴ According to the SIPRI list of top 100 arms-producing companies of 2013, Boeing ranked second with total arms sales of US\$30.7 billion (€22.3 billion), accounting for 35% of its total sales that year.⁸⁵

The involvement of Boeing in controversial arms deals, in the period from January 2010 to December 2014, is summarized in Table 15.

Table 15 Controversial arms deals Boeing (2010-2014)

Manufacturing company	Importing country	Weapon class	Quantity/weapon	Year of (anticipated) delivery	Value (US\$ mln)	Source
Boeing	Egypt	Aircraft	10 AH-64 combat helicopter	2014	n/a	86
Boeing	India	Aircraft	5 C-17A Globemaster-3	2013	4,100	87
Boeing	India	Aircraft	1 P-8A Poseidon	2014	n/a	88
Boeing	India	Missiles	12 RGM-84L Harpoon-2	2013	170	89
Boeing	Israel	Guided bombs	JDAM	(2016)	82.6	90

Manufacturing company	Importing country	Weapon class	Quantity/weapon	Year of (anticipated) delivery	Value (US\$ mln)	Source
Boeing	Israel	Guided bombs	1000 GBU-39 Small Diameter Bombs	2010	77	91
Boeing	Pakistan	Guided bombs	500 JDAM	2010-2011	n/a	92
Boeing	Saudi Arabia	Helicopter	12 AH-64D combat helicopter	2011	n/a	93
Boeing	Saudi Arabia	Helicopter	58 AH-64E combat helicopter	2014	n/a	94
Boeing	Saudi Arabia	Guided bombs	900 JDAM	2010-2011	n/a	95
<i>Boeing</i>	<i>Saudi Arabia</i>	<i>Aircraft</i>	<i>84 F-15^a</i>	<i>(2015-2019)</i>	<i>29,400</i>	<i>96</i>
<i>Boeing</i>	<i>Saudi Arabia</i>	<i>Guided bombs</i>	<i>496 JDAM</i>	<i>(2015)</i>	<i>n/a</i>	<i>97</i>

Boeing has traded military goods to, or has deals with, countries that are considered controversial for the following reasons:

- Lack of freedom;
- Partial arms embargoes;
- Involved in armed conflict;
- Corruption;
- Fragile state;
- Poverty and military spending.

2.4.4 Finmeccanica (Italy)

Finmeccanica, based in Italy, is a company active in aerospace, defence and security. The company is divided in six sectors: aeronautics, helicopters, space, defence and security electronics, defence systems and transportation.⁹⁸

In the financial year ending 31 December 2013, Finmeccanica reported revenues of €16.0 billion, resulting in an operating loss of €368 million and a net profit of €74 million.⁹⁹ According to the SIPRI list of top 100 arms-producing companies of 2013, Finmeccanica ranked ninth with total arms sales of US\$10.6 billion (€7.7 billion), which accounts for 50% of its total sales that year.¹⁰⁰

The involvement of Finmeccanica in controversial arms deals, in the period from January 2010 to December 2014, is summarized in Table 16.

^a Another 70 F-15S fighters already operated by the Royal Saudi Air Force will be upgraded to the SA configuration.

Table 16 Controversial arms deals Finmeccanica (2010-2014)

Manufacturing company	Importing country	Weapon class	Quantity/weapon	Year of (anticipated) delivery	Value (US\$ mln)	Source
Agusta Westland ^a	Libya	Aircraft	2 AW 139 ^b helicopters	2010	n/a	101
AgustaWestland	Nigeria	Helicopter	6 A-109LUH helicopters	2010	n/a	102
Alenia Aermacchi ^c	Israel	Aircraft	30 M-346 advanced jet trainer aircrafts	(2014)	600	103
Alenia Aemacchi	Nigeria	Aircraft	2 ATR-42MP patrol aircrafts	2010	73	104
Eurofighter Jagdflugzeug GmbH ^d	Saudi Arabia	Aircraft	8 Eurofighter Typhoons	2012-2013	n/a	105
MBDA ^e	Bahrain	Missiles	17 MM-40 Exocet anti- ship missiles	2010	n/a	106
MBDA	Pakistan	Missiles	200 SPADA 2000 air defence missiles and system	2010-2013	415	107
MBDA	Saudi Arabia	Missiles	350 Storm Shadow/SCALP ASM	2011-2013	n/a	108
MBDA	Saudi Arabia	Missiles	560 Brimstone ASM	2011-2013	n/a	109
MBDA	Libya	Missiles	1000 MILAN anti-tank missile	2008-2011	170	110
Otobreda ^f	Egypt	Naval gun	1 Super Rapid 76mm naval gun	2011	n/a	111
Selex ES ^g	Pakistan	UAV	25 Falco unmanned aerial surveillance vehicles ^h	2010-2011	n/a	112

Finmeccanica has traded military goods to, or has deals with, countries that are considered controversial for the following reasons:

- Lack of freedom;
- Partial arms embargoes;
- Involved in armed conflict;
- Corruption;
- Fragile state;
- Poverty and military spending.

^a AgustaWestland is a wholly-owned subsidiary of Finmeccanica.

^b Finmeccanica stated that these helicopters were only destined for search and rescue activities and for border control. However, the AW 139 is deployable for civil as well as military purposes; the company stresses its "mission flexibility" (see reference).

^c Alenia Aermacchi is a wholly-owned subsidiary of Finmeccanica.

^d Eurofighter Jagdflugzeug GmbH is a joint venture between Alenia Aermacchi, part of Finmeccanica (21%), Airbus Defence & Space, part of Airbus Group (France) (46%) and BAE Systems (United Kingdom) (33%).

^e MBDA (United Kingdom) is a joint venture between BAE Systems (37.5%), Airbus Group (France) (37.5%), and Finmeccanica (25%).

^f Otobreda (Italy) is a wholly-owned subsidiary of Finmeccanica.

^g Selex-ES (Italy) is a wholly-owned subsidiary of Finmeccanica.

^h SIPRI: Including production of components and assembly in Pakistan.

Finmeccanica replied to PAX's inquiries about the deliveries identified in this study. It did not specifically verify the individual cases but rather referred to its websites and publicly available annual and interim reports.¹¹³ In its 2013 Sustainability Report, Finmeccanica refers to the Italian Law 185/1990 which regulates the export, import and transit of arms materials. It furthermore refers to specific regulations, directives and decisions issued by the European Union (including Regulation 428/2009/EC) imposing conditions and limitations on the direct or indirect import and/or export of dual use goods and technology which could potentially be used for internal repression or uses other than those permitted. Finally, Finmeccanica states it complies with the legislation related to weapons export and transfers of the other countries in which it operates.¹¹⁴

With regard to its policy on controversial arms trade, Finmeccanica stated it has in place a "Trade Compliance Program." This programme governs the import and export of materials for military or dual use, or those for commercial use that are subject to specific legislative requirements. It furthermore governs sanctions or restrictive measures regarding countries or people considered sensitive. The programme includes a risk analysis process as well as a control system for exports, re-exports, transfer and re-transfer of goods.¹¹⁵

- Response by the Fair Insurance Guide: As we expect companies to comply with relevant legislation, rules and guidelines, this study does not deal with "illegal arms trade" but rather with "controversial arms trade". Finmeccanica is mentioned in this report because there is evidence that, in the research period, it delivered arms and military goods to countries that are considered controversial for the purposes of this report. The selected countries are deemed controversial because of a lack of freedom, a partial arms embargo, conflict prevails, it concerns failing or corrupt states or military spending is hindering poverty alleviation.

2.4.5 General Dynamics (United States)

General Dynamics, based in the United States, provides business aviation, land and expeditionary combat systems, armaments and munitions, shipbuilding and marine systems, and information systems, technologies, and mission-critical information systems and technology.¹¹⁶

In the financial year ending 31 December 2013, General Dynamics reported revenues of US\$ 31.2 billion (€ 22.7 billion), resulting in an operating profit of US\$ 3.7 billion (€ 2.7 billion) and a net profit of US\$ 2.4 billion (€ 1.7 billion).¹¹⁷ According to the SIPRI list of top 100 arms-producing companies of 2013, General Dynamics ranked sixth with total arms sales of US\$ 18.7 billion (€ 13.6 billion), accounting for 60% of its total sales that year.¹¹⁸

The involvement of General Dynamics in controversial arms deals, in the period from January 2010 to December 2014, is summarized in Table 17.

Table 17 Controversial arms deals General Dynamics (2010-2014)

Manufacturing company	Importing country	Weapon class	Quantity/weapon	Year of (anticipated) delivery	Value (US\$ mln)	Source
General Dynamics Land Systems	Bahrain	Tank	125 M-1A1 Abrams	2009-2016	n/a	119
General Dynamics Land Systems	Iraq	Tank	140 M-1A1 Abrams	2010-2012	n/a	120

Manufacturing company	Importing country	Weapon class	Quantity/weapon	Year of (anticipated) delivery	Value (US\$ mln)	Source
General Dynamics Land Systems	Saudi Arabia	Tank	59 M-1A1 Abrams ^a	2012-2014	n/a	121
General Dynamics Land Systems	Israel	ACV	170 Namers	(2017) ^b	150 ^c	122
General Dynamics Land Systems	Saudi Arabia	Armored Personnel Carrier (APC)	410 Piranha APCs	2011-2013	2,200	123
General Dynamics Canada	Colombia	ACV	24 LAV III	2014	n/a	124
Force Protection Industries ^d	Iraq	APC	109 Cougar APCs	2011	59	125

General Dynamics has traded military goods to, or has deals with, countries that are considered controversial for the following reasons:

- Lack of freedom;
- Partial arms embargoes;
- Involved in armed conflict;
- Corruption;
- Fragile state;
- Poverty and military spending.

2.4.6 Honeywell International (United States)

Honeywell International, based in the United States, produces a variety of commercial and consumer products, engineering services, and aerospace systems.¹²⁶

In the financial year ending 31 December 2013, Honeywell reported revenues of US\$39.1 billion (€28.4 billion), resulting in an operating profit of US\$5.4 billion (€3.9 billion) and a net profit of US\$4.0 billion (€2.9 billion).¹²⁷ According to the SIPRI list of top 100 arms-producing companies of 2013, Honeywell International ranked eighteenth with total arms sales of US\$4.9 billion (€3.6 billion), accounting for 12% of its total sales that year.¹²⁸

The involvement of Honeywell International in controversial arms deals, in the period from January 2010 to December 2014, is summarized in Table 18.

Table 18 Controversial arms deals Honeywell International (2010-2014)

Manufacturing company	Importing country	Weapon class	Quantity/weapon	Year of (anticipated) delivery	Value (US\$ mln)	Source
Honeywell Aerospace	India	Information systems	Tactical Advanced Land Inertial Navigator (navigation system)	n/a ^e	n/a	129

^a SIPRI: Second-hand but modernized to M-1A2S before delivery.

^b The original order of 386 Namers from 2010 was brought back to 170 in 2014.

^c Estimated amount.

^d Force Protection Industries is a wholly-owned subsidiary of General Dynamics.

^e The initial efforts will begin in 2015 for the TALIN 2000 with production and manufacturing of the system components expected by 2016.

Manufacturing company	Importing country	Weapon class	Quantity/weapon	Year of (anticipated) delivery	Value (US\$ mln)	Source
International Turbine Engine Company ^a	Israel	Aircraft engine	<i>for military vehicles)</i> F124 engine	2013-2015	735	130
Honeywell International	Iraq	Tank engine	M1 engines for M-1A1 Abrams of General Dynamics	2010-2011	n/a	131
Honeywell International	Saudi Arabia	Information systems	Navigation system for military vehicles	2012	2	132

Honeywell International has traded military goods to, or has deals with, countries that are considered controversial for the following reasons:

- Lack of freedom;
- Partial arms embargoes;
- Involved in armed conflict;
- Corruption;
- Fragile state;

Honeywell replied to PAX's inquiries about the deliveries identified in this study although it did not specifically verify the individual cases.¹³³ Honeywell stated it complies with all applicable arms export laws, trade sanctions, trade laws, and anti-corruption laws – including embargoes and sanctions imposed by the US, the UN and the EU. In order to comply with these laws and legislation, Honeywell established export compliance and anti-corruption programs and it monitors potential corruption, diversion of and the end use of its deliveries.¹³⁴

- Response by the Fair Insurance Guide: As we expect companies to comply with relevant legislation, rules and guidelines, this study does not deal with “illegal arms trade” but rather with “controversial arms trade.” Honeywell is mentioned in this report because there is evidence that, in the research period, it delivered arms and military goods to countries that are considered controversial for the purposes of this report. The selected countries are deemed controversial because of a lack of freedom, partial arms embargoes, conflict prevails and it concerns failing and or corrupt states.

2.4.7 Lockheed Martin (United States)

Lockheed Martin, based in the United States, focuses on aeronautics, space systems, electronic systems and information systems. Its most important divisions are Aerospace and Defence, Information Technology and New Technologies.¹³⁵

In the financial year ending 31 December 2013, Lockheed Martin reported revenues of US\$45.4 billion (€33 billion), resulting in an operating profit of US\$4.5 billion (€3.3 billion) and a net profit of US\$3.0 billion (€2.2 billion).¹³⁶ According to the SIPRI list of top 100 arms-producing companies of 2013, Lockheed Martin ranked first with total arms sales of US\$35.5 billion (€25.8 billion), accounting for 78% of its total sales that year.¹³⁷

^a The International Turbine Engine Company (United States) is a joint venture between Honeywell Aerospace (United States) and Aerospace Industrial Development Corporation (AIDC) (Taiwan).

The involvement of Lockheed Martin in controversial arms deals, in the period from January 2010 to December 2014, is summarized in Table 19.

Table 19 Controversial arms deals Lockheed Martin (2010-2014)

Manufacturing company	Importing country	Weapon class	Quantity/weapon	Year of (anticipated) delivery	Value (US\$ mln)	Source
Hellfire Systems ^a	Iraq	Missiles	200 AGM-114L HELLFIRE	2012-2013	n/a	138
Hellfire Systems	Saudi Arabia	Missiles	2592 AGM-114L HELLFIRE	2012-2013	n/a	139
Hellfire Systems	Saudi Arabia	Missiles	2592 AGM-114L HELLFIRE ^b	2013-2014 ^c	n/a	140
Lockheed Martin	Bahrain	Missiles	30 ATACMS Block-1A version	2013	70	141
Lockheed Martin	Egypt	Aircraft systems	12 AAQ-33 Sniper Aircraft EO system	2011	n/a	142
Lockheed Martin	Egypt	Aircraft	8 F-16C Block-50/52	2013	n/a	143
Lockheed Martin	Iraq	Aircraft	6 C-130J-30 Hercules	2012-2013	293	144
<i>Lockheed Martin</i>	<i>Libya</i>	<i>Aircraft</i>	<i>2 C-130J-30 aircrafts</i>	<i>n/a^d</i>	<i>588</i>	<i>145</i>
Lockheed Martin	Israel	Aircraft	1 C-130J Super Hercules	2014	n/a	146
<i>Lockheed Martin</i>	<i>Israel</i>	<i>Aircraft</i>	<i>19 F-35 combat aircraft</i>	<i>(2017-2018)</i>	<i>2,800</i>	<i>147</i>
Lockheed Martin	Pakistan	Aircraft	7 F-16C combat aircraft	2010	n/a	148
Lockheed Martin	Pakistan	Aircraft	7 F-16D combat aircraft	2010	n/a	149
Lockheed Martin	Pakistan	Aircraft	3 P3C combat aircraft	2012	n/a	150
Lockheed Martin	Saudi Arabia	Aircraft systems	14 AAQ-33 Sniper Aircraft EO system	2010	n/a	151
Lockheed Martin	Saudi Arabia	Aircraft systems	21 AAQ-33 Sniper Aircraft EO system	2011-2012	n/a	152
<i>Longbow LLC^e</i>	<i>Saudi Arabia</i>	<i>Information systems</i>	<i>LONGBOW fire control radars^f</i>	<i>n/a</i>	<i>90.6</i>	<i>153</i>

Lockheed Martin has traded military goods to, or has deals with, countries that are considered controversial for the following reasons:

- Lack of freedom;
- Partial arms embargoes;

^a Hellfire Systems is a wholly-owned subsidiary of Lockheed Martin.

^b SIPRI: AGM-114R version; for AH-64 combat helicopters; for National Guard.

^c Delivery uncertain.

^d Ordered in 2013; delivery uncertain.

^e Longbow LLC is a joint venture of Lockheed Martin (United States) and Northrop Grumman (United States).

^f For the AH-64 Apache Attack Helicopter.

- Involved in armed conflict;
- Corruption;
- Fragile state;
- Poverty and military spending.

Lockheed Martin replied to PAX's inquiries about the deliveries identified in this study.¹⁵⁴ It did not specifically verify the individual cases but replied that the deliveries included foreign military sales ("FMS") of varying status.^a Lockheed Martin indicated its policy objective is to maintain in compliance with the policies and practices required by US legislation and regulations.^b It referred to the US' Conventional Arms Transfer Policy on arms transfers, which "continues to be guided by two fundamental tenets: to support transfers that meet the legitimate security requirements of our allies and partners in support of our national security and foreign policy interests; and to promote restraint, both by the United States and other suppliers, in transfers of weapon systems that may be destabilizing or dangerous to international peace and security".¹⁵⁵ Finally, Lockheed Martin has in place internal training and compliance awareness programs related to ethical business conduct. The company screens its potential customers and suppliers against the Department of State's Directorate of Defense Trade Controls Embargo Reference Chart, the Transparency International Corruption Index, and other U.S. and international lists of sanctioned or otherwise restricted parties.¹⁵⁶

- Response by the Fair Insurance Guide: As we expect companies to comply with relevant legislation, rules and guidelines, this study does not deal with "illegal arms trade" but rather with "controversial arms trade." Lockheed Martin is mentioned in this report because there is evidence that, in the research period, it delivered arms and military goods to countries that are considered controversial for the purposes of this report. The selected countries are deemed controversial because of a lack of freedom, a partial arms embargo, conflict prevails, it concerns failing or corrupt states or military spending is hindering poverty alleviation.

2.4.8 Northrop Grumman (United States)

Northrop Grumman, based in the United States, is an aerospace and defence technology corporation. Its main divisions are: Aerospace Systems, Electronic Systems, Information Systems and Technical Services.¹⁵⁷

In the financial year ending 31 December 2013, Northrop Grumman reported revenues of US\$24.7 billion (€17.9 billion), resulting in an operating profit of US\$3.1 (€2.3 billion) and a net profit of US\$2.0 billion (€1.5 billion).¹⁵⁸ According to the SIPRI list of top 100 arms-producing companies of 2013, Northrop Grumman ranked fifth with total arms sales of US\$20.2 billion (€14.7 billion), which accounts for 82% of its total sales that year.¹⁵⁹

^a Foreign Military Sales (FMS) is a government-to-government program through which the U.S. government sells defense articles, services and training to allied and partner nations. The Department of Defense's Defense Security Cooperation Agency (DSCA) is responsible for implementing individual FMS cases, which are first reviewed and approved by the U.S. Department of State (DoS). DSCA forwards all FMS cases for review for consistency with U.S. foreign policy and national security objectives. If the sale meets or exceeds specified dollar thresholds, the Congress is notified. Under law, U.S. military systems can be purchased through the FMS process or through Direct Commercial Sales (DCS). In either method, the Department of State makes the final decision to authorize military defense sales.

^b Such as the International Traffic in Arms Regulations (ITAR), overseen by the Department of State's Directorate of Defense Trade Controls (DDTC) and the Export Administration Regulations (EAR) which is implemented by the US Department of Commerce's Bureau of Industry and Security (BIS). Under these laws and regulations, companies need to obtain government authorization for the export of controlled goods.

The involvement of Northrop Grumman in controversial arms deals, in the period from January 2010 to December 2014, is summarized in Table 20.

Table 20 Controversial arms deals Northrop Grumman (2010-2014)

Manufacturing company	Importing country	Weapon class	Quantity/weapon	Year of (anticipated) delivery	Value (US\$ mln)	Source
Longbow LLC ^a	Saudi Arabia	Info systems	Longbow fire control radars ^b	n/a	90.6	160
Northrop Grumman Sperry Marine ^c	India	Info systems	20 Shipboard navigation systems ^d	(2012-2015)	n/a	161
Northrop Grumman Sperry Marine	Israel	Aircraft components	19 F-35 components ^e	(2017-2018)	n/a	162
Northrop Grumman Sperry Marine	Iraq	Information systems	22 APG-68(V)9 airborne fire control radar ^f	n/a	n/a	163

Northrop Grumman has traded military goods to, or has deals with, countries that are considered controversial for the following reasons:

- Lack of freedom;
- Partial arms embargoes;
- Involved in armed conflict;
- Corruption;
- Fragile state;

2.4.9 Orbital ATK (United States)

Orbital ATK was formed after the spinoff of the Sporting Group business of Alliant Techsystems (ATK) and the merger of ATK's Aerospace and Defense Groups with Orbital in January 2015. The company is based in the United States and designs, builds and delivers space, defence and aviation-related systems. It is divided in three main divisions: Flight Systems, Defense Systems and Space Systems. The company's main products include: launch vehicles and related propulsion systems, satellites and associated components and services, composite aerospace structures, tactical missiles, subsystems and defence electronics, precision weapons, armament systems and ammunition.¹⁶⁴

In the financial year ending 31 March 2014, ATK reported revenues of US\$4.8 billion (€3.8 billion), resulting in an operating profit of US\$590 million (€429 million) and a net profit of US\$341 million (€248 million).¹⁶⁵ According to the SIPRI list of top 100 arms-producing companies of 2013, Alliant Techsystems ranks 56th with total arms sales of US\$1.8 billion (€1.4 billion), accounting for 38% of its total sales in 2013.¹⁶⁶

^a Longbow LLC is a joint venture of Lockheed Martin and Northrop Grumman.

^b For the AH-64 Apache Attack Helicopter.

^c Northrop Grumman Sperry Marine (United States) is a business unit of Northrop Grumman.

^d For 20 fast patrol vessels for the Indian Coast Guard.

^e Northrop Grumman supplies the center fuselages for the Lockheed Martin JSF/F-15. In 2012 32 center fuselages were delivered.

^f For F-16.

The involvement of ATK in controversial arms deals, in the period from January 2010 to December 2014, is summarized in Table 21.

Table 21 Controversial arms deals Orbital ATK (2010-2014)

Manufacturing company	Importing country	Weapon class	Quantity/weapon	Year of (anticipated) delivery	Value (US\$ mln)	Source
Orbital ATK	Lebanon	Aircraft	1 Second-hand Cessna-208B ^a	2013	14.7	167
Orbital ATK	Saudi Arabia	Automatic gun	Procurement of spare components for the M230 in support of Apache helicopters	(2013)	8.9	168

Orbital ATK has traded military goods to, or has deals with, countries that are considered controversial for the following reasons:

- Lack of freedom;
- Partial arms embargoes;
- Corruption;

2.4.10 Raytheon (United States)

Raytheon, based in the United States, is an industrial corporation with core manufacturing concentrations in weapons and military and commercial electronics. The company provides electronics, mission systems integration and other capabilities in the areas of sensing; effects; and command, control, communications and intelligence systems; as well as a broad range of mission support services.¹⁶⁹

In the financial year ending 31 December 2013, Raytheon reported revenues of US\$23.7 billion (€17.2 billion), resulting in an operating profit of US\$2.9 billion (€2.1 billion) and a net profit of US\$2.0 billion (€1.5 billion).¹⁷⁰ According to the SIPRI list of top 100 arms-producing companies of 2013, Raytheon ranked fourth with total arms sales of US\$22.0 billion (€16.0 billion), accounting for 93% of its total sales that year.¹⁷¹

The involvement of Raytheon in controversial arms deals, in the period from January 2010 to December 2014, is summarized in Table 22.

Table 22 Controversial arms deals Raytheon (2010-2014)

Manufacturing company	Importing country	Weapon class	Quantity/weapon	Year of (anticipated) delivery	Value (US\$ mln)	Source
Raytheon	Bahrain	Missiles	10 AIM-120C-7 version	2013	n/a	172
Raytheon	Egypt	Missiles	6928 BGM-71 TOW	2009-2012	319	173
Raytheon	Egypt	Missiles	164 FIM-92 Stinger	2012	n/a	174
Raytheon	Egypt	Missiles	35 RIM-116A RAM	2013	n/a	175
Raytheon	India	Missiles	10 Mk-54 MAKO	2013	86	176

^a Modernized to AC-208 armed version before delivery.

Manufacturing company	Importing country	Weapon class	Quantity/weapon	Year of (anticipated) delivery	Value (US\$ mln)	Source
Raytheon	Israel	Bombs	lightweight torpedo 55 GBU-28	2011	n/a	177
Raytheon	Israel	Missiles	600 AIM-9X Sidewinder missiles	n/a ^a	544	178
Raytheon	Pakistan	Missiles	214 AIM-120CAMRAAM	2010	n/a	179
Raytheon	Pakistan	Missiles	200 AIM-9L/M Sidewinder SRAAM	2010	n/a	180
Raytheon	Pakistan	Bombs	Paveway guided bomb	2010	n/a	181
Raytheon	Saudi Arabia	Missiles	600 AGM-88 HARM	2011	n/a	182
Raytheon	Saudi Arabia	Missiles	150 AIM-9X Sidewinder SRAAM	2010	n/a	183
Raytheon	Saudi Arabia	Missiles	300 AIM-9X Sidewinder SRAAM	2012	n/a	184
Raytheon	Saudi Arabia	Missiles	2742 BGM-71 TOW ^b	2011-2013	n/a	185
Raytheon	Saudi Arabia	Missiles	21 Patriot missiles ^c	2011	1,700	186
Raytheon	Saudi Arabia	Bombs	500 Paveway guided bomb	(2015)	n/a	187
Raytheon	Saudi Arabia	Bombs	2400 Paveway guided bomb ^d	(2015)	250	188

Raytheon has traded military goods to, or has deals with, countries that are considered controversial for the following reasons:

- Lack of freedom;
- Partial arms embargoes;
- Involved in armed conflict;
- Corruption;
- Fragile state;
- Poverty and military spending.

2.4.11 Saab Group (Sweden)

Saab Group, based in Sweden, provides products, services and solutions from military defence to civil security. Saab has divided its operations into six business areas: Aeronautics, Dynamics, Electronic Defence Systems, Security and Defence Solutions, Support and Services and Industrial Products and Services.¹⁸⁹

^a Sale requested in July 2014. Delivery date unknown.

^b SIPRI: US\$177 million deal; BGM-71E TOW-2A version; for National Guard.

^c SIPRI: Saudi Patriot SAM systems rebuilt to Patriot-3 version.

^d SIPRI: Paveway-4 version; for Typhoon and modernized Tornado combat aircraft.

In the financial year ending 31 December 2013, Saab Group reported revenues of SEK23.6 billion (€2.7 billion), resulting in an operating profit of SEK1.3 billion (€151 million) and a net profit of SEK742.0 million (€83.1 million).¹⁹⁰ According to the SIPRI list of top 100 arms-producing companies of 2013, Saab Group ranked 31st with total arms sales of US\$3.0 billion (€2.2 billion), accounting for 81% of its total sales that year.¹⁹¹

The involvement of the Saab Group in controversial arms deals, in the period from January 2010 to December 2014, is summarized in Table 23.

Table 23 Controversial arms deals Saab Group (2010-2014)

Manufacturing company	Importing country	Weapon class	Quantity/weapon	Year of (anticipated) delivery	Value (US\$ mln)	Source
Saab	Saudi Arabia	Information systems	1 Erieye airborne early warning and control Radar System ^a	2014	670	192
Saab	Pakistan	Aircraft	1 Saab 2000 airborne early warning and control (AEW&C) aircraft	2010	n/a	193
Saab Microwave Systems (previous Ericsson)	Pakistan	Missiles	113 RBS-70 Bolide Mk-II missiles	2012	n/a	194

Saab has traded military goods to, or has deals with, countries that are considered controversial for the following reasons:

- Lack of freedom;
- Involved in armed conflict;
- Corruption;
- Fragile state;
- Poverty and military spending.

2.4.12 Textron (United States)

Textron, based in the United States, is a multi-industry company engaged in aircraft, defence, industrial and finance businesses. It operates in five segments: Cessna, Bell, Textron Systems and Industrial, which represent its manufacturing businesses and Finance, which represents its finance business. Cessna is a general aviation Company with two principal lines of business: aircraft sales and aftermarket services. Bell Helicopter is a supplier of military and commercial helicopters, tilt rotor aircraft and related spare parts and services in the world.¹⁹⁵

In the financial year ending 28 December 2013, Textron reported revenues of US\$12.1 billion (€8.8 billion), resulting in an operating profit of US\$674 million (€490 million) and a net profit of US\$498 million (€362 million).¹⁹⁶ According to the SIPRI list of top 100 arms-producing companies of 2013, Textron ranked twentieth with total arms sales of US\$4.4 billion (€3.2 billion), accounting for 36% of its total sales that year.¹⁹⁷

The involvement of Textron in controversial arms deals, in the period from January 2010 to December 2014, is summarized in Table 24.

^a For Saab 2000 aircraft.

Table 24 Controversial arms deals Textron (2010-2014)

Manufacturing company	Importing country	Weapon class	Quantity/weapon	Year of (anticipated) delivery	Value (US\$ mln)	Source
Bell Helicopter ^a	Lebanon	Helicopter	6 Bell-205/UH-1 Huey-2	2012	63	198
Bell Helicopter	Pakistan	Helicopter	2 Bell-412	2010	23	199
Textron	India	Missiles	250 CBU-97 Sensor Fuzed Weapons	2013	258	200
Textron	Saudi Arabia	Missiles	404 CBU-105 sensor fuzed weapons	(2015)	410	201
Textron Marine & Land Systems	Afghanistan	ACV	65 Mobile strike force vehicles (MSFV)	2012	71.4	202
Textron Marine & Land Systems	Afghanistan	ACV	135 MSFVs	2013	113.4	203
Textron Marine & Land Systems	Colombia	ACV	28 COMMANDO advanced armored personnel carriers	2013-2014	31.6	204
Textron Marine & Land Systems	Iraq	APC	80 ASV-150/M-1117 APCs	2011-2013	85	205

Textron has traded military goods to, or has deals with, countries that are considered controversial for the following reasons:

- Lack of freedom;
- Partial arms embargoes;
- Involved in armed conflict;
- Corruption;
- Fragile state;
- Poverty and military spending.

2.4.13 Thales (France)

Thales, based in France, focuses on aerospace, designs and builds electrical systems and provides services for the aerospace, defence, transportation and security industries.²⁰⁶

In the financial year ending in 31 December 2013, Thales reported revenues of €14.2 billion, resulting in an operating profit of €904.8 million and a net profit of €573.0 million.²⁰⁷ According to the SIPRI list of top 100 arms-producing companies of 2013, Thales ranked tenth with total arms sales of US\$10.4 billion (€7.6 billion), accounting for 55% of its total sales that year.²⁰⁸

The involvement of Thales in controversial arms deals, in the period from January 2010 to December 2014, is summarized in Table 25.

^a Bell Helicopter (United States) is a subsidiary of Textron

Table 25 Controversial arms deals Thales (2010-2014)

Manufacturing company	Importing country	Weapon class	Quantity/weapon	Year of (anticipated) delivery	Value (US\$ mln)	Source
TDA Armaments SAS ^a	Saudi Arabia	Mortar	25 2R2M 120MM	2009-2010	n/a	209
Thales	Colombia	Information systems	Various radar systems ^b and modernisation of the vessels' Altesse communications intelligence (COMINT) systems	(2014)	n/a	210
Thales	Egypt	Information systems	2 MRR 3D NG medium to long range surveillance and self-defence radar	2013	n/a	211
Thales	India	Information systems	10 GS-100	2014	n/a	212
Thales	Saudi Arabia	Information systems	1 GroundMaster 60 air search radar ^c	2013	n/a	213
Thales	Saudi Arabia	Aircraft systems	25 Damocles electro-optical system ^d	2009-2013	n/a	214
Thales Netherlands	Colombia	Information systems	2 Mirador electro-optical multi-sensor	2012	n/a	215
Thales Netherlands	Egypt	Information systems	2 Scout medium range covert surveillance radar	2013	n/a	216
Thales Netherlands	Egypt	Information systems	2 Sting fire control radar	2013	n/a	217
Thales Netherlands	Egypt	Information systems	1 Sting fire control radar	n/a ^e	n/a	218
Thales Netherlands	Egypt	Information systems	1 Scout medium range covert surveillance radar	n/a ^f	n/a	219

Thales has traded military goods to, or has deals with, countries that are considered controversial for the following reasons:

- Lack of freedom;
- Partial arms embargoes;
- Involved in armed conflict;
- Corruption;

^a TDA Armements (France) is a wholly-owned subsidiary of Thales.

^b For the four Padilla class ships, including: SMARTS Mk2 surveillance radar, STING EO Mk2 electrooptic weapon control system, MIRADOR optronic weapon control system, VIGILE 200S electronic support measures (ESM) system, communications systems and Terma's SKWS decoys launching system.

^c SIPRI: Part of IMGP command/control systems for use with MPCV SAM system.

^d SIPRI: For Tornado and Typhoon combat aircraft; possibly including assembly or production of components in Saudi Arabia.

^e Year of order/license: 2010.

^f Year of order/license: 2010.

- Fragile state;
- Poverty and military spending.

Thales replied to PAX's inquiries about the deliveries identified in this study.²²⁰ It did not specifically verify the individual cases but rather referred to the 2014 report on all French armament exports.²²¹ Its 2013 Corporate Social Responsibility report indicates that its export control policy is defined by the Group's Export Control and Compliance Department.²²² Thales replied that the Group abides by all national legislation in countries where it operates as well as with international regulation and treaties. More specifically with regard to arms export, Thales states it abides by all national and international laws, directives of international regimes^a and international UN, EU and OSCE embargoes.²²³

- Response by the Fair Insurance Guide: As we expect companies to comply with relevant legislation, rules and guidelines, this study does not deal with "illegal arms trade" but rather with "controversial arms trade." Thales is mentioned in this report because there is evidence that, in the research period, it delivered arms and military goods to countries that are considered controversial for the purposes of this report. The selected countries are deemed controversial because of a lack of freedom, a partial arms embargo, conflict prevails, it concerns failing or corrupt states or military spending is hindering poverty alleviation.

2.4.14 ThyssenKrupp (Germany)

ThyssenKrupp, based in Germany, is a multinational conglomerate corporation with five key business areas: Components Technology, Elevator Technology, Industrial Solutions, Materials Services and Steel Europe.²²⁴

In the financial year ending 30 September 2013, ThyssenKrupp reported revenues of €38.6 billion (€28.0 billion), resulting in an operating loss of €709 million and a net loss of €1.6 billion.²²⁵ According to the SIPRI list of top 100 arms-producing companies of 2013, ThyssenKrupp ranked 57th with total arms sales of US\$1.8 million (€1.3 million), accounting for 3% of its total sales that year.²²⁶

The involvement of ThyssenKrupp in controversial arms deals, in the period from January 2010 to December 2014, is summarized in Table 26.

Table 26 Controversial arms deals ThyssenKrupp (2010-2014)

Manufacturing company	Importing country	Weapon class	Quantity/weapon	Year of (anticipated) delivery	Value (US\$ mln)	Source
<i>Atlas Elektronik^b</i>	India	Information systems	ACTAS towed array sonar systems	(2016)	51	227
Rothe Erde ^c	Saudi Arabia	Turret	Parts for armoured turret	2012	2	228
Howaldtswerke-Deutsche Werft ^d	Colombia	Vessel	2 Class U 206 A submarines	2013	n/a	229

^a Wassenaar Arrangement, Missile Technology Control Regime, Nuclear Suppliers Group, etc.

^b Atlas Elektronik (Germany) is jointly owned by Airbus (49%) and ThyssenKrupp (Germany) (51%). In September 2014, Airbus announced its intention to sell its stake as part of a streamlining strategy.

^c Rothe Erde (Germany) is a wholly-owned subsidiary of ThyssenKrupp.

^d Howaldtswerke-Deutsche Werft (Germany) is part of ThyssenKrupp Marine Systems, which is owned by ThyssenKrupp.

Manufacturing company	Importing country	Weapon class	Quantity/weapon	Year of (anticipated) delivery	Value (US\$ mln)	Source
ThyssenKrupp	Israel	Submarine	2 Dolphins Type-800	2012-2013	1,000	230

ThyssenKrupp has traded military goods to, or has deals with, countries that are considered controversial for the following reasons:

- Lack of freedom;
- Involved in armed conflict;
- Corruption;
- Poverty and military spending.

ThyssenKrupp replied to PAX's inquiries about the deliveries identified in this study.²³¹ It did not specifically verify the individual cases but rather referred to the German export control regimes that ThyssenKrupp adheres to. German arms exports are mainly governed by the 2008 Common Position of the European Union, the Political Principles of the German Government Governing the Export of War Weapons and Other Military Equipment, the War Weapons Control Act and the Foreign Trade Act. The EU Common Position and the Political Principles require case-by-case decision making by the German federal government.²³²

- Response by the Fair Insurance Guide: As we expect companies to comply with relevant legislation, rules and guidelines, this study does not deal with "illegal arms trade" but rather with "controversial arms trade." ThyssenKrupp is mentioned in this report because there is evidence that, in the research period, it delivered arms and military goods to countries that are considered controversial for the purposes of this report. The selected countries are deemed controversial because of a lack of freedom, conflict prevails, it concerns corrupt states or military spending is hindering poverty alleviation.

2.4.15 United Technologies Corporation (United States)

United Technologies (UTC), based in the United States, produces a broad range of high-technology products and services in the aerospace and building industries.²³³

In the financial year ending 31 December 2013, UTC reported revenues of US\$62.6 billion (€45.2 billion), resulting in an operating profit of US\$9.2 billion (€6.7 billion) and a net profit of US\$6.1 billion (€4.4 billion).²³⁴ According to the SIPRI list of top 100 arms-producing companies of 2013, United Technologies Corporation ranked eighth with total arms sales of US\$11.9 billion (€8.6 billion), accounting for 19% of its total sales that year.²³⁵

The involvement of United Technologies Corporation in controversial arms deals, in the period from January 2010 to December 2014, is summarized in Table 27.

Table 27 Controversial arms deals United Technologies Corporation (2010-2014)

Manufacturing company	Importing country	Weapon class	Quantity/weapon	Year of (anticipated) delivery	Value (US\$ mln)	Source
Pratt & Whitney Canada ^a	Pakistan	Airplane engine	F100-PW-229 engine enhancement	2009-2010	150	236

a Pratt & Whitney Canada is a wholly-owned subsidiary of United Technologies Corporation.

Manufacturing company	Importing country	Weapon class	Quantity/weapon	Year of (anticipated) delivery	Value (US\$ mln)	Source
<i>Pratt & Whitney Canada</i>	<i>Israel</i>	<i>Airplane engine</i>	package (EEP) engine <i>F-135 engine for F-35</i>	<i>(2018)</i>	<i>n/a</i>	<i>237</i>
Sikorsky Aircraft Corporation ^a	Bahrain	Helicopter	8 S-70/UH-60L	2010	n/a	238
Sikorsky Aircraft Corporation	Colombia	Helicopter	7 S-70i Black Hawk	2013	n/a	239
<i>Sikorsky Aircraft Corporation</i>	<i>India</i>	<i>Helicopter</i>	<i>16 S-70B</i>	<i>(2017-2018)</i>	<i>n/a</i>	<i>240</i>
<i>Sikorsky Aircraft Corporation</i>	<i>Saudi Arabia</i>	<i>Helicopter</i>	<i>UH-60M Black Hawk</i>	<i>(2017)</i>	<i>30.4</i>	<i>241</i>

United Technologies Corporation has traded military goods to, or has deals with, countries that are considered controversial for the following reasons:

- Lack of freedom;
- Involved in armed conflict;
- Corruption;
- Fragile state;
- Poverty and military spending.

2.5 Limitations of this research

This section explains, amongst others, the differences with Case Study Dutch Banks and Controversial Arms and Arms Trade from 2009. There are two important differences between the two case studies. First, the current case study focuses on the investments of of the main 10 insurance groups operating in the Netherlands, whereas the research group in the case study of 2009 consisted of Dutch banks. Secondly, in comparison to the research of 2009, some methodological changes have been made. The most important changes are listed below:

- The indices, that serve as indicators for this research, have been updated. In some cases they have been supplemented or replaced by other, more suitable, indices:
 - In 2009, the Freedom in the World Index by Freedom House was used to select the most unfree countries. In this case study, the Freedom House Index is combined with the Economist's Democracy Index. By combining the two indices, this case study aims to provide a selection that is as strong as possible.
 - Like in 2009, the countries involved in severe armed conflict have been selected based on the Global Peace Index of Vision of Humanity. However, in this case study we also incorporated the data from SIPRI's Armed Conflict Database. Again, by combining the two indices/datasets, this case study aims to provide a selection that is as strong as possible.
 - In this case study, Transparency International's Corruption Perception Index is replaced by the Transparency International Defence Anti-Corruption Index. The Defence Anti-Corruption Index is directed especially towards the defence sector and thus more suitable for this research.

a Sikorsky Aircraft Corporation (United States) is a wholly-owned subsidiary of United Technologies Corporation.

- With regard to the criterion “poverty and military spending”, this case study looks at the percentage of military spending as share of total government spending, whereas the case study of 2009 looks at military spending as share of GDP. Focussing on government spending instead of on GDP, provides a better tool for understanding a state’s budgetary preferences.
- Another important methodological difference lies in the selection mechanism(s). The case study of 2009 used two selection mechanisms, based on which countries were selected. First, countries were selected as result of an arms embargo, a lack of freedom (average Freedom in the World Index score of 6,5/7) or armed conflict (total score of 2.500 or more on the Global Peace Index). Secondly, countries could also be selected if they met four out of five criteria. These criteria were: lack of freedom (average score of 5,5/6 on the Freedom in the World Index), armed conflict (total score between 2.100 and 2.500 on the Global Peace Index), corruption (a total score of 2.5 or lower on the Corruption Perception Index), fragile state (according to the Fragile State Index), poverty and military spending (low-development countries according to United Nations Development Index with military spending over 2%). In this case study, the second selection mechanism has been removed, as it assessed some of the criteria two times, which did not necessarily lead to a stronger methodology or different results. However, most countries that are selected based on the first three criteria (arms embargo, lack of freedom and armed conflict), also meet the other criteria (corruption, fragile state and poverty and military spending). This can be regarded as an extra legitimisation of the final selection.

Like every research, this research has its limitations. The reader should be aware of the following limitations:

- As this research only covers publicly listed companies, controversial arms deals by private or state owned companies are not taken into account.
- Many controversial arms deals that have been found as part of this research include second hand weapons, mostly exported from the former Soviet Union. As it is often difficult to identify the producer in these cases and since they often concern state owned companies, these deals fall outside the scope of this research. As a result, exports to sub-Saharan Africa, which serves as a major destination for second-hand arms, have a minor role in this research.
- The research focuses on arms deliveries. Arms deals/contracts that have not yet been delivered upon are only included if the company involved was already included in the study for another arms deal.
- Arms deliveries that fall outside the research period of 1 January 2010 to 31 December 2014 are not taken into account.
- The research does not take into account the production of arms and weapon systems in controversial countries, if these arms and weapon systems are not exported. Hence, deals of publicly listed companies producing arms and weapon systems in controversial countries and delivering to their own government, are not included in the study.
- The list of companies and arms deliveries is not exhaustive.

Chapter 3 Investments of insurance companies in controversial arms trade

This chapter presents the results of the case study. The investments made by the insurance groups in the fifteen selected companies active in controversial arms trade are presented per insurance group. The subsection on the investment policy deals with publicly available information only.

3.1 Achmea

3.1.1 Company profile

Achmea is the largest insurance company in the Netherlands, insuring about 9 million customers for damage, healthcare and income under the brands: Agis, Avéro, Centraal Beheer, FBTO, Interpolis, Zilveren Kruis, Syntrus, Inshared, OZF, Prolife and Woonfonds.²⁴² Achmea also provides banking and mortgage services under the brand names Centraal Beheer, FBTO and Staalbankiers.²⁴³

Apart from the Netherlands, Achmea operates in Greece, Turkey, Slovakia, Ireland and Australia.²⁴⁴ Achmea's shares are largely owned by two parties: the Vereniging Achmea (65%) and Rabobank (29%).²⁴⁵

In 2014, Achmea's gross written premium amounted to € 20.0 billion, of which € 13.2 billion were premiums for healthcare insurances and € 1.2 billion was realised outside the Netherlands.²⁴⁶ In 2014, Achmea paid out € 21.7 billion in insurance claims.²⁴⁷

At the end of 2014, Achmea owned total assets with a value of € 94.6 billion. Of these, € 82.2 billion came from insurance investments and bank loans, divided amongst the different investment categories as follows:²⁴⁸

- Investments for the risk of policy holders (mainly in shares and bonds): € 18.7 billion (22.8%)
- Mortgage and other loans to private customers: € 13.9 billion (16.9%)
- Loans to banks: € 1.2 billion (1.5%)
- Government bonds: € 20.7 billion (25.2%)
- Corporate bonds: € 9.0 billion (11.0%)
- Derivatives: € 4.0 billion (4.9%)
- Real estate: € 1.1 billion (1.4%)
- Shares: € 1.1 billion (1.4%)
- Other: € 12.5 billion (14.9%)

Apart from the investments on its balance sheet, Achmea is also active in the field of asset management for third parties. At the end of 2014, its subsidiary Syntrus Achmea managed € 86.8 billion for institutional investors (pension funds) and subsidiary Staalbankiers managed € 1.9 billion for wealthy individual clients.²⁴⁹

3.1.2 Shareholdings

No shares of the selected arms companies held by Achmea or its subsidiaries have been found.²⁵⁰

3.1.3 Bond holdings

No bonds of the selected arms companies held by Achmea or its subsidiaries have been found.²⁵¹

3.1.4 Investment policy

Achmea's responsible investment policy does not prohibit investments in companies involved in controversial arms trade. However, thirteen out of the fifteen companies selected in this case study are excluded by Achmea for involvement with controversial weapons. Achmea excludes Airbus, BAE Systems, Boeing, Finmeccanica, General Dynamics, Honeywell International, Lockheed Martin, Northrop Grumman, Orbital ATK, Raytheon, Thales and United Technologies for involvement with nuclear weapons. General Dynamics, Lockheed Martin, Orbital ATK and Textron are excluded for involvement with cluster munitions. Lockheed Martin and Orbital ATK are also excluded for involvement with anti-personnel mines.²⁵²

3.1.5 Conclusion

Achmea has no shares or bond holdings in the selected arms companies. This is most likely due to the large overlap between companies producing controversial weapons – which are excluded under Achmea's controversial weapons policy - and companies involved in controversial arms trade, Achmea's exclusion list prevents it from investing in the majority of the selected companies. However, to ensure the exclusion of companies involved in controversial arms trade, Achmea should strengthen its investment policy to include controversial arms trade.

3.1.6 Response

Achmea did not respond to the results of the case study.

3.2 Aegon

3.2.1 Company profile

Aegon is one of the world's leading financial services organizations, providing life insurance, pensions and asset management.²⁵³ The group is active in the Netherlands, the United Kingdom, the United States, Canada, Brazil, Mexico, Central & Eastern Europe, Asia, Spain, Portugal and France.²⁵⁴ Aegon has two main umbrella brands, Aegon and Transamerica. It also has a number of sub-brands that operate globally, such as Aegon Asset Management, Aegon Global Pensions and Aegon Blue Square Re.²⁵⁵ Aegon also sells its products under the labels Knab, Kroodle, Onna-Onna, Kruidvat Verzekeringen, Eneco Bronsparen and Menzis Zorgsparen.

At the end of 2014, Aegon had over 28,602 employees worldwide.²⁵⁶ Its premium turnover for 2014 totalled € 19.9 billion, of which € 4.7 billion came from the Netherlands.²⁵⁷

At the end of 2014, Aegon had assets with a total value of € 424.9 billion on its balance sheet. These included € 345.1 billion of insurance investments and loans, of which 45% at the company's own risk and 55% at the risk of policyholders.²⁵⁸ These investments were invested in the following investment categories:²⁵⁹

- Bonds: € 140.4 billion (40.7%)
- Shares: € 28.1 billion (8.2%)
- Mortgage loans to private customers: € 36.7 billion (10.7%)
- Real estate: € 2.9 billion (0.9%)

- Investment funds and other investments: € 137.0 billion (39.5%)

Apart from the investments on the balance sheet, Aegon Group at the end of 2014 had another € 213.2 billion of investments under management for institutional and private clients. Total revenue-generating investments managed by the Aegon Group therefore amounted to € 558.3 billion at the end of 2014.²⁶⁰

3.2.2 Shareholdings

Table 28 gives an overview of all the shares of arms companies owned by investment funds managed by Aegon and its subsidiaries as per the most recent filing date available. The total value of these shareholdings is € 331.4 million.

Table 28 Shares managed by Aegon

Company	Asset manager	Country	# of shares	% of all shares	Value (€ mln)	Filing Date
Airbus	AEGON Investment Management B.V.	Netherlands	464,026	0.06	21.28	31-Jul-2014
	Kames Capital	Scotland	38,511	0.00	1.86	30-Nov-2014
BAE Systems	AEGON Investment Management B.V.	Netherlands	1,170,334	0.04	7.07	14-Jan-2015
	Kames Capital	Scotland	14,134,729	0.45	91.68	01-Feb-2015
Boeing	AEGON Capital Management Inc.	Canada	37,200	0.01	3.67	31-Oct-2014
	AEGON Investment Management B.V.	Netherlands	191,868	0.03	18.26	31-Jul-2014
	Transamerica Financial Advisors, Inc.	United States	3,217	0.00	0.33	31-Dec-2014
Finmeccanica	AEGON Investment Management B.V.	Netherlands	305,210	0.05	2.23	31-Jul-2014
General Dynamics	Kames Capital	Scotland	18,350	0.01	2.00	31-Dec-2014
Honeywell International	AEGON Capital Management Inc.	Canada	10,000	0.00	0.76	31-Oct-2014
	AEGON Investment Management B.V.	Netherlands	201,693	0.03	14.63	31-Jul-2014
Lockheed Martin	AEGON Investment Management B.V.	Netherlands	74,019	0.02	9.76	31-Jul-2014
	Kames Capital	Scotland	356,877	0.11	54.29	31-Dec-2014
	Transamerica Financial Advisors, Inc.	United States	5,662	0.00	0.86	31-Dec-2014
Northrop Grumman	AEGON Investment Management B.V.	Netherlands	56,561	0.03	5.51	31-Jul-2014
Raytheon	AEGON Capital Management Inc.	Canada	5,700	0.00	0.47	31-Oct-2014
	AEGON Investment Management B.V.	Netherlands	86,378	0.03	6.19	31-Jul-2014

Company	Asset manager	Country	# of shares	% of all shares	Value (€ mln)	Filing Date
Thales	AEGON Investment Management B.V.	Netherlands	71,653	0.03	3.22	31-Jul-2014
ThyssenKrupp	AEGON Investment Management B.V.	Netherlands	347,616	0.06	7.78	31-Jul-2014
United Technologies	AEGON Capital Management Inc.	Canada	49,800	0.01	4.21	31-Oct-2014
	AEGON Investment Management B.V.	Netherlands	236,413	0.03	19.64	31-Jul-2014
	Kames Capital	Scotland	611,923	0.07	55.59	31-Dec-2014
	Transamerica Financial Advisors, Inc.	United States	750	0.00	0.07	31-Dec-2014
Total all shareholdings					331.4	

Source: Thomson ONE Banker, "Share ownership", *Thomson ONE Banker* (www.thomsonone.com), Viewed in March 2015;
Email communication with Aegon Asset Management, 21 April 2015.

3.2.3 Bond holdings

Table 29 gives an overview of all the bonds of arms companies owned by investment funds managed by Aegon and its subsidiaries as per the most recent filing date available. The total value of these bond holdings is € 474.0 million.

Table 29 Bonds managed by Aegon

Company	Asset manager	Country	Fund	% of all bonds	Value (€ mln)	Filing date
Airbus Group	AEGON USA Investment Management LLC	United States	Monumental Life Insurance Co	0.23	7.90	31/12/2014
		United States	Stonebridge Life Insurance Co	0.02	0.79	31/12/2014
		United States	Transamerica Financial Life Insurance Co	0.05	1.58	31/12/2014
		United States	Transamerica Life Insurance Co	0.16	5.53	31/12/2014
		United States	Western Reserve Life Assurance Co of Ohio	0.23	7.90	30/09/2014
BAE Systems	AEGON USA Investment Management LLC	United States	Transamerica Financial Life Insurance Co S/A	0.02	0.80	12/31/2014
	AEGON USA Investment Management LLC	United States	Transamerica Life Insurance Co	0.40	15.01	31/12/2014
	Kames Capital	United Kingdom	Kames Investment Grade Bond B Acc	0.19	7.14	30/11/2014
		United Kingdom	Kames Sterling Corporate Bond Acc B	0.16	5.95	30/11/2014

Company	Asset manager	Country	Fund	% of all bonds	Value (€ mln)	Filing date
Boeing	AEGON USA Investment Management LLC	United Kingdom	Scottish Equitable Distribution-Life	0.02	0.59	31/01/2015
		United Kingdom	Scottish Equitable Distribution-Life	0.00	0.03	31/01/2015
		United Kingdom	Scottish Equitable Pension Fund -Distribution Fund	0.08	2.97	31/01/2015
		United States	Monumental Life Insurance Co	0.50	33.55	31/12/2014
		United States	Physicians Reciprocal Insurers (Co-managed)	0.01	0.53	30/09/2014
		United States	Stonebridge Life Insurance Co	0.12	7.90	31/12/2014
		United States	Transamerica Financial Life Insurance Co	0.06	4.35	31/12/2014
		United States	Transamerica Life Insurance Co	0.77	52.18	31/12/2014
		United States	Transamerica Life Insurance Co S/A	0.05	3.32	31/12/2014
Honeywell International	AEGON USA Investment Management LLC	United States	Western Reserve Life Assurance Co of Ohio	0.12	7.90	30/09/2014
		United States	Monumental Life Insurance Co	0.35	17.78	31/12/2014
		United States	Transamerica Financial Life Insurance Co	0.35	17.99	31/12/2014
Lockheed Martin	AEGON USA Investment Management LLC	United States	Transamerica Life Insurance Co	0.93	47.61	31/12/2014
		United States	Physicians Reciprocal Insurers (Co-managed)	0.00	0.14	30/09/2014
		United States	Transamerica Financial Life Insurance Co S/A	0.01	1.06	31/12/2014
Raytheon	AEGON USA Investment Management LLC	United States	Monumental Life Insurance Co	0.40	16.82	31/12/2014
		United States	Transamerica Casualty Insurance Co	0.04	1.58	30/09/2014
		United States	Transamerica Financial Life Insurance Co	0.08	3.59	31/12/2014
		United States	Transamerica Life Insurance Co	0.34	14.42	31/12/2014
Textron	AEGON USA Investment Management LLC	United States	Transamerica Life Insurance Co S/A	0.01	0.30	31/12/2014

Company	Asset manager	Country	Fund	% of all bonds	Value (€ mln)	Filing date
United Technologies Corporation	AEGON USA Investment Management LLC	United States	Monumental Life Insurance Co	0.28	42.63	31/12/2014
		United States	Pennsylvania Physicians Reciprocal Insurance	0.00	0.04	30/09/2014
		United States	Physicians Reciprocal Insurers (Co-managed)	0.00	0.72	30/09/2014
		United States	Stonebridge Life Insurance Co	0.03	3.95	31/12/2014
		United States	Transamerica Advisors Life Insurance Co	0.01	1.58	31/12/2014
		United States	Transamerica Financial Life Insurance Co	0.19	27.97	31/12/2014
		United States	Transamerica Financial Life Insurance Co S/A	0.01	1.86	31/12/2014
		United States	Transamerica Life Insurance Co	0.71	106.49	31/12/2014
		United States	Transamerica Life Insurance Co S/A	0.01	1.58	31/12/2014
		Total all bond holdings				

Source: Thomson Eikon Database, "Bond holdings", Thomson Eikon Database, Viewed in March 2015; Email communication with Aegon Asset Management, 21 April 2015.

3.2.4 Investment policy

In February 2015 Aegon published a new responsible investment policy regarding controversial arms trade. The policy describes controversial arms trade as "delivery of weapons where there is a substantial risk that they will be used to violate human rights, that the weapons will be used to commit genocide, crimes against humanity or war crimes." Furthermore, Aegon states it does not want to be involved with companies that deliver weapons to countries that are under an arms embargo by the European Union or the United Nations.²⁶¹

As such, the policy covers the following investment principles as defined by the Fair Insurance Guide:

- Production and supplying of arms and weapon systems, military transport, and other military goods is unacceptable if there is an overriding risk that the arms will be used for serious violation of international human rights and humanitarian rights (Golden Rule).
- Supplying arms and weapon systems, military transport, and other military goods to countries that are under a United Nations or European Union arms embargo, is unacceptable.

Aegon excludes Orbital ATK, General Dynamics and Textron for involvement in controversial weapons.²⁶² All subsidiaries of these companies are excluded as well.²⁶³ Exclusion is applied to all asset classes in the Netherlands.²⁶⁴ Aegon's policy states that screening is not yet implemented across all asset classes: "Given that ESG practice is still at a very early and formative stage in some asset classes, AEGON's approach will not yet be applied to its hedge fund and indexed fund investments."²⁶⁵

Outside the Netherlands Aegon's investment policy does not apply to assets managed for clients and financial products based on an index.²⁶⁶ The reason investments in General Dynamics and Textron are found is that they are made on behalf of clients in other business units than Aegon Nederland.

3.2.5 Conclusion

The companies invested in by Aegon have delivered military goods to countries that are considered controversial for the following reasons:

- Lack of freedom;
- Partial arms embargoes;
- Involved in armed conflict;
- Corruption;
- Fragile state;
- Poverty and military spending.

Aegon's policy on controversial arms trade is limited as it is not applied at group level. This means that it does not apply to assets managed for clients outside of the Netherlands and enables Aegon Group to invest in arms companies that are excluded by Aegon Nederland. Furthermore, the policy does not cover all relevant responsible investment principles, such as arms trade to unfree countries, countries in armed conflict, fragile states, low income states with relatively high military spending or corrupt regimes, allowing Aegon to invest in companies involved in controversial arms trade.

3.2.6 Response

Aegon responded to the results of the case study:

"At Aegon we have a Responsible Investment Policy that covers controversial weapons and arms trade. Aegon does not invest in companies that are involved in the manufacture, development, maintenance or trade of controversial weapons. Regarding arms trade, we adhere to the United Nations Arms Trade Treaty and the international arms embargoes against countries from the United Nations, European Union and other countries where applicable.

The findings of this report do not show any investment in controversial weapons, nor any involvement in arms trade, that would result in a breach of our policy or applicable laws. Two investments in companies that are included in the Aegon Exclusion list are identified in our holdings however: Textron and General Dynamics. These investments have been made in portfolios of external clients at Aegon entities in the UK and the USA. The Aegon exclusion list does not apply to these investments, since in Anglo-Saxon countries it is uncommon to impose the exclusion criteria of the asset manager to the assets managed for external clients.

Nonetheless we want to emphasize that we are in internal discussions to see how we can enter discussions with external clients about the possibility of also adopting Aegon's exclusion criteria when entering into new investment agreements."²⁶⁷

3.3 Allianz

3.3.1 Company profile

Allianz Netherlands is part of the German Allianz Group. Allianz is one of the largest financial institutions in the world. In the Netherlands Allianz is active in the field of damage and life insurance and has 1.3 million clients. The damage insurance arm of Allianz Netherlands also comprises of income, traffic and private insurance. Allianz operates under the brand names Allianz and Allsecur.²⁶⁸

At the end of 2014, Allianz had 147,425 employees worldwide.²⁶⁹ In 2014, the Allianz Group's premium turnover amounted € 73.8 billion while the company paid out € 49.7 billion in claims.²⁷⁰

In 2013, Allianz Nederland Groep had 1,024 employees and a total gross premium income of € 977 million.²⁷¹ At the end of 2013, Allianz Nederland Groep had € 5.5 billion of investments on its balance sheet.²⁷²

At the end of 2014, the Allianz Group's total assets had a value of € 805.8 billion, of which € 704.0 billion were investments and loans. Investments and loans were divided among the different investment categories as follows:²⁷³

- Government bonds: € 200.8 billion (28.6%)
- Corporate bonds: € 213.2 billion (30.3%)
- Shares: € 39.1 billion (5.6%)
- Loans to private customers: € 55.7 billion (8.0%)
- Loans to banks: € 61.4 billion (8.8%)
- Real estate: € 11.3 billion (1.6%)
- Derivatives: € 1.6 billion (0.3%)
- Investments for the account of policyholders (mainly shares and bonds): € 94.6 billion (13.5%)
- Other investments: € 26.3 billion (3.3%)

Apart from the investments on its own balance sheet, Allianz manages assets for third parties with a total value of € 1,313 billion. Of this amount, 80% is managed by Allianz's US subsidiary PIMCO, the largest bond investor in the world.²⁷⁴

3.3.2 Shareholdings

Table 30 gives an overview of all the shares of arms companies owned by investment funds managed by Allianz and its subsidiaries as per the most recent filing date available. The total value of these shareholdings is € 1,115.4 million.

Table 30 Shares managed by Allianz

Company	Asset manager	Country	# of shares	% of all shares	Value (€ mln)	Filing Date
Airbus	Allianz Global Investors France	France	394,899	0.05	19.03	30-Nov-2014
	Allianz Global Investors GmbH	Germany	1,379,561	0.18	58.06	31-Jan-2015
	Allianz Global Investors Italia SGR S.p.A.	Italy	31,651	0.00	1.25	31-Dec-2014

Company	Asset manager	Country	# of shares	% of all shares	Value (€ mln)	Filing Date
BAE Systems	Allianz Global Investors U.S. LLC	United States	2,977	0.00	0.15	30-Sep-2014
	Allianz Invest Kapitalanlagegesellschaft mbH	Austria	20,000	0.00	0.79	31-Dec-2014
	Allianz Nederland Asset Management B.V.	Netherlands	300,000	0.04	14.91	30-Sep-2014
	Allianz Popular Asset Management, SGIIC, S.A.	Spain	12,247	0.00	0.61	30-Sep-2014
	PIMCO (US)	United States	440,000	0.06	23.29	30-Jun-2014
	Allianz Global Investors GmbH	Germany	5,323,324	0.17	34.53	01-Feb-2015
	Allianz Global Investors U.S. LLC	United States	1,022,805	0.03	6.18	14-Jan-2015
	Allianz Popular Asset Management, SGIIC, S.A.	Spain	123,114	0.00	0.74	30-Sep-2014
Boeing	NFJ Investment Group LLC	United States	1,145,919	0.03	6.92	31-Jan-2015
	Allianz Global Investors GmbH	Germany	51,974	0.01	5.34	31-Dec-2014
	Allianz Global Investors Taiwan Ltd.	Taiwan, R.O.C.	600	0.00	0.06	31-Dec-2014
	Allianz Global Investors U.S. LLC	United States	985,025	0.14	101.15	31-Dec-2014
	NFJ Investment Group LLC	United States	36,870	0.01	5.36	31-Jan-2015
	PIMCO (US)	United States	40,440	0.01	4.15	31-Dec-2014
	Allianz Global Investors GmbH	Germany	970	0.00	0.01	31-Jan-2015
	Allianz Global Investors Italia SGR S.p.A.	Italy	790,000	0.14	5.87	31-Dec-2014
General Dynamics	Allianz Global Investors GmbH	Germany	6,111	0.00	0.66	31-Dec-2014
	PIMCO (US)	United States	24,119	0.01	2.62	31-Dec-2014
Honeywell International	Allianz Global Investors GmbH	Germany	25,242	0.00	1.99	31-Dec-2014
	PIMCO (US)	United States	10,434	0.00	0.82	31-Dec-2014
Lockheed Martin	Allianz Global Investors GmbH	Germany	247	0.00	0.04	31-Dec-2014
	Allianz Global Investors U.S. LLC	United States	11,370	0.00	1.73	31-Dec-2014

Company	Asset manager	Country	# of shares	% of all shares	Value (€ mln)	Filing Date
Northrop Grumman	NFJ Investment Group LLC	United States	53,400	0.02	8.12	31-Dec-2014
	PIMCO (US)	United States	9,254	0.00	1.41	31-Dec-2014
	Allianz Global Investors France	France	7,200	0.00	0.75	30-Sep-2014
	Allianz Global Investors GmbH	Germany	390,563	0.20	45.48	31-Dec-2014
	Allianz Global Investors Italia SGR S.p.A.	Italy	22,707	0.01	3.13	31-Oct-2014
	Allianz Global Investors U.S. LLC	United States	715,180	0.36	83.27	31-Dec-2014
Orbital ATK	NFJ Investment Group LLC	United States	2,203,835	1.11	256.61	31-Dec-2014
	PIMCO (US)	United States	2,958	0.00	0.34	31-Dec-2014
	Allianz Global Investors U.S. LLC	United States	11,401	0.02	1.05	31-Dec-2014
	NFJ Investment Group LLC	United States	874,190	1.47	80.28	31-Dec-2014
Raytheon	Allianz Global Investors GmbH	Germany	145,315	0.05	12.42	31-Dec-2014
	Allianz Global Investors Italia SGR S.p.A.	Italy	26,490	0.01	2.23	30-Nov-2014
	Allianz Global Investors U.S. LLC	United States	33,663	0.01	2.88	31-Dec-2014
Textron	Allianz Global Investors GmbH	Germany	261	0.00	0.01	31-Dec-2014
	Allianz Global Investors U.S. LLC	United States	142,400	0.05	4.74	31-Dec-2014
Thales	Allianz Global Investors France	France	179,500	0.09	7.53	30-Nov-2014
	Allianz Global Investors GmbH	Germany	104,569	0.05	4.36	31-Jan-2015
ThyssenKrupp	Allianz Global Investors Italia SGR S.p.A.	Italy	17,736	0.01	0.76	31-Dec-2014
	Allianz Global Investors U.S. LLC	United States	39,008	0.02	1.63	31-Jan-2015
	Allianz Global Investors France	France	133,000	0.02	2.76	30-Sep-2014
	Allianz Global Investors GmbH	Germany	1,630,333	0.29	33.56	31-Jan-2015
	Allianz Global Investors Italia SGR S.p.A.	Italy	3,065	0.00	0.06	30-Nov-2014
	PIMCO (US)	United	25,389	0.00	0.68	31-Mar-2014

Company	Asset manager	Country	# of shares	% of all shares	Value (€ mln)	Filing Date
United Technologies	Allianz Global Investors GmbH	Germany	960,964	0.11	87.30	31-Dec-2014
	Allianz Global Investors Taiwan Ltd.	Taiwan, R.O.C.	600	0.00	0.05	31-Dec-2014
	Allianz Global Investors U.S. LLC	United States	961,564	0.11	87.36	31-Jan-2015
	PIMCO (US)	United States	962,164	0.11	87.41	31-Dec-2014
	RCM Asia Pacific Ltd.	Hong Kong SAR	32,000	0.00	2.91	31-Dec-2014
Total all shareholdings					1,115.4	

Source: Thomson ONE Banker, "Share ownership", *Thomson ONE Banker* (www.thomsonone.com), Viewed in March 2015.

3.3.3 Bond holdings

Table 31 gives an overview of all the bonds of arms companies owned by investment funds managed by Allianz and its subsidiaries as per the most recent filing date available. The total value of these bond holdings is € 1,520.0 million.

Table 31 Bonds managed by Allianz

Company	Asset manager	Country	Fund	% of all bonds	Value (€ mln)	Filing date
Airbus Group	Allianz Global Investors France SA	France	Allianz Obligations Internationales	0.01	0.21	31/08/2014
	Allianz Global Investors Italia SGR S.p.A	Italy	Multiple funds	0.07	2.35	31/10/2014 – 31/12/2014
	AllianzGI Kapitalanlagegesellschaft mbH	Germany	Allianz PIMCO Corporate Bond Europa	0.03	1.05	30/11/2014
	PIMCO Europe Ltd	United Kingdom	Allianz PIMCO Corps-Corent	0.02	0.63	30/11/2014
BAE Systems	Allianz of America Incorporated (AZOA)	United States	Allianz Life Insurance Co of New York	0.03	1.19	31/12/2014
	Allianz of America Incorporated (AZOA)	United States	Allianz Life Insurance Co of North America (Co-managed)	1.05	38.91	31/12/2014
	Multiple Managing Firms	United States	Allianz Life Insurance Co of North America (Aggrgtd)	2.10	77.82	31/12/2014

Company	Asset manager	Country	Fund	% of all bonds	Value (€ mln)	Filing date
Boeing	Pacific Investment Management Co LLC (PIMCO)	United States	Multiple funds	2.10	77.88	30/09/2014 - 31/01/2015
	Allianz Global Investors Capital LLC (New York)	United States	Advanced Srs RCM World Trends Portfolio	0.04	2.37	31/01/2015
	Allianz of America Incorporated (AZOA)	United States	Allianz Life Insurance Co of New York	0.68	1.58	31/12/2014
		United States	Allianz Life Insurance Co of North America (Co-managed)	0.66	44.57	31/12/2014
	BlackRock Financial Management Inc (Fixed-Income)	United States	Allianz AZL Enhanced Bond Index Fund	0.00	0.27	31/12/2014
	Multiple Managing Firms	United States	Allianz Life Insurance Co of North America (Aggrgtd)	1.32	89.14	31/12/2014
Finmeccanica	Pacific Investment Management Co LLC (PIMCO)	United States	Multiple funds	0.95	63.95	30/09/2014 - 31/01/2015
	Allianz Global Investors France SA	France	Allianz Euro High Yield	0.13	5.70	31/08/2014
		France	Allianz Euro High Yield Bond	0.03	1.47	30/11/2014
		France	Allianz Euro High Yield Defensive - AT - EUR	0.10	4.29	30/11/2014
		France	Allianz High Yield Bond Extra 2017 - A - EUR	0.02	0.75	30/11/2014
		France	Allianz Laufzeitfonds Extra 2017 - A - EUR	0.03	1.42	30/11/2014
	AllianzGI Kapitalanlagegesellschaft mbH	Germany	Allianz PIMCO Corporate Bond Europa HiYield	0.01	0.54	30/11/2014
	Pacific Investment Management Co LLC (PIMCO)	United States	Multiple funds	1.94	81.78	30/06/2014 - 31/12/2014
General Dynamics	PIMCO Europe Ltd	United Kingdom	Multiple funds	0.23	9.57	30/06/2014 - 31/12/2014
	Pacific Investment Management Co LLC (PIMCO)	United States	Multiple funds	0.15	3.97	30/09/2014 - 31/01/2015

Company	Asset manager	Country	Fund	% of all bonds	Value (€ mln)	Filing date
Honeywell International	Allianz Global Investors Capital LLC (New York)	United States	Advanced Srs RCM World Trends Portfolio	0.02	0.79	31/01/2015
	Allianz of America Incorporated (AZOA)	United States	Multiple funds	1.56	79.69	30/09/2014 - 31/12/2014
	Multiple Managing Firms	United States	Allianz Life Insurance Co of North America (Aggrgtd)	2.81	143.57	31/12/2014
	NFJ Investment Group LLC	United States	Norcal Mutual Insurance Co (Co-managed)	0.00	0.10	30/09/2014
	Pacific Investment Management Co LLC (PIMCO)	United States	Multiple funds	1.61	81.99	30/09/2014 - 31/01/2015
Lockheed Martin	Allianz Global Investors Capital LLC (New York)	United States	Advanced Srs RCM World Trends Portfolio	0.01	0.79	31/01/2015
	Pacific Investment Management Co LLC (PIMCO)	United States	Multiple funds	0.50	36.44	30/09/2014 - 31/01/2015
Northrop Grumman	Allianz of America Incorporated (AZOA)	United States	Allianz Global Risks US Insurance Co	0.04	1.98	30/09/2014
		United States	Allianz Life Insurance Co of North America (Co-managed)	0.51	26.31	31/12/2014
	Multiple Managing Firms	United States	Allianz Life Insurance Co of North America (Aggrgtd)	1.03	52.61	31/12/2014
	NFJ Investment Group LLC	United States	Norcal Mutual Insurance Co (Co-managed)	0.00	0.10	30/09/2014
	Pacific Investment Management Co LLC (PIMCO)	United States	Multiple funds	0.99	50.78	31/12/2014
Orbital ATK	NFJ Investment Group LLC	United States	Norcal Mutual Insurance Co (Co-managed)	0.01	0.04	30/09/2014
	Pacific Investment Management Co LLC (PIMCO)	United States	Multiple funds	0.11	0.56	30/09/2014 - 31/12/2014
Raytheon	Allianz of America Incorporated (AZOA)	United States	Allianz Life Insurance Co of New York	0.01	0.32	31/12/2014
		United	Allianz Life	0.71	30.32	31/12/2014

Company	Asset manager	Country	Fund	% of all bonds	Value (€ mln)	Filing date
Textron	Multiple Managing Firms	States	Insurance Co of North America (Co-managed)			
		United States	Allianz Life Insurance Co of North America (Aggrgtd)	1.43	60.64	31/12/2014
		United States	Pacific Investment Management Co LLC (PIMCO)	1.17	49.65	30/09/2014 - 31/01/2015
		United States	Pacific Investment Management Co LLC (PIMCO)	0.43	9.70	31/12/2014 - 31/01/2015
Thales	Allianz Global Investors France SA	France	Allianz Euro Credit SRI	0.03	0.42	31/08/2014
ThyssenKrupp	Allianz Global Investors Italia SGR S.p.A	Italy	Allianz Global Investors Allianz Flexible Bond Strategy	0.04	0.50	30/11/2014
	AllianzGI Kapitalanlagegesellschaft mbH	Italy	Allianz Obbligazionario Flessibile	0.05	0.59	31/12/2014
		Germany	Allianz PIMCO Multi Strategie Investment Grade (MSIG)	0.02	0.25	30/11/2014
		France	Allianz Global Investors France SA	0.65	38.71	31/08/2014 - 30/11/2014
United Technologies Corporation	Allianz Invest Kapitalanlagegesellschaft mbH	Austria	cominvest Flexible Portfolio	0.00	0.25	31/03/2014
	AllianzGI Kapitalanlagegesellschaft mbH	Germany	Allianz PIMCO Corporate Bond Europa	0.01	0.59	30/11/2014
	Allianz Global Investors Capital LLC (New York)	Germany	Allianz PIMCO Corporate Bond Europa HiYield	0.01	0.33	30/11/2014
		United States	Advanced Srs RCM World Trends Portfolio	0.01	0.79	31/01/2015
		United States	Allianz Target Return Bond US - W (H2-EUR) - EUR	0.00	0.00	30/11/2014
	Allianz of America Incorporated (AZOA)	United States	Multiple funds	0.49	73.77	30/09/2014 - 31/12/2014
	BlackRock Financial	United	Allianz AZL	0.01	1.13	31/12/2014

Company	Asset manager	Country	Fund	% of all bonds	Value (€ mln)	Filing date
	Management Inc (Fixed-Income)	States	Enhanced Bond Index Fund			
	Multiple Managing Firms	United States	Allianz Life Insurance Co of North America (Aggrgtd)	0.88	132.95	31/12/2014
	NFJ Investment Group LLC	United States	Norcal Mutual Insurance Co (Co-managed)	0.00	0.11	30/09/2014
	Pacific Investment Management Co LLC (PIMCO)	United States	Multiple funds	0.87	131.84	30/06/2014 - 31/01/2015
Total all bond holdings					1,520.0	

Source: Thomson Eikon Database, "Bond holdings", Thomson Eikon Database, Viewed in March 2015.

3.3.4 Investment policy

Allianz' investment policy regarding the defence sector includes ESG-criteria on "weapons to/in high-tension areas."²⁷⁵ However, Allianz does not further define high-tension areas which makes for a lack of clear guidelines on the issue of controversial arms trade. Allianz does not publish an exclusion list.

3.3.5 Conclusion

Although Allianz claims on its website that its investment policy regarding the defence sector includes ESG-criteria on "weapons to/in high-tension areas", it remains unclear which criteria are applied. The absence of clear criteria might explain the investments found, as policy implementation requires clear guidelines.

The companies invested in by Allianz have delivered military goods to countries that are considered controversial for the following reasons:

- Lack of freedom;
- Partial arms embargoes;
- Involved in armed conflict;
- Corruption;
- Fragile state;
- Poverty and military spending.

3.3.6 Response

Allianz did not respond to the results of the study.

3.4 APG

3.4.1 Company profile

Loyalis provides supplementary insurance products for income security. Loyalis is a subsidiary of APG, a financial services provider in the group pension market, providing pension administration and communication, asset management and executive consultancy services for pension funds. APG manages the pensions of approximately 4.5 million employees and former employees in the following sectors: government & education, construction, housing corporations, medical specialists, sheltered employment, cleaning & window cleaning, brick manufacturing and flowers and plants wholesaler industries.²⁷⁶

APG has offices in Heerlen, Amsterdam, New York, Hong Kong and Brussels. APG Group has two shareholders, *Pensionfund ABP* (92.16%) and *Sociaal Fonds Bouwnijverheid* (7.84%).²⁷⁷

In 2013, APG realised a turnover of € 1.05 billion, of which € 268.7 million was derived from the premium turnover of insurance subsidiary Loyalis.²⁷⁸

At the end of 2013, APG owned total assets with a value of € 4.6 billion, of which € 2.8 billion consisted of Loyalis' insurance investments.²⁷⁹ Of these investments, € 2.6 billion (92%) is made for the risk of Loyalis while € 214 million (8%) is made for the risk of policyholders. The break-down of these insurance investments over the different investment categories was as follows:²⁸⁰

- Government and corporate bonds: € 2.4 billion (83%)
- Shares: € 0.4 billion (15%)
- Other investments: € 0.1 billion (2%)

Besides insurance investments, APG manages approximately € 343 billion in assets for Dutch pension funds.²⁸¹

3.4.2 Shareholdings

Table 32 gives an overview of all the shares of arms companies owned by investment funds managed by APG and its subsidiaries as per the most recent filing date available. The total value of these shareholdings is € 983.5 million.

Table 32 Shares managed by APG

Company	Asset manager	Country	# of shares	% of all shares	Value (€ mln)	Filing Date
Airbus	APG Asset Management	Netherlands	2,767,921	0.35	167.74	31-Dec-2013
BAE Systems	APG Asset Management	Netherlands	9,791,234	0.31	59.14	14-Jan-2015
Boeing	APG Asset Management	Netherlands	1,317,314	0.19	135.27	31-Dec-2014
	APG Investment Services N.V.	Netherlands	1,822	0.00	0.17	30-Sep-2013
Finmeccanica	APG Asset Management	Netherlands	2,163,353	0.37	12.99	31-Dec-2013
General Dynamics	APG Asset Management	Netherlands	544,715	0.16	59.22	31-Dec-2014
Honeywell International	APG Asset Management	Netherlands	2,376,590	0.30	187.60	31-Dec-2014
Lockheed	APG Asset Management	Netherlands	439,063	0.14	66.79	31-Dec-2014

Company	Asset manager	Country	# of shares	% of all shares	Value (€ mln)	Filing Date
Martin						
Northrop Grumman	APG Asset Management	Netherlands	264,360	0.13	30.78	31-Dec-2014
Raytheon	APG Asset Management	Netherlands	554,575	0.18	47.39	31-Dec-2014
Thales	APG Asset Management	Netherlands	340,728	0.16	17.32	31-Dec-2013
ThyssenKrupp	APG Asset Management	Netherlands	785,423	0.14	15.15	31-Dec-2013
United Technologies	APG Asset Management	Netherlands	2,023,029	0.22	183.79	31-Dec-2014
	APG Investment Services N.V.	Netherlands	1,877	0.00	0.16	30-Sep-2013
Total all shareholdings					983.5	

Source: Thomson ONE Banker, "Share ownership", *Thomson ONE Banker* (www.thomsonone.com), Viewed in March 2015.

3.4.3 Bond holdings

No bonds of the selected arms companies held by APG have been found.²⁸²

3.4.4 Investment policy

APG's investment policy does not cover controversial arms trade. As APG does maintain an investment policy regarding controversial weapons, it excludes Orbital ATK and Textron for involvement with cluster munitions.²⁸³

3.4.5 Conclusion

APG's policy does not cover controversial arms trade, enabling it to invest in the selected arms companies. The companies APG invested in have delivered military goods to countries that are considered controversial for the following reasons:

- Lack of freedom;
- Partial arms embargoes;
- Involved in armed conflict;
- Corruption;
- Fragile state;
- Poverty and military spending.

3.4.6 Response

APG responded to the results of the study:

"This study assessed the investments of the entire APG Group. Therefore, this study does not distinguish between investments specifically made by Loyalis and investments made on behalf of clients of APG Asset Management, which are pension funds. Specifically for Loyalis, the total shareholdings in the aforementioned companies amount to approximately €1.3 million as of March 31, 2015. In APG's (including Loyalis) Responsible Investment approach and practices human rights risks are integrated in the investment processes. APG has discussed human rights and country risks with several of these companies in the defence sector including Finmeccanica that subsequently adjusted its country risk policies to further embed human rights risks. BAE systems has provided APG with assurances several times of considering human rights in its business dealings."²⁸⁴

3.5 ASR

3.5.1 Company profile

ASR Nederland is one of the largest insurance companies in the Dutch insurance market. The Dutch government has been the 100% owner of ASR Nederland since 2008, when it acquired it from the former banking and insurance company Fortis Holding.²⁸⁵ ASR Nederland's insurance products are sold under the following brands: ASR, de Amersfoortse (business market), Ditzo (damage, travel, healthcare), Europeesche Verzekeringen (travel, recreation) and Ardanta (funeral).²⁸⁶

In 2014, ASR Nederland achieved a premium turnover (gross written premiums) of € 3.8 billion and the company paid out € 5.2 billion in insurance claims.²⁸⁷ At the end of 2014, ASR Nederland owned total assets with a value of € 51.0 billion, of which € 45.8 billion consisted of investments and loans. The break-down of the different investment categories was as follows:²⁸⁸

- Government bonds: € 13.0 billion (28.4%)
- Corporate bonds: € 10.2 billion (22.3%)
- Shares (including listed equity funds): € 7.0 billion (15.3%)
- Loans to governments: € 0.2 billion (0.5%)
- Mortgage and other consumer loans: € 5.7 billion (12.5%)
- Loans to banks: € 2.6 billion (5.7%)
- Derivatives: € 3.4 billion (7.5%)
- Real estate: € 1.8 billion (4.0%)
- Other: € 1.9 billion (3.8%)

3.5.2 Shareholdings

No shares of the selected arms companies held by ASR Netherlands or its subsidiaries have been found.²⁸⁹

3.5.3 Bond holdings

No bonds of the selected arms companies held by ASR Netherlands or its subsidiaries have been found.²⁹⁰

3.5.4 Investment policy

ASR's investment policy²⁹¹ is comprehensive and states that ASR will always exclude companies that sell military goods when there is a risk they will be used against human rights or be delivered to "disputable authorities", which it describes as corrupt or fragile states, or as described by the EU Common Position.

As such, ASR's policy covers the following controversial arms trade principles as defined by the Fair Insurance Guide:

- Production and supplying of arms and weapon systems, military transport, and other military goods is unacceptable if there is an overriding risk that the arms will be used for serious violation of international human rights and humanitarian rights (Golden Rule).
- Supplying arms and weapon systems, military transport, and other military goods to countries that are under a United Nations or European Union arms embargo, is unacceptable.

- Supplying arms and weapon systems, military transport, and other military goods to regimes that violate human rights, is unacceptable.
- Supplying arms and weapon systems, military transport, and other military goods to countries that are involved in armed conflict, is unacceptable.
- Supplying arms and weapon systems, military transport, and other military goods to countries that are severely corrupt, is unacceptable.
- Supplying arms and weapon systems, military transport, and other military goods to countries having a failed or fragile state, is unacceptable.
- Supplying arms and weapon systems, military transport, and other military goods to countries that spend a disproportionate part of their budget on purchases of arms, is unacceptable.

ASR does not publish an exclusion list.

3.5.5 Conclusion

ASR's controversial arms trade policy is comprehensive and prevents it from investing in the selected companies. To improve its transparency, ASR could publish an exclusion list.

3.5.6 Response

ASR responded to the results of the case study:

"One way in which a.s.r. demonstrates its social responsibility as an institutional investor is in its use of ethical and sustainability criteria as part of its investment policy. Among these ethical criteria, a.s.r. applies a strict exclusion criteria to investments in the armament industry. The full a.s.r. Socially Responsible Investment policy has been published on its website.²⁹² It describes a.s.r.'s policy in relation to controversial weapons and other armament products and services: 'We screen companies on their involvement in offensive products, defensive and auxiliary military products and 'dual use' products/services. This screening takes place semi-annually. We always exclude companies that produce and/or sell controversial weapons: anti-personnel landmines, cluster munitions, nuclear, chemical weapons and bacteriological weapons. We always exclude companies that produce and/or sell offensive weapons. We exclude companies that produce or sell defensive, auxiliary and/or dual use products when there is a risk that they will be used against human rights or be delivered to disputable authorities (as corrupted or fragile countries or as defined in the EU common rules governing the control of exports of military technology and equipment). We follow the United Nations Arms Trade Treaty'. For some other controversial criteria within a.s.r. SRI policy (e.g. breaches to labour or human rights) we may use the instrument of engagement; however we always exclude companies that are involved in the production or trade of controversial weapons."²⁹³

3.6 Delta Lloyd

3.6.1 Company profile

Delta Lloyd Group is a listed Dutch financial institution with products and services in the field of insurance, pensions, investments and banking. Delta Lloyd is active in the Netherlands, Belgium and Germany and focuses on consumers, but also on small and large companies, multinationals and pension funds. It sells products under three brands: Delta Lloyd, OHRA and ABN Amro Verzekeringen.²⁹⁴ In the field of pension products, Delta Lloyd works together with BinckBank in a joint-venture called BeFrank. Erasmus Leven provides life insurance policies and mortgage related insurance while Cyrt Investments is an investment boutique that manages funds for institutional investors.²⁹⁵

At the end of 2014, Delta Lloyd had 5,684 employees (in FTE).²⁹⁶ The total assets of the group amounted to € 90.0 billion, including € 65.3 billion in insurance investments. These investments were divided among the different investment categories as follows:²⁹⁷

- Bonds: € 33.2 billion (50.9%)
- Shares: € 12.0 billion (18.4%)
- Mortgage loans to private customers: € 13.2 billion (20.3%)
- Other loans: € 2.3 billion (3.6%)
- Real estate: € 1.5 billion (2.3%)
- Derivatives: € 2.5 billion (3.9%)
- Other: € 0.6 billion (0.6%)

3.6.2 Shareholdings

Table 33 gives an overview of all the shares of arms companies owned by investment funds managed by Delta Lloyd and its subsidiaries as per the most recent filing date available. The total value of these shareholdings is € 13.1 million.

Table 33 Shares managed by Delta Lloyd

Company	Asset manager	Country	# of shares	% of all shares	Value (€ mln)	Filing Date
Airbus	Delta Lloyd Asset Management N.V.	Netherlands	31,988	0.01	1.26	31-Dec-2014
Boeing	Delta Lloyd Asset Management N.V.	Netherlands	29,851	0.01	3.07	31-Dec-2014
Honeywell International	Delta Lloyd Asset Management N.V.	Netherlands	33,947	0.00	2.68	31-Dec-2014
Lockheed Martin	Delta Lloyd Asset Management N.V.	Netherlands	12,068	0.00	1.84	31-Dec-2014
Thales	Delta Lloyd Asset Management N.V.	Netherlands	4,744	0.01	0.20	31-Dec-2014
ThyssenKrupp	Delta Lloyd Asset Management N.V.	Netherlands	24,056	0.01	0.49	31-Dec-2014
United Technologies	Delta Lloyd Asset Management N.V.	Netherlands	38,872	0.00	3.53	31-Dec-2014
Total all shareholdings					13.1	

Source: Thomson ONE Banker, "Share ownership", *Thomson ONE Banker* (www.thomsonone.com), Viewed in March 2015; Email communication with Delta Lloyd Asset Management, 16 April 2015.

3.6.3 Bond holdings

Table 34 gives an overview of all the bonds of arms companies owned by investment funds managed by Delta Lloyd and its subsidiaries as per the most recent filing date available. The total value of these bond holdings is € 4.8 million.

Table 34 Bonds managed by Delta Lloyd

Company	Asset manager	Country	Fund	% of all bonds	Value (€ mln)	Filing date
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Company	Asset manager	Country	Fund	% of all bonds	Value (€ mln)	Filing date
ThyssenKrupp	Delta Lloyd Asset Management NV	Netherlands	Delta Lloyd Corporate Bond Fund Ic	0.04	2.33	31/12/2014
		Netherlands	Delta Lloyd Euro Credit Fund	0.02	1.36	31/12/2014
		Netherlands	Delta Lloyd Rente Fonds	0.02	1.08	31/12/2014
Total all bond holdings					4.8	

Source: Thomson Eikon Database, "Bond holdings", Thomson Eikon Database, Viewed in March 2015.

3.6.4 Investment policy

Delta Lloyd's investment policy²⁹⁸ covers investment in companies that deliver weapons to countries that are under a European Union or United Nations embargo or are subject to sanctions by the United States. As such, the following responsible investment principle as defined by the Fair Insurance Guide is covered:

- Supplying arms and weapon systems, military transport, and other military goods to countries that are under a United Nations or European Union arms embargo, is unacceptable.

Delta Lloyd excludes BAE Systems (for involvement in white phosphorus), General Dynamics (for involvement with depleted uranium, white phosphorus, nuclear weapons), Northrop Grumman (for involvement with nuclear weapons), Orbital ATK (for involvement with cluster weapons, depleted uranium, nuclear weapons), Raytheon (for involvement with nuclear weapons), Textron (for involvement with cluster weapons).²⁹⁹ Furthermore, Finmeccanica is excluded for involvement with corruption and bribery.³⁰⁰

3.6.5 Conclusion

The policy does not cover all relevant responsible investment principles, such as arms trade to unfree countries, countries in armed conflict, fragile states, low income states with relatively high military spending or corrupt regimes, allowing Delta Lloyd to invest in companies involved in controversial arms trade. Although Delta Lloyd excludes six of the fifteen selected companies for production of controversial weapons, it does not exclude the remaining nine companies included in this research. The companies invested in by Delta Lloyd have delivered military goods to countries that are considered controversial for the following reasons:

- Lack of freedom;
- Partial arms embargoes;
- Involved in armed conflict;
- Corruption;
- Fragile state;
- Poverty and military spending.

3.6.6 Response

Delta Lloyd responded to the case study results:

- "Delta Lloyd excludes companies involved in the production, marketing and/or use of controversial weapons.

- Delta Lloyd continuously excludes between twenty-five and thirty listed companies due to their involvement in controversial weapons. On our website³⁰¹ we publish the current exclusions every quarter. In addition to the above listed companies on the website, Delta Lloyd also constantly excludes around thirty-five private companies, due to their involvement in controversial weapons.
- In the Fair Insurance Guide research fifteen companies have been listed, that according to the used external sources, are involved in weapons trade.
- Six of these fifteen companies are on our exclusion list.

The other nine companies either have not been identified by us as being involved in controversial weapons, or have not been excluded for other reasons. For example, because of the company's large (billion) orders with European governments, or because the weapon-related activities are only a small part of the, otherwise, civil-oriented business."^{a302}

3.7 Generali

3.7.1 Company profile

Assicurazioni Generali S.p.A. (or Generali Group) is one of the largest insurance companies in Europe. The group is leader in Italy and Assicurazioni Generali, founded in 1831 in Trieste, is the group's parent and principal operating company.³⁰³ The company is active in more than 60 countries, employs 78,333 people and has more than 72 million clients worldwide.³⁰⁴ In the Netherlands, Generali Nederland is active in the field of life and damage insurance.³⁰⁵

In 2014, Generali Group realised gross premium income of € 66.3 billion and paid out € 68.3 billion in insurance claims.³⁰⁶ At the end of 2014, the company owned total assets with a value of € 501.3 billion, of which € 433.0 billion were investments. These investments were divided over the following investment categories:³⁰⁷

- Government bonds: € 165.0 billion (38.1%)
- Corporate bonds: € 125.5 billion (29.0%)
- Other fixed income investments: € 28.4 billion (6.6%)
- Shares: € 17.6 billion (4.1%)
- Real estate: € 14.9 billion (3.5%)
- Investments for the risk of policyholders (mainly shares and bonds): € 67.7 billion (15.7%)
- Cash and cash equivalents: € 10.2 billion (2.4%)
- Other investments: € 3.7 billion (0.6%)

In addition to the Group's insurance investments, Generali at the end of 2014 had assets with a value of € 46.7 billion under management for third parties.³⁰⁸

3.7.2 Shareholdings

Table 35 gives an overview of all the shares of arms companies owned by investment funds managed by Generali and its subsidiaries as per the most recent filing date available. The total value of these shareholdings is € 38.3 million.

^a Translation to English by Profundo.

Table 35 Shares managed by Generali

Company	Asset manager	Country	# of shares	% of all shares	Value (€ mln)	Filing Date
Airbus	BG Fund Management Luxembourg S.A.	Luxembourg	16,607	0.00	0.80	30-Nov-2014
	CP Invest Investicni Spolecnost a.s.	Czech Republic	13,300	0.00	0.75	31-May-2014
	Generali Investments Europe S.p.A. SGR	Italy	146,758	0.02	5.80	31-Dec-2014
	Generali PPF Asset Management a.s.	Czech Republic	16,600	0.00	0.70	31-Jan-2015
	Oudart Gestion	France	12,350	0.00	0.57	31-Jul-2014
BAE Systems	BG Fund Management Luxembourg S.A.	Luxembourg	21,275	0.00	0.13	30-Nov-2014
Boeing	BG Fund Management Luxembourg S.A.	Luxembourg	11,854	0.00	1.26	30-Nov-2014
	BG SGR S.p.A.	Italy	2,856	0.00	0.30	30-Nov-2014
	CP Invest Investicni Spolecnost a.s.	Czech Republic	8,800	0.00	0.94	31-May-2014
	Generali Investments Europe S.p.A. SGR	Italy	1,424	0.00	0.15	31-Dec-2014
	Generali PPF Asset Management a.s.	Czech Republic	6,000	0.00	0.69	31-Jan-2015
Finmeccanica	BSI S.A.	Switzerland	6,800	0.00	0.05	31-Dec-2014
	Generali Investments Europe S.p.A. SGR	Italy	2,800,971	0.48	19.93	31-Oct-2014
	Oudart Gestion	France	27,720	0.00	0.20	31-Jul-2014
General Dynamics	BG Fund Management Luxembourg S.A.	Luxembourg	3,047	0.00	0.35	30-Nov-2014
Honeywell International	BG Fund Management Luxembourg S.A.	Luxembourg	10,206	0.00	0.80	30-Nov-2014
	BG SGR S.p.A.	Italy	3,837	0.00	0.30	30-Nov-2014
	Generali Investments Europe S.p.A. SGR	Italy	1,913	0.00	0.15	31-Dec-2014
Lockheed Martin	BG Fund Management Luxembourg S.A.	Luxembourg	1,176	0.00	0.18	30-Nov-2014
	BG SGR S.p.A.	Italy	1,411	0.00	0.21	30-Nov-2014
	Generali Investments Europe S.p.A. SGR	Italy	703	0.00	0.11	31-Dec-2014
ThyssenKrupp	BG Fund Management Luxembourg S.A.	Luxembourg	16,392	0.00	0.34	30-Nov-2014
	Generali Investments Europe S.p.A. SGR	Italy	16,345	0.00	0.33	31-Dec-2014
United Technologies	BG Fund Management Luxembourg S.A.	Luxembourg	12,238	0.00	1.06	30-Nov-2014

Company	Asset manager	Country	# of shares	% of all shares	Value (€ mln)	Filing Date
	BG SGR S.p.A.	Italy	22,627	0.00	2.06	31-Dec-2014
	Generali Investments Europe S.p.A. SGR	Italy	1,433	0.00	0.13	31-Dec-2014
Total all shareholdings					38.3	

Source: Thomson ONE Banker, "Share ownership", *Thomson ONE Banker* (www.thomsonone.com), Viewed in March 2015.

3.7.3 Bond holdings

Table 36 gives an overview of all the bonds of arms companies owned by investment funds managed by Generali and its subsidiaries as per the most recent filing date available. The total value of these bond holdings is € 5.2 million.

Table 36 Bonds managed by Generali

Company	Asset manager	Country	Fund	% of all bonds	Value (€ mln)	Filing date
Finmeccanica	BSI SA (Lugano)	Switzerland	BSI-Multinvest - Global Credit Bond A EUR	0.01	0.58	30/11/2014
		Switzerland	BSI-Multinvest - Global Dynamic Bonds	0.03	1.17	30/11/2014
		Switzerland	Multi Opportunity SICAV - SWAN	0.00	0.13	30/11/2014
	Oudart Gestion	France	Oudart Oblig	0.02	0.84	31/07/2014
Thales	BSI SA (Lugano)	Switzerland	BSI-Multinvest - Short Term Bonds EUR	0.14	1.68	30/11/2014
ThyssenKrupp	BSI SA (Lugano)	Switzerland	BSI Flex - Multi Asset EUR	0.00	0.25	31/03/2014
		Switzerland	Multi Opportunity SICAV - SWAN	0.00	0.08	30/11/2014
United Technologies Corporation	Assicurazioni Generali SpA	Italy	Generali USA Life Reassurance	0.00	0.47	31/12/2014
Total all bond holdings					5.2	

Source: Thomson Eikon Database, "Bond holdings", Thomson Eikon Database, Viewed in March 2015.

3.7.4 Investment policy

Generali's investment policy³⁰⁹ states that it exclude companies from investment when they sell military equipment or weapons to countries on the United Nations' arms embargo list. Generali's arms policy is not applied to all investments, such as investments on behalf of third parties and unit-linked funds.³¹⁰

As such, its policy covers the following responsible investment principle as defined by the Fair Insurance Guide:

- Supplying arms and weapon systems, military transport, and other military goods to countries that are under a United Nations or European Union arms embargo, is unacceptable.

Generali has not published an exclusion list.

3.7.5 Conclusion

The policy does not cover all relevant responsible investment principles, such as arms trade to unfree countries, countries in armed conflict, fragile states, low income states with relatively high military spending or corrupt regimes, allowing Generali to invest in companies involved in controversial arms trade. Furthermore, Generali's arms policy is not applied to all investments, such as investments on behalf of third parties and unit-linked funds. The companies invested in by Generali have delivered military goods to countries that are considered controversial for the following reasons:

- Lack of freedom;
- Partial arms embargoes;
- Involved in armed conflict;
- Corruption;
- Fragile state;
- Poverty and military spending.

3.7.6 Response

Generali did not respond to the results of the study.

3.8 NN Group

3.8.1 Company profile

NN Group is an insurance and investment management company active in more than 18 countries, with a strong presence in a number of European countries and Japan. With more than 12,000 employees, it offers retirement services, insurance, investments and banking products.³¹¹ Brand names for insurance products in The Netherlands include Nationale-Nederlanden and Movir.³¹² In 2014, NN Group realised a gross premium income of € 9.3 billion and incurred a gross underwriting expenditure of € 15.9 billion.³¹³

At the end of 2014, NN Group owned total assets with a value of € 165.5 billion, of which € 152.3 billion were investments. These investments were divided among the following investment categories:³¹⁴

- Government bonds: € 52.3 billion (34.4%)
- Corporate bonds: € 12.2 billion (8.1%)
- Mortgage loans to private customers: € 18.2 billion (12.0%)
- Shares: € 45.6 billion (30.0%)
- Real estate: € 3.7 billion (2.5%)
- Derivatives: € 7.2 billion (4.8%)
- Other investments: € 13.1 billion (8.2%)

Additional to the investments included on the balance sheet of NN Group, NN Investment Partners at the end of 2013 managed assets with a total value of € 104 billion on behalf of third party retail and institutional investors.³¹⁵

3.8.2 Shareholdings

Table 37 gives an overview of all the shares of arms companies owned by investment funds managed by NN Group and its subsidiaries as per the most recent filing date available. The total value of these shareholdings is € 234.7 million.

Table 37 Shares managed by NN Group

Company	Asset manager	Country	# of shares	% of all shares	Value (€ mln)	Filing Date
Airbus	ING Asset Management B.V.	Netherlands	925,521	0.12	36.57	31-Dec-2014
	ING Investment Management Advisors B.V.	Netherlands	548,683	0.07	21.68	31-Dec-2014
Boeing	ING Asset Management B.V.	Netherlands	13,524	0.00	1.36	30-Sep-2014
	ING Investment Management Advisors B.V.	Netherlands	146,743	0.02	15.07	31-Dec-2014
Honeywell International	ING Asset Management B.V.	Netherlands	795,860	0.10	62.82	31-Dec-2014
	ING Investment Management Advisors B.V.	Netherlands	804,090	0.10	63.47	31-Dec-2014
Saab	ING Investment Management Advisors B.V.	Netherlands	3,972	0.00	0.08	30-Sep-2014
ThyssenKrupp	ING Asset Management B.V.	Netherlands	70,057	0.01	1.09	30-Jun-2013
	ING Investment Management Advisors B.V.	Netherlands	15,000	0.00	0.28	31-Oct-2014
United Technologies	ING Asset Management B.V.	Netherlands	54,733	0.01	4.97	31-Dec-2014
	ING Investment Management Advisors B.V.	Netherlands	300,728	0.03	27.32	31-Dec-2014
Total all shareholdings					234.7	

Source: Thomson ONE Banker, "Share ownership", *Thomson ONE Banker* (www.thomsonone.com), Viewed in March 2015; Email communication with NN Group N.V., 17 April 2015.

3.8.3 Bond holdings

Table 38 gives an overview of all the bonds of arms companies owned by investment funds managed by NN Group and its subsidiaries as per the most recent filing date available. The total value of these bond holdings is \$ 0.5 million.

Table 38 Bonds managed by NN Group

Company	Asset manager	Country	Fund	% of all bonds	Value (€ mln)	Filing date
Boeing	ING Investment Management B.V. (Europe)	Netherlands	ING (L) Renta Fund US Credit	0.01	0.49	31/10/2014
Total all bond holdings					0.5	

Source: Thomson Eikon Database, "Bond holdings", Thomson Eikon Database, Viewed in March 2015.

3.8.4 Investment policy

The NN Group investment policy for the defence sector is "currently implemented through the ING Defence Policy; a Defence Policy for NN Group is being prepared."³¹⁶ The ING Defence Policy covers controversial arms trade which it defines as making arms available to UN, EU or US weapon-embargoed countries or to non-governmental armed groups without UN, EU or US support.

As such, its policy covers the following responsible investment principle as defined by the Fair Insurance Guide:

- Supplying arms and weapon systems, military transport, and other military goods to countries that are under a United Nations or European Union arms embargo, is unacceptable.

NN Group has not published an exclusion list.

3.8.5 Conclusion

The policy does not cover all relevant responsible investment principles, such as arms trade to unfree countries, countries in armed conflict, fragile states, low income states with relatively high military spending or corrupt regimes, allowing NN Group to invest in companies involved in controversial arms trade. Furthermore, the policy is not applied to all business units as exceptions are made for some index trackers, discretionary mandates in some jurisdictions and funds managed by third party managers.³¹⁷ The companies invested in by NN Group have delivered military goods to countries that are considered controversial for the following reasons:

- Lack of freedom;
- Partial arms embargoes;
- Involved in armed conflict;
- Corruption;
- Fragile state;
- Poverty and military spending.

3.8.6 Response

NN Group responded to the results of the case study:

“At NN Group, we have a defence policy in place. This policy ensures that we do not invest in nor provide services to companies that have defence activities that are not in line with our standards and principles. In addition to controversial weapons, ‘arms trade’ is covered in this policy. This to ensure that no investments are made in companies in the defence sector that demonstrably have activities in making arms available to countries that are under a UN, EU or US weapons embargo, or to non-governmental armed groups without UN, EU or US support. Not in scope are companies that have such activities in relation to humanitarian missions or to (peace keeping) military missions that have been commissioned by the international community.

NN Group takes an integrated approach towards investing. This means that in addition to financial data, our investment analysts take a wide range of environmental, social and governance (ESG) information and data into account. Regarding the supply of arms to countries that are sensitive to e.g. civil rights conflicts, we note that an appropriate assessment of ESG risks on a company level can be difficult due to a lack of sufficient and reliable information. We are in discussion with our external ESG data/research provider on how this can be improved. Furthermore, to create awareness and to support the implementation of our policy, NN Group is organising learning sessions for relevant internal departments.”³¹⁸

3.9 Legal & General

3.9.1 Company profile

Legal & General Nederland is an insurance company that offers income security products. It is a 100% subsidiary of the UK listed insurance company Legal & General Group, which has 10 million clients worldwide and has been in business for more than 175 years.³¹⁹

Legal & General Nederland is operational since 1984 and has more than 150,000 clients.³²⁰ In 2014, the company realised a gross premium turnover of € 248.6 million and paid out € 297.3 million in insurance claims.³²¹ At the end of 2014, Legal & General Nederland owned assets with a total value of € 2.4 billion, of which € 2.3 billion were investments. These investments were divided over the various investment categories as follows:³²²

- Government and corporate bonds: € 1,439 million (63.9%)
- Shares: € 766 million (34.0%)
- Loans: € 31 million (1.4%)
- Derivatives: € 18 million (0.8%)
- Real estate: € 1 million (0.1%)

In 2014, Legal & General Group realized gross written premiums of £ 10.2 billion (€ 12.7 billion) and paid out £ 15.1 billion (€ 18.7 billion) in insurance claims.³²³ At the end of 2014, total assets amounted to £ 400.0 billion (€ 511.1 billion) including investments with a total value of £ 368.9 billion (€ 471.3 billion). These investments were divided over the various investment categories as follows:³²⁴

- Shares: £ 169.7 billion (46.0%)
- Government and corporate bonds: £ 178.8 billion (48.5%)
- Derivatives: £ 10.0 billion (2.8%)
- Loans: £ 0.5 billion (0.2%)
- Real estate: £ 8.2 billion (2.3%)
- Other: £ 1.7 billion (0.2%)

Apart from the investments included on its own balance sheet, asset management subsidiary Legal & General Investment Management at the end of 2014 managed assets for institutional investors with a total value of £ 499.0 billion (€ 637.6 billion).³²⁵

3.9.2 Shareholdings

Table 39 gives an overview of all the shares of arms companies owned by investment funds managed by Legal & General and its subsidiaries as per the most recent filing date available. The total value of these shareholdings is € 2,019.5 million.

Table 39 Shares managed by Legal & General

Company	Asset manager	Country	# of shares	% of all shares	Value (€ mln)	Filing Date
Airbus	Legal & General Asset Management (France)	France	78,720	0.01	3.11	31-Dec-2014
	Legal & General Investment Management Ltd.	England	310,112	0.04	13.05	31-Jan-2015
BAE Systems	Legal & General Investment Management Ltd.	England	89,330,151	2.83	579.38	01-Feb-2015
Boeing	Legal & General Investment Management Ltd.	England	2,552,544	0.36	262.11	31-Dec-2014
Finmeccanica	Legal & General Investment Management Ltd.	England	214,846	0.04	1.86	31-Jan-2015
General Dynamics	Legal & General Investment Management Ltd.	England	1,285,368	0.39	139.74	31-Dec-2014
Honeywell International	Legal & General Investment Management Ltd.	England	3,044,171	0.39	240.30	31-Dec-2014
Lockheed Martin	Legal & General Investment Management Ltd.	England	1,285,117	0.41	195.51	31-Dec-2014
Northrop Grumman	Legal & General Investment Management Ltd.	England	863,119	0.44	100.50	31-Dec-2014
Orbital ATK	Legal & General Investment Management Ltd.	England	15,451	0.03	1.42	31-Dec-2014
Raytheon	Legal & General Investment Management Ltd.	England	1,277,343	0.42	109.15	31-Dec-2014
Textron	Legal & General Investment Management Ltd.	England	1,145,045	0.41	38.09	31-Dec-2014
Thales	Legal & General Investment Management Ltd.	England	56,157	0.03	2.34	31-Jan-2015
ThyssenKrupp	Legal & General Asset Management (France)	France	12,727	0.00	0.26	31-Dec-2014
	Legal & General Investment Management Ltd.	England	237,605	0.04	4.89	31-Jan-2015
United Technologies	Legal & General Investment Management Ltd.	England	3,607,501	0.40	327.74	31-Dec-2014
Total all shareholdings					2,019.5	

Source: Thomson ONE Banker, "Share ownership", *Thomson ONE Banker* (www.thomsonone.com), viewed in March 2015.

3.9.3 Bond holdings

Table 40 gives an overview of all the bonds of arms companies owned by investment funds managed by Legal & General and its subsidiaries as per the most recent filing date available. The total value of these bond holdings is € 37.5 million.

Table 40 Bonds managed by Legal & General

Company	Asset manager	Country	Fund	% of all bonds	Value (€ mln)	Filing date
Airbus Group	Legal & General Investment Management America (LGIMA)	United States	SEI Inst Inv Long Duration Corporate Bond (Co-managed)	0.00	0.00	31/01/2015
		United States	SEI Institutional Investments Long Duration Fund (Co-managed)	0.02	0.66	31/01/2015
BAE Systems	Legal & General Investment Management America (LGIMA)	United States	SEI Inst Inv Long Duration Corporate Bond (Co-managed)	0.02	0.61	31/01/2015
		United States	SEI Institutional Investments Long Duration Fund (Co-managed)	0.07	2.66	31/01/2015
Boeing	Legal & General Investment Management America (LGIMA)	United States	Banner Life Insurance Co	0.01	0.59	31/12/2014
		United States	SEI Inst Inv Long Duration Corporate Bond (Co-managed)	0.00	0.24	31/01/2015
		United States	SEI Institutional Investments Long Duration Fund (Co-managed)	0.01	0.38	31/01/2015
General Dynamics	Legal & General Investment Management America (LGIMA)	United States	Banner Life Insurance Co	0.11	2.96	31/12/2014
		United States	SEI Inst Inv Long Duration Corporate Bond (Co-managed)	0.02	0.51	31/01/2015
		United States	SEI Institutional Investments Long Duration Fund (Co-managed)	0.03	0.81	31/01/2015

Company	Asset manager	Country	Fund	% of all bonds	Value (€ mln)	Filing date
Honeywell International	Legal & General Investment Management Limited	United Kingdom	William Penn Life Insurance Co of New York	0.15	3.95	31/12/2014
	Legal & General Investment Management America (LGIMA)	United States	Banner Life Insurance Co	0.01	0.40	31/12/2014
		United States	SEI Inst Inv Long Duration Corporate Bond (Co-managed)	0.00	0.11	31/01/2015
Lockheed Martin	Legal & General Investment Management Limited	United Kingdom	William Penn Life Insurance Co of New York	0.01	0.55	31/12/2014
	Legal & General Investment Management America (LGIMA)	United States	Banner Life Insurance Co	0.02	1.69	31/12/2014
		United States	SEI Inst Inv Long Duration Corporate Bond (Co-managed)	0.01	0.77	31/01/2015
Northrop Grumman		United States	SEI Institutional Investments Long Duration Fund (Co-managed)	0.02	1.26	31/01/2015
	Legal & General Investment Management America (LGIMA)	United States	SEI Inst Inv Long Duration Corporate Bond (Co-managed)	0.03	1.68	31/01/2015
		United States	SEI Institutional Investments Long Duration Fund (Co-managed)	0.06	3.04	31/01/2015
Raytheon	Legal & General Investment Management America (LGIMA)	United States	SEI Inst Inv Long Duration Corporate Bond (Co-managed)	0.00	0.15	31/01/2015
United Technologies Corporation	Legal & General Investment Management Limited	United Kingdom	William Penn Life Insurance Co of New York	0.07	2.77	31/12/2014
	Legal & General Investment Management America (LGIMA)	United States	Banner Life Insurance Co	0.02	3.25	31/12/2014
		United States	SEI Inst Inv Long Duration Corporate Bond	0.02	3.07	31/01/2015

Company	Asset manager	Country	Fund	% of all bonds	Value (€ mln)	Filing date
			(Co-managed)			
		United States	SEI Institutional Investments Long Duration Fund	0.03	3.89	31/01/2015
			(Co-managed)			
	Legal & General Investment Management Limited	United Kingdom	William Penn Life Insurance Co of New York	0.01	1.45	31/12/2014
Total all bond holdings					37.5	

Source: Thomson Eikon Database, "Bond holdings", Thomson Eikon Database, Viewed in March 2015.

3.9.4 Investment policy

The investment policy of Legal & General Netherlands³²⁶ does not cover investment principles regarding controversial arms trade.

However, Legal & General Netherlands excludes Boeing, Airbus, General Dynamics, Honeywell International, Lockheed Martin, Northrop Grumman, Orbital ATK, Raytheon and Textron for involvement in controversial arms production (anti-personnel mines and/or cluster munitions).³²⁷ Its policy for controversial weapons applies only to investment made for own account and not for investment made on behalf of third parties or external asset management.

Legal & General publishes yearly engagements targets for intervening in companies on their environmental, social and governance performance.³²⁸ No engagement targets for arms companies are published.

3.9.5 Conclusion

It is very likely that the investments found are not made on behalf of Legal & General Netherlands but for other subsidiaries within the group. This is also confirmed by Legal & General Group. However, this study focuses at policies and investment at the group level and therefore includes the investments made by the Legal & General Group.

The companies invested in by Legal & General Group have delivered military goods to countries that are considered controversial for the following reasons:

- Lack of freedom;
- Partial arms embargoes;
- Involved in armed conflict;
- Corruption;
- Fragile state;
- Poverty and military spending.

3.9.6 Response

Legal & General responded to the results of the case study:

“As your study suggests Legal & General Netherlands has no investments in companies that are considered by you as controversial weapons providers. Our customers can find our policies on this on our Legal & General Netherlands website.”³²⁹

Legal & General Netherlands is a wholly owned subsidiary of Legal & General Group based in London. As you point out in your study the wider Legal & General Group (Legal & General Investment Management and Legal & General America) does have investments in the companies that you highlight in your study. Many of their customers are institutional investors who have invested their corporate pensions money into FTSE 100 or FTSE 350 Index Trackers which provides them with a way of investing in many sectors to spread their investment risk. This means that we own around 4% of the FTSE Index in the UK which will include London listed arms manufacturers.

We are a very active investor and believe in influencing through ownership of companies rather than excluding them. We provide a yearly report to clients on how we have intervened in companies that we own on behalf of our clients to improve their economic, governance, environmental and social impact which you can find here.”³³⁰

We continue to be the only international Asset Manager that has published yearly engagements targets for intervening in companies that we own on their environmental, social and governance performance in terms of how many we will engage on our clients’ behalf and the topics upon which we will be campaigning to improve. In 2014 we undertook 589 engagements; 32% included Environmental or Social topics which is a 28% increase on 2013. We also campaigned for improvements in a number of areas including.

1. Promoting wider collective engagement with international investors;
2. Using the new disclosure on UK executive pay policies to promote alignment between shareholders and management;
3. Establishing new ESG contacts with international companies;
4. US engagement - with focus currently on the technology sector on issues such as human rights in the supply chain and corporate reputation;
5. Better board independence on Japanese listed companies;
6. Improving gender diversity in UK boardrooms especially in mid-cap listed companies;
7. Focussing on the sustainability issues impacting UK listed mining companies.

For arms companies we were very supportive of the Arms Trade Treaty for FTSE listed arms companies.”³³¹

3.10 SNS Reaal (Vivat Verzekeringen)

3.10.1 Company profile

SNS REAAL is a Dutch banking and insurance company. Significant steps were taken in 2014 to disentangle the holding, banking and insurance activities as part of the restructuring plan for SNS REAAL which was initiated after the nationalisation and approved by the European Commission on 19 December 2013.”³³²

On 1 January 2015, SNS REAAL’s banking and insurance activities demerged. The bank brands were placed under SNS Bank NV and the insurance brands under REAAL NV (trading under the name VIVAT Verzekeringen). SNS REAAL is now a financial holding.”³³³

In July 2014 SNS REAAL initiated the sales process of VIVAT's insurance activities. At the end of 2014 this process was on track and on 16 February 2015 SNS REAAL announced the sale of VIVAT to Anbang Insurance Group (China). Completion of the sale, expected in the third quarter of 2015, is still subject to several conditions, including regulatory approval. After the sale, SNS Bank will remain as SNS REAAL's only material subsidiary. Subsequently, in consultation with the Dutch state, SNS Bank will be transferred to the Dutch state. The plan is to privatise SNS Bank in due course. Eventually, SNS REAAL as a holding company will be dismantled and cease to exist.³³⁴

VIVAT Verzekeringen comprises five insurance brands and one asset manager: Zwitserleven, Zelf, Route Mobiel, Reaal, Proteq Dier & Zorg and ACTIAM.³³⁵

At the end of 2014, SNS Reaal had 6,368 employees (FTE's) and owned assets with a total value of € 124.8 billion.³³⁶ The insurance activities of the group, VIVAT Verzekeringen, in 2014 realized a gross premium income of € 3.1 billion and paid out € 4.1 billion in insurance claims.³³⁷

At the end of 2014, the total assets of VIVAT Verzekeringen amounted to € 60.5 billion, of which € 54.1 billion were investments. These investments were divided over the various investment categories as follows:³³⁸

- Government and corporate bonds: € 26.4 billion (48.8%)
- Investments for the risk of policyholders (mainly shares and bonds): € 14.6 billion (27.0%)
- Shares: € 1.3 billion (2.4%)
- Loans to private customers: € 9.0 billion (16.7%)
- Loans to banks: € 0.3 billion (0.6%)
- Real estate: € 0.3 billion (0.6%)
- Derivatives: € 0.7 billion (1.3%)
- Other: € 1.5 billion (2.6%)

Apart from the investments included on the balance sheet of VIVAT Verzekeringen, ACTIAM, the asset manager of the VIVAT group, at the end of 2014 managed assets with a total value of € 4.0 billion for third parties.³³⁹

3.10.2 Shareholdings

Table 41 gives an overview of all the shares of arms companies owned by investment funds managed by SNS Reaal and its subsidiaries as per the most recent filing date available. The total value of these shareholdings is € 3.2 million.

Table 41 Shares managed by SNS Reaal

Company	Asset manager	Country	# of shares	% of all shares	Value (€ mln)	Filing Date
ThyssenKrupp	ACTIAM N.V.	Netherlands	2,590	0.00	0.05	30-Sep-2014
United Technologies	ACTIAM N.V.	Netherlands	32,900	0.00	3.13	31-Dec-2014
Total all shareholdings					3.2	

Source: Thomson ONE Banker, "Share ownership", *Thomson ONE Banker* (www.thomsonone.com), Viewed in March 2015; SNS Beleggingsfondsen, "Jaarverslag 2014", SNS Beleggingsfondsen, March 2015; Zwitserleven Beleggingsfondsen, "Halfjaarbericht 2014", Zwitserleven Beleggingsfondsen, August 2014..

3.10.3 Bond holdings

No bonds of the selected arms companies held by SNS Reaal or its subsidiaries have been found.³⁴⁰

3.10.4 Investment policy

SNS Reaal's investment policy³⁴¹ covers controversial arms trade which it defines as the trade of conventional weapons (including the provision of related services) with countries and non-state actors against which arms embargoes are imposed by the Security Council of the United Nations, or the Council of the European Union. Furthermore, SNS Reaal endorses the United Nations Arms Trade Treaty on its website, thereby expecting companies to not trade arms to human rights violating countries.³⁴²

As such, its policy covers the following investment principles as defined by the Fair Insurance Guide:

- Production and supplying of arms and weapon systems, military transport, and other military goods is unacceptable if there is an overriding risk that the arms will be used for serious violation of international human rights and humanitarian rights (Golden Rule).
- Supplying arms and weapon systems, military transport, and other military goods to countries that are under a United Nations or European Union arms embargo, is unacceptable.
- Supplying arms and weapon systems, military transport, and other military goods to regimes that violate human rights, is unacceptable.

SNS Reaal's asset manager Actiam excludes Airbus, BAE Systems, Boeing, Finmeccanica, General Dynamics, Honeywell International, Lockheed Martin, Northrop Grumman, Orbital ATK, Raytheon, Textron and Thales for involvement in weapons.³⁴³

3.10.5 Conclusion

Although Actiam, SNS Reaal's asset manager, excludes twelve of the companies included in this research due to involvement with weapons, two minor investments were identified in the shares of two companies selected in this research for their involvement with controversial arms trade. These companies do not feature on Actiam's exclusion list, indicating that, since its policy does not cover all relevant responsible investment principles such as arms trade to unfree countries, countries in armed conflict, fragile states, low income states with relatively high military spending or corrupt regimes, can allow for SNS Reaal to invest in companies involved in controversial arms trade. The companies invested in by SNS Reaal have delivered military goods to countries that are considered controversial for the following reasons:

- Lack of freedom;
- Involved in armed conflict;
- Corruption;
- Fragile state;
- Poverty and military spending.

3.10.6 Response

SNS Reaal's asset manager ACTIAM responded to the results of the case study:

“ACTIAM maintains an extensive weapons policy that has recently been strengthened. We operate this policy conscientiously. Our policy is not limited to controversial weapons and controversial weapons trade. We also discourage the production of non-military firearms and consumer sales of firearms. We have talks with these companies and exclude them if these talks prove not to be fruitful (currently 4 companies). Besides our extensive policy regarding producers of controversial weapons, we also exclude entities that are involved in controversial weapons trade. This means that we do not invest in companies that are involved in trading weapons and related services with countries and non-governmental institutions on which weapon embargoes have been imposed by the UN Security Council or the Council of the European Union. At this moment there are no embargoes imposed on the countries with which ThyssenKrupp and United Technologies Corporation have trading relationships.

United Technologies Corporation was excluded from investing in until March 2014. The reason for this was the company's involvement in the production of nuclear weapons. ACTIAM considers nuclear weapons to be controversial. According to our research, United Technologies Corporation is no longer involved in the production of nuclear weapons, ever since the Goodrich was sold. For this reason, it was decided to include the company again.”
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Chapter 4 Conclusions and recommendations

This chapter presents the conclusions of the Case Study Controversial Arms Trade. An overview of the investments found is presented. The investments are compared to the responsible investment policies of the insurance groups. Section 4.4 drafts recommendations for the insurance groups.

4.1 Overview of investments

The ten selected insurance groups invested a total amount of € 6.8 billion in the fifteen selected arms companies, consisting of € 4.7 billion in shareholdings and € 2.0 billion in bond holdings.^b Allianz (39%) and Legal & General (30%) are responsible for over two-thirds of the total insurance investments of the ten insurance groups. The top three of investees:

- United Technologies: € 1,439 million (21% of total investments)
- BAE Systems: € 1,016 million (15% of total investments)
- Honeywell International: € 965 million (14% of total investments)

Table 42 gives an overview of the shareholdings of the ten insurance groups in fifteen arms companies.

Table 42 Overview of insurance shareholdings (million euros)

Arms companies	Achmea	Aegon	Allianz	APG	ASR	Delta Lloyd	Generali	NN Group	Legal & General	SNS Reaal	Total investments per company
Airbus Group	-	23	118	168	-	1	9	58	16	-	393
BAE Systems	-	99	48	59	-	-	0	-	579	-	785

^a Translation to English by Profundo.

^b Small differences between sum of individual amounts and total shareholdings due to rounding.

Arms companies	Achmea	Aegon	Allianz	APG	ASR	Delta Lloyd	Generali	NN Group	Legal & General	SNS Reaal	Total investments per company
Boeing	-	22	116	135	-	3	3	16	262	-	557
Finmeccanica	-	2	6	13	-	-	20	-	2	-	43
General Dynamics	-	2	3	59	-	-	0	-	140	-	204
Honeywell International	-	14	3	188	-	3	1	126	240	-	575
Lockheed Martin	-	65	11	67	-	2	1	-	196	-	342
Northrop Grumman	-	6	390	31	-	-	-	-	101	-	528
Orbital ATK	-	-	81	-	-	-	-	-	1	-	82
Raytheon	-	7	18	47	-	-	-	-	109	-	181
Saab	-	-	-	-	-	-	-	0	-	-	0
Textron	-	-	5	-	-	-	-	-	38	-	43
Thales	-	3	14	17	-	0	-	-	2	-	36
ThyssenKrupp	-	8	37	15	-	0	1	1	5	0	67
United Technologies	-	80	265	184	-	4	3	32	328	3	899
Total investments *	-	331	1,115	984	-	13	38	235	2,020	3	4,735

Note that a 0 represents investments below 0.5 million euros and a – means that no investments were found.

* Small differences between sum of individual amounts and total shareholdings due to rounding.

Table 43 gives an overview of the bond holdings of the ten insurance groups in fifteen arms companies.

Table 43 Overview of insurance bond holdings (million euros)

Arms companies	Achmea	Aegon	Allianz	APG	ASR	Delta Lloyd	Generali	NN Group	Legal & General	SNS Reaal	Total investments per company
Airbus Group	-	24	4	-	-	-	-	-	1	-	29
BAE Systems	-	32	196	-	-	-	-	-	3	-	231
Boeing	-	110	202	-	-	-	-	0	1	-	313
Finmeccanica	-	-	106	-	-	-	3	-	-	-	109
General Dynamics	-	-	4	-	-	-	-	-	8	-	12
Honeywell	-	83	306	-	-	-	-	-	1	-	390

Arms companies	Achmea	Aegon	Allianz	APG	ASR	Delta Lloyd	Generali	NN Group	Legal & General	SNS Reaal	Total investments per company
International											
Lockheed Martin	-	1	37	-	-	-	-	-	4	-	42
Northrop Grumman	-	-	132	-	-	-	-	-	5	-	137
Orbital ATK	-	-	1	-	-	-	-	-	-	-	1
Raytheon	-	36	141	-	-	-	-	-	3	-	180
Saab	-	-	-	-	-	-	-	-	-	-	-
Textron	-	0	10	-	-	-	-	-	-	-	10
Thales	-	-	2	-	-	-	2	-	-	-	4
ThyssenKrupp	-	-	40	-	-	5	0	0	-	-	45
United Technologies	-	187	341	-	-	-	0	-	12	-	540
Total investments *	-	474	1,520	-	-	5	5	0	38	-	2,043

Note that a 0 represents investments below 0.5 million euros and a – means that no investments were found.

* Small differences between sum of individual amounts and total shareholdings due to rounding.

Two of the ten insurance groups have no shareholdings or bond holdings in the selected arms companies: Achmea and ASR. For Achmea, it holds that although it holds no shares or bond in the selected arms companies, it does not have a policy in place related to controversial arms trade. Achmea's exclusion list prevents it from investing in the majority of the selected companies in this research. This is most likely due to the large overlap between companies producing controversial weapons (such as cluster munitions, landmines and nuclear weapons) that Achmea excludes based on its arms policy and companies involved in controversial arms trade. For ASR, it holds that it complies with its own responsible investment principles that excludes investment in companies that are active in controversial weapons trade.

Eight out of ten insurance groups do have shareholdings or bond holdings in the fifteen selected arms companies. The largest investments were made by Allianz (a total amount of € 2,635 million), Legal & General (a total amount of € 2,058 million) and APG (a total amount of € 984 million). The top-three largest investors are followed by Aegon (a total amount of € 805 million), NN Group (a total amount of € 235 million) and Generali (a total amount of € 43 million). Delta Lloyd (a total amount of € 18 million) and SNS Reaal (a total amount of € 3 million) have only minor share- or bond holdings in the selected arms companies.

Generally, investors have the tendency to invest heavily in their home markets. This explains the relatively large investments by:

- British insurance group Legal & General in British arms company BAE Systems;
- German insurance group Allianz in German arms company ThyssenKrupp;
- Italian insurance group Generali in Italian arms company Finmeccanica.

Remarkably, NN Group is the only insurance group to invest in Saab, although the investment only has a value of € 80,000.

4.2 Investment principles and controversial countries

The seven responsible investment principles regarding controversial arms trade are linked to the six selection criteria used to identify controversial countries. These investment principles are the assessment elements used in the Fair Insurance Guide policy study and explained in section 1.4 of this study.³⁴⁵ From the selection of countries in section 2.3 it becomes clear that thirtyeight countries are considered as controversial for the purpose of this research.

There is a considerable risk that arms supplies contribute to human rights violations and/or increase poverty because a country does not respect civil or political rights, because it concerns a fragile state, because a country is involved in armed conflict, because it has a high level of corruption, and because it is very poor and spends a disproportionate share of its government budget on arms.

For several selected countries, multiple selection criteria are applicable. Nonetheless, these countries receive arms supplies or other military goods from the selected arms companies. A few controversial countries that have received multiple arms transfers from the selected companies are:

- Egypt: Egypt is a fragile state with a critical corruption risk that has been embargoed by the European Union during part of 2010-2014. Despite its controversial status, Airbus, Boeing, Finmeccanica, Lockheed Martin, Raytheon and Thales are involved in arms trade with Egypt.
- India: India is in armed conflict with its neighbouring-state Pakistan. Airbus, BAE Systems, Boeing, Honeywell International, Northrop Grumman, Raytheon, Textron, Thales, ThyssenKrupp and United Technologies Corporation deliver arms to India.
- Iraq: Iraq is a fragile state involved in a civil war with spill-over effects in neighbouring countries. The risk of corruption is very high and both the United Nations and European Union maintain an arms embargo against non-government forces in Iraq. The risk of non-government forces seizing control of government weapons and weapons systems is very high.³⁴⁶ Nonetheless, United States-based arms companies Airbus, General Dynamics, Honeywell International, Lockheed Martin, Northrop Grumman and Textron are involved in arms trade with Iraq.
- Pakistan: Pakistan is a fragile state that is in armed conflict with its neighbouring-state India. Pakistan is a low-development country that nonetheless spends a large part of its government budget on arms trade with companies like Airbus, BAE Systems, Boeing, Finmeccanica, Lockheed Martin, Raytheon, Saab, Textron and United Technologies Corporation. Remarkably, there are companies that trade arms to both India and Pakistan. These companies are: Airbus, BAE Systems, Boeing, Raytheon, Textron and United Technologies Corporation.
- Saudi Arabia: Saudi Arabia is not only an authoritarian regime, but the risk of corruption in its defence operations is very high as well. Companies that deliver arms to Saudi Arabia face a very high corruption risk. Despite the very high risk of corruption and human rights violations, all fifteen selected arms companies are involved in arms trade with Saudi Arabia.

4.3 Insurance groups' investments breaching responsible investment principles

In this section the conclusions regarding the responsible investment policies and practices of the insurance groups are presented (see the insurance group profiles in Chapter 3 for detailed results).

Only Achmea and ASR do not invest in the arms companies involved in breaching the responsible investment principles.

ASR's policy prevents it from investing in companies involved in controversial arms trade. ASR commits to all seven responsible investment principles.

Achmea's responsible investment policy does not prohibit investments in companies involved in controversial arms trade. However, thirteen out of the fifteen companies selected in this case study are excluded by Achmea because of involvement in controversial weapons. Due to the large overlap between companies producing controversial weapons and companies involved in controversial arms trade, Achmea's exclusion list prevents it from investing in the majority of the selected companies.

Aegon, Delta Lloyd, Generali, NN Group and SNS Reaal state publicly that they do not want to invest in companies trading arms to countries that are under an arms embargo. SNS Reaal does not want to invest in companies that deliver arms to countries where human rights violations take place. Aegon and SNS Reaal do not want to invest in companies that trade arms with countries where there is an overriding risk of human rights violations. However, as the results of this study show, all of these insurers have financial links to companies involved in controversial arms trade. SNS Reaal invests in companies that are involved in breaching six out of seven responsible investment principles. The remaining seven insurance groups (Aegon, Allianz, APG, Delta Lloyd, Generali, NN Group and Legal & General) invest in companies that breach all seven responsible investment principles.

Several insurance groups invest in companies delivering arms to countries that are at least partially embargoed during at least part of the research period. For example, the arms embargoes against Iraq only prohibit arms deliveries to non-governmental forces. However, as Iraq is a failing and corrupt state involved in armed conflict, there is a severe risk that non-governmental forces seize the arms delivered to government forces. Furthermore, some embargoes have not been enforced throughout the entire research period. The countries that were embargoed during some period between 2010 and 2014 are still included, as a recently lifted embargo does not guarantee the country is safe and stable. Although it is not illegal to deliver arms to these countries, the Fair Insurance Guide considers this trade as controversial and advises insurance groups to not limit the policy to United Nations or European Union embargoes or national laws.

Although several insurance groups have published a responsible investment policy stating that they do not want to invest in companies involved in controversial arms trade, none of them has publicly excluded an arms company from investments because of controversial arms trade. Table 44 shows that insurance groups do exclude arms companies, but only when they are involved in controversial weapons (cluster munitions, nuclear weapons, anti-personnel mines, white phosphorus, etc.).

Table 44 Exclusion lists of insurance groups

	Achmea	Aegon	Allianz ^a	APG	ASR ^b	Delta Lloyd	Generali ^c	NN Group ^d	Legal & General	SNS Reaal
Airbus Group	X								X	X
BAE Systems	X					X				X
Boeing	X								X	X
Finmeccanica	X					X ^e				X
General Dynamics	X	X				X			X	X
Honeywell International	X								X	X
Lockheed Martin	X								X	X
Northrop Grumman	X					X			X	X
Orbital ATK	X	X		X		X			X	X
Raytheon	X					X			X	X
Saab Group										
Textron	X	X		X		X			X	X
Thales	X									X
ThyssenKrupp										
United Technologies Corporation	X									

The results per insurance group are:

- **Achmea:** Achmea has no shares or bond holdings in the selected arms companies. Although Achmea does not have a policy in place for controversial arms trade, Achmea's exclusion list prevents it from investing in the majority of the selected companies in this research. This is most likely due to the large overlap with companies producing controversial weapons (such as cluster munitions, landmines and nuclear weapons), which Achmea already excludes.
- **Aegon:** this research identified investments by Aegon for a total amount of € 805 million in shares (€331 million) and bonds (€474) of thirteen of the fifteen selected arms companies.

^a Exclusion list is not publicly available.

^b Exclusion list is not publicly available.

^c Exclusion list is not publicly available.

^d Exclusion list is not publicly available.

^e Finmeccanica is excluded by Delta Lloyd for reasons pertaining to corruption.

Aegon has a policy related to controversial weapons which covers arms trade to countries under an arms embargo and arms trade to countries where there is a risk that they will be used for human rights violations. This means the policy does not cover all relevant responsible investment principles, such as arms trade to unfree countries, countries in armed conflict, fragile states, low income states with relatively high military spending or corrupt regimes, allowing Aegon to invest in companies involved in controversial arms trade. Furthermore, its policy is limited in scope as it is not applied at group level. This enables Aegon Group to invest in arms companies that are excluded by Aegon Nederland. Furthermore, exceptions for index funds are made.

- **Allianz:** this research identified investments by Allianz for a total amount of € 2,635 million in shares (€ 1,115 million) and bonds (€ 1,520 million) in fourteen of the fifteen selected arms companies. Allianz does not have a public policy in place related to controversial arms trade. Although Allianz claims on its website that its investment policy regarding the defence sector includes ESG-criteria on "weapons to/in high-tension areas", it remains unclear which criteria are applied. The absence of a published policy on controversial arms trade with clear criteria might explain the investments found, as policy implementation requires clear guidelines.
- **APG:** this research identified investments by APG for a total amount of € 984 million in shares in twelve of the fifteen selected arms companies. No investments in bonds of any of the selected arms companies were found in this study. Although APG has an arms policy in place, it does not cover controversial arms trade, enabling it to invest in the selected arms companies.
- **ASR:** ASR has no shares or bond holdings in the selected arms companies. ASR's controversial arms trade policy is comprehensive and prevents it from investing in the selected companies.
- **Delta Lloyd:** this research identified investments by Delta Lloyd for a total amount of € 18 million in shares (€ 13 million) and bonds (€ 5 million) in seven of the fifteen selected arms companies. Delta Lloyd has a policy related to controversial weapons which covers arms trade to countries under an arms embargo. This means that the policy does not cover all relevant responsible investment principles, such as arms trade to unfree countries, countries in armed conflict, fragile states, low income states with relatively high military spending or corrupt regimes, allowing Delta Lloyd to invest in companies involved in controversial arms trade.
- **Generali:** this research identified investments by Generali for a total amount of € 43 million in shares (€ 38 million) and bonds (€ 5 million) in ten of the fifteen selected arms companies. Generali has a policy related to controversial weapons which covers arms trade to countries under an arms embargo. The policy does not cover all relevant responsible investment principles, such as arms trade to unfree countries, countries in armed conflict, fragile states, low income states with relatively high military spending or corrupt regimes, allowing Generali to invest in companies involved in controversial arms trade. Furthermore, Generali's policy does not apply to all types of investments (such as third party investments or investments in index trackers).
- **NN Group:** this research identified investments by NN Group for a total amount of € 235 million in shares (€ 235 million) and bonds (€ 0,5 million) in six of the fifteen selected arms companies. NN Group has a policy related to controversial weapons which covers arms trade to countries under an arms embargo and to non-government armed groups. The policy does not cover all relevant responsible investment principles, such as arms trade to unfree countries, countries in armed conflict, fragile states, low income states with relatively high military spending or corrupt regimes, allowing NN Group to invest in companies involved in controversial arms trade. Furthermore, the policy is not applied to all business units as exceptions are made for some index trackers, discretionary mandates in some jurisdictions and funds managed by third party managers.

- **Legal & General:** this research identified investments by Legal & General for a total amount of € 2,058 million in shares (€ 2,020 million) and bonds (€ 38 million) in fourteen of the fifteen selected arms companies. Legal & General does not have a group policy in place related to controversial arms trade, enabling it to invest in companies involved in controversial arms trade.
- **SNS Reaal:** this research identified investments by SNS Reaal for a total amount of € 3 million in shares in two of the fifteen selected arms companies. No investments in bonds of any of the selected arms companies were found in this study. SNS Reaal maintains a policy related to controversial arms trade. Although Actiam, SNS Reaal's asset manager, excludes twelve of the companies included in this research due to involvement with weapons, two investments were identified in the shares of two companies selected in this research for their involvement with controversial arms trade. These companies do not feature on Actiam's exclusion list, indicating that, since its policy does not cover all relevant responsible investment principles such as arms trade to countries in armed conflict, fragile states, low income states with relatively high military spending or corrupt regimes, can allow for SNS Reaal to invest in companies involved in controversial arms trade.

4.4 Recommendations

Based on the results of this case study on investments by the main insurance groups operating in the Dutch market in 15 arms companies involved in controversial arms trade, the Dutch *Fair Insurance Guide* makes the following recommendations to the insurance groups:

1. Develop and publish an exclusion policy on controversial arms trade and apply it to all investments (including third party investment and funds that follow an index) and all subsidiaries of the insurance group in all countries. The policy should cover investments in companies that deliver weapons and military goods to countries with an arms embargo, to unfree countries, to countries engaged in an armed conflict, to fragile states, to countries where corruption is high and to countries where poverty alleviation is limited by military expenditure. Exclude companies involved in controversial arms trade from investments.
2. Identify countries to which arms trade is problematic and establish stringent policies which can be used to screen if arms companies deliver deliver military goods to these countries. Insurance groups can use the independent indices referenced in this case study to assess the risk that an arms trading company will be involved in controversial arms trade.
3. Increase transparency by publishing not only the insurance group's responsible investment policies on controversial arms trade but also, if applicable, the corresponding exclusion list featuring the companies involved in controversial arms trade. This provides clarity about the implementation of the policy and enables customers to make well-informed decisions about their insurance company.
4. The insurance groups could and should be a lot more transparent with regard to their investments and engagement processes. Without disrespecting the duty of care they have towards clients, they could and should be more transparent in the information they provide to society. Each insurance group could take the following steps in this regard:
 - Publish and regularly update a consolidated overview of the group's share- and bondholdings, covering all its assets under management.

- Publish an annual overview of the number of companies with whom the insurance group has exchanged information regarding social and environmental issues (GRI indicator FS10)^a.
 - Publish records of the engagement processes with individual companies or publish a detailed, and externally monitored overview of the goals and success rates of the engagement processes.
 - Ensure that the annual sustainability report is audited by an independent auditor. This auditor should check whether GRI standards are taken into account and whether there is information in the report regarding each of the GRI criteria. These audits should be more than just a conclusion that there is no reason to believe that the given information would be contrary to the GRI standards. They should also assess whether sufficient information has been provided with regard to decisive criteria (like sector disclosure indicators FS6 and FS10).
5. Do not limit the policy to United Nations or European Union embargoes or national laws. Political reality as defined by embargoes and laws does not acquit insurance groups of the responsibility to make decisions that prevent investments in controversial arms trading companies. Human rights violating governments of fragile, corrupt and impoverished states might be the legal recipients of arms deals, but that does not mean that arms trading companies and their investors should refrain from making their own decisions on the desirability of these arms deals.
 6. The companies identified in this case study present a selection of companies active in arms trade to controversial countries. While outside of the scope of this research, dozens of other publicly listed companies, private companies and state-owned companies are involved in controversial arms trade. Insurers should apply screening throughout their entire investment universe to prevent investments in companies that are active in controversial arms trade.

^a The Global Reporting Initiative provides companies with a framework to report on sustainability.

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