

Controversial Arms Trade and investments of Dutch banks

A case study for the Fair Bank Guide (Eerlijke Bankwijzer)



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EerlijkeBankwijzer®

Fair Bank Guide

Controversial Arms Trade

The Fair Bank Guide is a coalition of the following organizations:

Amnesty International, FNV, Milieudefensie, Oxfam Novib, PAX and World Animal Protection

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Picture on the front page: An Aviation Ordnance man checks over racks of precision guided ordnance before moving them to the 'bomb farm', on the flight deck of the USS Abraham Lincoln¹

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Acronyms

ABM	Anti-Ballistic Missile
AC	Aircraft
AD	Air Defence
AEW&C	Airborne Early-Warning and Control
AFSV	Armoured Fire Support Vehicle
APC	Armoured Personnel Carrier
ASM	Air to Surface Missile
ASW	Anti-Submarine Warfare
ATT	Arms Trade Treaty
BVRAAM	Beyond-Visual Range Air-to-Air Missile
ESG	Environmental, Social, Governance
EO	Electro-Optical
EU	European Union
FGA	Fighter / Ground Attack
IFV	Infantry Fighting Vehicle
MRL	Multiple Rocket Launcher
SAM	Surface to Air Missile
SSM	Surface to Surface Missile
SRAAM	Short-Range Air-to-Air Missile
UAE	United Arab Emirates
UAV	Unmanned Aerial Vehicle
UN	United Nations

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Chapter 1 Introduction

1.1 The issue

Global military expenditure, in 2018, grew to US\$ 1,822 billion.² The global armsⁱ production by the top 100 arms producers worldwide amounted to US\$ 412 billion in 2017.³ That is more than the GDP of Israel, New Zealand or Portugal. These figures provide some indication of the size of international arms trade.

Each individual weapon system is designed to apply violence: to kill or destroy. A significant number of states purchases and uses weapons or other military goods to defend its territories. Some states actively contribute to United Nations (UN) missions worldwide, attempting to bring stability and order to regions suffering from violence and disorder.

However, in many countries and regions, states use weapons for oppression or aggression, within or outside their state boundaries. Their use of weapon systems is detrimental to human security: the freedom of civilians to live without fear for their lives. States that use weapons in ways that endanger human security should not be sold weapons.

Arms producers have a responsibility for the impact their products have worldwide. They should not produce weapons for states that use these weapons against human security. Many arms producing companies are privately held companies, most of them also listed at a stock exchange. Investors can contribute to the capital of the company, as shareholder, to ensure and expand production. Investors can also lend money to arms producers. Investors thus profit from the business of the arms producer.

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

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

1.2 International standards

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

1.2.1 Arms Trade Treaty

The Arms Trade Treaty (ATT) is a multilateral treaty that regulates the international trade in conventional arms. Put forward in 2003 by a group of Nobel Peace Laureates, the ATT was first addressed at 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".⁵

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

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".⁶

On 2 April 2013 the General Assembly of the United Nations adopted the ATT with a large majority of votes. After 50 states had ratified, the treaty entered into force on 24 December 2014.⁷ The ATT requires states-parties to establish common international standards that must be met before arms exports are authorized, and requires annual reporting of imports and exports. In particular, the treaty:

- requires that states "establish and maintain a national control system, including a national control list" and "designate competent national authorities in order to have an effective and transparent national control system regulating the transfer of conventional arms";
- prohibits arms transfer authorizations to states if the transfer would violate "obligations under measures adopted by the United Nations Security Council acting under Chapter VII of the Charter of the United Nations, in particular arms embargoes" or under other "relevant international obligations" or if the state "has knowledge at the time of authorization that the arms or items would be used in the commission of genocide, crimes against humanity, grave breaches of the Geneva Conventions of 1949, attacks directed against civilian objects or civilians protected as such, or other war crimes";
- requires states to assess the potential that the arms exported would "contribute to or undermine peace and security" or could be used to commit or facilitate serious violations of international humanitarian or human rights law, acts of terrorism, or transnational organized crime; to consider measures to mitigate the risk of these violations; and, if there still remains an "overriding risk" of "negative consequences," to "not authorize the export".⁸

The ATT could in the future be amended to include other military technologies as well.⁹

At the time of writing, 102 states are party to the ATT, including all EU member states. However, major exporting and importing states, such as the United States, Russia, China, India and Pakistan as well as most of the Middle East and North Africa are not yet party to the ATT.

1.2.2 EU Common Position on Arms Export Controls

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

1. Respect for international commitments of Member States, in particular sanctions decreed by the UN Security Council and the EU, as well as agreements on non-proliferation and other international obligations;
2. The respect for human rights and international humanitarian law in the country of destination;
3. The internal situation in the country of final destination, as a function of the existence of tensions or armed conflicts;
4. Preservation of regional peace, security and stability;
5. The national security of the Member States and of territories whose external relations are the responsibility of a Member State, as well as that of friendly and allied countries;
6. The behavior of the buyer country with regard to the international community, as regards in particular its attitude to terrorism, the nature of its alliances and respect for international law;
7. The risk that equipment will be diverted within the buyer country or re-exported under undesirable conditions;

8. The compatibility of the arms exports with the technical and economic capacity of the recipient country, taking into account the desirability that states should achieve their legitimate needs of security and defense with the least diversion for armaments of human and economic resources, e.g. through considering the recipient country's relative levels of military and social spending.

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

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

Chapter 2 States at risk

This chapter establishes to which states the supply of weapons should be considered ‘controversial’. In order to select companies in the arms sector which are involved in controversial arms trade, this study looks at sales of weapons by major arms producers to destinations where there is a risk of these weapons being used in violation of human rights and International Humanitarian Law. The list of controversial states is based on six indicators, which are explained further below. This chapter then operationalizes these indicators by linking them to specific indices. Each of the indices used is compiled by authoritative organizations working on the issue at hand. At the end of the chapter, a table provides an overview of states at risk, to which we consider arms sales as controversial.

2.1 Indicators

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

Table 1 Responsible investment principles and selection criteria

Investment principle	Link with international standard	Criterion
Supply of arms and weapon systems, military transport systems, and other military goods to countries that are under a United Nations or relevant multilateral arms embargo, is unacceptable.	EU Common Position (criterion 1), Arms Trade Treaty	Arms embargo
Supply of arms and weapon systems, military transport systems, and other military goods is unacceptable if there is an overriding risk that the arms will be used for serious violation of international human rights and humanitarian law.	EU Common Position (2, 3, 4, 6), Arms Trade Treaty	Armed conflict
Supply of arms and weapon systems, military transport systems, and other military goods to countries that severely violate human rights, is unacceptable.	EU Common Position (2), Arms Trade Treaty	Human Rights violations
Supply of arms and weapon systems, military transport systems, and other military goods to parties involved in conflict is unacceptable, unless to parties acting in accordance with a UN Security Council resolution.	EU Common Position (3, 4)	Armed conflict
Supply of arms and weapon systems, military transport systems, and other military goods to countries that are sensitive to corruption, is unacceptable.	EU Common Position (7, 8)	Corruption
Supply of arms and weapon systems, military transport systems, and other military goods to countries having a failed or fragile state, is unacceptable.	EU Common Position (3, 7)	Fragile states

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

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

For a viable due diligence that prioritizes the most eminent risks, we distinguish between ‘primary criteria’ and ‘support criteria’. Table 2 shows which criteria fall in which category and how the elements lead to selection of a state on the list of states that should not be supplied with weapons.

Table 2 Role of the six criteria

	Primary criteria	Support criteria
	<ul style="list-style-type: none"> • Arms embargo • Human Rights violations • Armed conflict 	<ul style="list-style-type: none"> • Corruption • Fragile states • Poverty and military spending
How the criteria lead to selection:	Surpass the threshold on any criterion = selection	Surpass the threshold on all three criteria = selection

Their use as support for the first four criteria does not limit the value of the last three principles as part of a responsible investment framework. These principles do point at important risks associated with investments in the arms sector. However, in a prioritization of risks the first three principles are a focus. The table at the end will show that most states that were selected based on the first four criteria, also score on the last three criteria. The following paragraphs provide details on the states at risk, based on the selection criteria.

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

2.1.1 Primary criterion: Arms embargoes

The first criterion selects the countries that were under an arms embargo of the EU or the UN during (part of) the research period from January 2014 to December 2018. While there are more organisations that have arms embargoes, we consider UN/EU embargoes as most authoritative. They may cover both governments and non-governmental forces (NGF), or only NGF.

Table 3 Entities under an arms embargo by the EU and/or UN 2014-01 until 2018-12

Country/entity	Embargo EU	Embargo UN	Remarks
Belarus	Yes		EU: since 20 June 2011
Central African Republic	Yes	Yes	EU: since 23 December 2013; UN: since 5 December 2013
China	Yes		
Cote d'Ivoire	Yes	Yes	EU: lifted June 9, 2016 UN: lifted April 28, 2016
DRC	Yes	Yes	EU: NGF since 2003
Egypt	Yes		EU: since 21 August 2013
Eritrea	Yes	Yes	EU: since 1 March 2010. UN: lifted November 14 2018
Iran	Yes	Yes	
Iraq	Yes	Yes	EU and UN: NGF since 2004
Lebanon	Yes	Yes	EU and UN: NGF
Liberia	Yes	Yes	EU: lifted June 20 2016. UN: lifted May 26 2016
Libya	Yes	Yes	
Myanmar (Burma)	Yes		
North Korea (DPRK)	Yes	Yes	
Russia	Yes		EU: since 31 July 2014
Somalia	Yes	Yes	
South Sudan	Yes		
Sudan	Yes	Yes	UN: Darfur region
Syria	Yes		
Ukraine	Yes		EU: 20 February 2014 until 16 July 2014
Venezuela	Yes		EU: since November 13 2017
Yemen	Yes	Yes	EU: since June 8 2015 (NGF). UN: since April 14 2015 (NGF)
Zimbabwe	Yes		

Table 1 is based on: <https://www.sipri.org/databases/embargoes> (viewed December 2018)

There are six states that have not been under an arms embargo for the whole period of January 2014 to December 2018: Cote d'Ivoire, Liberia, Russia, Ukraine, Venezuela, and Yemen. Because the embargoes against Russia, Venezuela and Yemen are still in place at the time of writing, these states have been incorporated in the final selection.

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

Impact of controversial arms trade: Yemen

The war in Yemen, especially since the commencement of the intervention by the Saudi and UAE-Led Coalition (SELC) in 2015, has been marked by the use of explosive weapons in populated areas. The Coalition has used airstrikes on a massive scale and Houthi forces have routinely shelled urban areas, both in Yemen and across the border in Saudi Arabia. The conflict has also seen the common use of artillery rockets, mortars, landmines, IEDs, rocket propelled grenades and many types of improvised explosive devices. While there is a UN arms embargo in place for several armed groups in the country, other parties to this conflict including the SELC are still being provided with US and EU made weapons.

The blast and fragmentation of explosive weapons result in the killing and injuring of people in the area around the point of detonation, as well as damaging buildings and infrastructure. Of particular concern are explosive weapons with wide area effects, such as bombs dropped from aircraft or artillery shells and rockets. These cause death, injury and destruction of infrastructure at a great distance from the point of impact, even if aimed precisely at a legitimate military target and, in an urban setting, have indiscriminate effects. When used in populated areas, they tend to cause high levels of harm to individuals and communities, including the destruction of infrastructure vital to the civilian population, like water and sanitation, housing, schools and hospitals.

The SELC airstrikes on civilians and civilian objects and infrastructure have been recorded since the beginning of their intervention in March 2015. In August 2018 in Dahyan, in the northern province of Saada, a school bus that was reportedly on its way back to school from a picnic was hit by an airstrike, resulting in the deaths of dozens of children while dozens more were wounded. In October 2018, a farmer's market was destroyed by airstrike, an example of an attack on the civilian food supply in Hodeidah. The World Food Programme has reported shelling at grain storage facilities in Hodeidah port which, while stores were not destroyed, has interrupted supplies. And recently on May 16, 2019, an airstrike hit a residential area in Ma'een district in the capital city of Sanaa. The airstrike killed at least six people, including four children, wounded dozens of civilians and caused damage to two other neighboring houses.

There have also been numerous examples of humanitarian supplies being delayed, diverted or denied access by all parties to the conflict. Yemen's food crisis is a direct, man-made result of the war. Imposed difficulties in importing food, the destruction of civilian infrastructure, periods of siege and de facto blockades have deteriorated the economic situation and the living conditions of Yemenis. These factors have contributed to the fact that in 2019 more than 80% of the people in Yemen is in need of some form of humanitarian aid.

Case provided by Oxfam Novib

2.1.2 Primary criterion: Unfree countries

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

Freedom House is a US based non-profit organization; its annual report “Freedom in the World” assesses more than 200 countries and territories with regard to their political and to their civil rights, which receive a score each. The two scores (for political rights and for civil rights) are based on a scale from 1 to 7, and then averaged. The most unfree countries scored a 6.5 or 7 on political and civil rights in the 2018 edition.¹²

The Economist Intelligence Unit’s Democracy Index provides a snapshot of the state of democracy worldwide for 165 independent states and two territories. This covers almost the entire population of the world and the vast majority of the world’s states (micro states are excluded). The Democracy Index is based on five categories:¹³

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

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

To create a selection of countries that is as comprehensive as possible, these two indices are combined. The countries that have been incorporated in the final selection score both an average of 6.5 or 7 on political and civil rights in the 2018 edition of the Freedom in the World Index, and are considered authoritarian states, according to the Democracy Index of 2017.

The selection of countries based on the two indices has been incorporated in the final selection of countries. This concerns the 26 states presented in Table 4.

Table 4 Selected unfree states as defined by the Freedom in the World Index and the Democracy Index

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

2.1.3 Primary criterion: Armed conflict

The third criterion selects states in armed conflicts. Two datasets are used for the selection of countries. The first dataset used is that of The Global Peace Index of the Institute for Economics and Peace (IEP), an Australian research institute. The IEP is an independent institute, which works with the OECD, UN, World Bank and a long list of other partners.ⁱⁱ The Global Peace Index assesses the extent to which states are in peace or are caught up in conflicts by using twenty-two indicators for its assessments. The index categorises the overall score into five levels of peacefulness, namely very high, high, borderline, low and very low.¹⁴ A score over 2.300 falls in the category ‘low’, any state scoring over 2.300 was selected for a second check on armed conflict.

The second step checked whether the states above the threshold were in armed conflict in one or more years during the research period from 2014 to 2018. We used the Uppsala Conflict Data Program of the Uppsala University, to establish whether a country was in conflict. At the time we did the research for this study (end of 2018), Uppsala did not yet release the conflict data for 2018. The research therefore does not look at conflicts that took place in 2018.¹⁵

For this case study, the selected countries have both a ‘low’ or ‘very low’ (>2.300) state of peace according to the Global Peace Index 2018, *and* are mentioned in the Uppsala Conflict Data Program as a country involved in conflict in the years 2014, 2015, 2016 or 2017. An assessment of the two indices results in the selection of the following states presented in Table 5.

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

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

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

If a state was found to be participating in an armed conflict in the research period, but its participation matches the criteria above, the years of participation are followed by ‘UN’. Some states participated in armed conflict both within and outside the criteria listed here, in these cases the same year is listed twice, once with ‘UN’ and once without.

Table 5 Selected states in armed conflict

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

2.1.4 Support criterion: Corruption

The fourth criterion selects states where the risk is high that the purchase of military goods is marred by corruption. Corruption in the purchase of military goods presents three risks. First, public funds are more likely to be wasted, instead of being spent for the benefit of society. Second, corruption in the purchase of military goods increases the risk of the purchased goods being irrelevant or faulty, which is an issue when actual security threats arise. Third, corruption in the purchase of military goods is likely to create a dynamic in which these purchases become a goal in themselves, serving the benefit of a few.

Transparency International's (TI) Government Defence Anti-Corruption Index measures the risk of corruption in the purchase of military goods. TI is an international non-profit organization that campaigns against the destructive influence corruption has on the lives of people all over the world. The Government Defence Anti-Corruption Index is the first global analysis of corruption risk in defence establishments worldwide. The index assesses and compares levels of corruption risk and vulnerability across countries. Hereby, it placed the countries in six different categories to indicate their level of corruption risk. The categories range from very low, low and moderate to high, very high and critical. In this research we focus on the countries with highest risk levels: very high or critical corruption risk.¹⁶ The last update of the index was in 2015, no newer update was available.

The 64 countries with a 'very high' or 'critical' corruption risk are presented in Table 6. Note that only if a state met the threshold for this criterion as well as for the other two supporting criteria, it will be listed in Table 9 with the final selection of countries.

Table 6 States with very high or critical corruption

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

2.1.5 Support criterion: Fragile states

The fifth criterion lists countries with a fragile state. According to the Fragile States Index 2018, thirty-two countries can be identified as fragile states. This index is published by Foreign Policy magazine and the Fund for Peace, an American research institute. The Fragile States Index 2018 assesses 178 states, using twelve social, economic, political and military indicators in order to determine which states are most vulnerable to violent internal conflicts and social decline. The Index differentiates eleven categories from very sustainable to very high alert.¹⁷

The selected countries are those countries crossing the critical boundary of 90 (out of 120) points and fall in three worst categories: alert, high alert or very high alert. According to the Fragile States Index, the countries in these categories can be considered a fragile state. These countries are presented in Table 7.

Table 7 States considered fragile

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

2.1.6 Support criterion: Poverty and military spending

The sixth criterion selects low development countries, which spend a large share of their national budget on arms. The risk we want arms suppliers to pay attention to is that the purchase of military goods is out of proportion and hence threatens the economic and social development of a country. There is no international standard to define the threshold percentage above which governments' spending on military equipment harms the sustainable development of a country. We therefore combine two indices.

The development of a country is based on the Human Development Index of the United Nations Development Program.¹⁸ In this context all low development countries have been pre-selected.

To determine military spending, data have been used from the Stockholm International Peace Research Institute (SIPRI), an internationally recognised research institute. Among many other things, they publish data on levels of relative military spending. To establish which countries spend a disproportionately large share of their government budget on military equipment, the SIPRI military expenditure list has been used.¹⁹ A relatively high threshold of 7% of total government spending has been used.ⁱⁱⁱ

The countries that are both characterized as low development countries, *and* have a military expenditure over 7% of their total government spending are considered at risk. This holds for the seventeen countries presented in Table 8. They are selected if they meet the two other support criteria as well. States included in the final selection can be found in Table 9.

Table 8 Selected states for poverty and military spending

Burundi	Mali	Sudan
Central African Republic	Niger	Uganda
Chad	South Sudan	Zimbabwe
Guinea		

2.1.7 Final selection

In total, 50 countries to which arms supplies can be considered controversial because they meet one or more of the criteria described in section 2.1.1 (arms embargoes) 2.1.2 (human rights violations) or 2.1.3 (armed conflict) have been identified, or all three of the criteria described in sections 2.1.4, 2.1.5 and 2.1.6.

An extended table with detailed scores per state can be found in Annex 1.

ⁱⁱⁱ At the time of publication of this case study the 2018 data will be available in the SIPRI database. During the study the data of 2017 is used.

Table 9 Final selection of states for the case study

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



Figure 1: map with states at risk marked

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

In a report on this issue in 2015, using the same methodology, 38 countries were considered 'at risk'.²⁰ In comparison with the 2015 study on controversial arms trade (carried out for the Fair Insurance Guide), the following changes were made to the methodology:

- The lead criterion 'unfree countries' is now called 'human rights violations', as this better reflects the issue that is measured.
- In the 2015 study, the three support criteria only served to provide clarity if the first criterion (on embargoes) was inconclusive. A state passing the threshold on all three support criteria would then be included in the study. For this study, this last rule was applied in general: all states passing the threshold on all three support criteria, were included in the study.
- In the 2015 study, the third criterion, 'armed conflict' selected states regardless of the background of the conflict. It is impossible as well as undesirable to take into account the background of all conflicts in this analysis. Nevertheless, in accordance with the FFGI methodology 2018, we have not selected states that were listed as in conflict if that conflict was based on a UN resolution with a Chapter VII mandate.

Impact of controversial arms trade: South Sudan

One of the only tarmac roads in South Sudan goes south from the capital Juba towards the Ugandan border. One hundred and eighty kilometers long, it is one of the busiest roads, as it is the main route for trucks carrying imported goods from Uganda and Kenya. Nowadays, when driving on this road, all one sees are the ruins of what used to be houses, shops, schools and hospitals. One hundred and eighty kilometers of complete destruction and of desertion, as there are no people left. It is a view which, sadly, is characteristic for many areas in South Sudan.

South Sudan, the world's newest country since it gained independence from Sudan in 2011, easily surpasses the thresholds of all criteria mentioned in this report. The country has been placed under EU and UN arms embargoes, levels of state fragility, human rights abuses, corruption and repression are among the highest in the rankings and the country has been ravaged by violent conflict since 2013. Civilians are bearing the brunt of the conflict, which in December 2013 started out as a feud between the president and the then vice-president, but quickly spiraled into country-wide violence between government forces and various opposition groups. An estimated 400.000 people have died since the outbreak of war, of which almost half due to violence, and the other half due to direct conflict-related causes such as hunger and disease.¹ Next to that, about 2 million people have been displaced within the country, and a further 2.5 million have fled to neighboring countries, which has gained South Sudan a spot in the top 3 of the world's worst refugee crises.² During counter-insurgency campaigns, government forces have committed widespread atrocity crimes: unlawful killings, torture, mass rape, forced displacement and disappearances, and systematic looting and destruction of civilian property.³ Despite a peace agreement which was signed in September 2018, violence has continued and hopes for the agreement to hold are dwindling. The arms embargoes in place have suffered from a lack of effective implementation, especially from neighboring states like Uganda, who have purchased weapons and sent them to the South Sudanese military. Most probably via that one tarmac road.

Case provided by PAX

¹ London School of Hygiene and Tropical Medicine (2018) *Estimates of crisis-attributable mortality in South Sudan, December 2013-April 2018*. Via: <https://www.lshtm.ac.uk/south-sudan-full-report>

² UNHCR (2018) *South Sudan Refugee Crisis*. <https://www.unrefugees.org/emergencies/south-sudan/>

³ Human Rights Watch (2019) *South Sudan's arms embargo flouted*. Via: <https://www.hrw.org/news/2019/05/08/south-sudans-arms-embargo-flouted>

Chapter 3 Selection of companies

3.1 Guidance for the selection of companies

This chapter contains an overview of the selected arms companies and their links to the 50 states at risk listed in Table 9. For these countries, more than one thousand arms transfers were identified. In total, some 150 companies were involved in one or multiple arms transfers. To keep this study feasible, the selection of arms companies was limited to the largest 13 companies for which financial links with Dutch banks could be established. Therefore, this list cannot be considered a comprehensive list of companies involved in controversial arms trade.

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

- The company has delivered arms to at least one of the 50 controversial countries.
- The research focuses on arms deliveries in the period from January 2014 to December 2018. Arms deals of which it is not yet clear whether arms have been delivered already by the end of 2018 or if the delivery is scheduled in 2019, are therefore not taken into account. However, for companies selected for a 2014 to 2018 delivery, scheduled deliveries for 2019 (and onwards) are listed as additional information.
- Arms deliveries based on military aid for the 50 controversial countries are included in the study.
- Deliveries in the period from January 2014 to December 2018 to embargoed countries (see subsection 2.1.1) which took place outside the embargo period are only included as additional information if the involved company is already included in the study for other deliveries.
- In case of second hand arms deliveries, the producer is not included in the study, as the producer is not directly responsible for second hand trade. 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 known to be involved in refurbishing or reselling the arms is included in the research.
- Companies were only included if in 2017, they had arms sales - to controversial and non-controversial countries together - of more than US\$ 1 billion.²¹
- A company with more financials links with the selected financial institutions, was selected over a company with fewer links.
- A company higher in the SIPRI top 100 of arms companies was selected over a company ranked lower in the SIPRI top 100.

This led to the selection of the following 13 companies.

Table 10 Arms producers selected in this study

Airbus	Northrop Grumman
Boeing	Raytheon
General Dynamics	Textron
General Electric	Thales
Honeywell	United Technologies Corp
Leonardo	Safran
Lockheed Martin	

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

- The company list consists of parent companies. If a subsidiary or joint venture is involved in controversial arms trade, the parent company is held accountable.
- 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.

3.2 Engagement with arms producers

PAX, as part of the Fair Bank Guide, sent the arms producers listed below a letter, included in Annex II. The letter asked the companies three questions:

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

The companies Leonardo and Raytheon replied to our letter. A description of their response is provided in paragraphs 3.8 and 3.12 respectively.

3.3 Airbus

Airbus Group is an aerospace and defence corporation based in among others France, Germany and Spain and registered in the Netherlands. In the year ending 31 December 2018, Airbus Group generated revenues of € 75 billion, resulting in a net income of € 3.05 billion.²² According to the SIPRI list of top 100 arms-producing companies of 2017, Airbus Group ranked seventh with total arms sales of US\$11.2 billion (€9,9 billion), accounting for 15% of its total sales that year.²³

The involvement of Airbus Group in controversial arms deals, in the period from January 2014 to December 2018, is summarized in Table 11.

Table 11 Sales of military goods to states at risk 2014-2018 by Airbus

Recipient	Weapon description	Quantity ordered and designation	Years delivery	Number delivered
China	ASW helicopter	? AS565S Panther	1989-2018	±47+432
China	transport helicopter	55 SA-321 Super Frelon	2001-2016	±55
Egypt	Transport aircraft	6+8+4 C-295	2013-2016	6+8+4
Egypt	Anti-ship missile/SSM	± 50 MM-40-3 Exocet	2017	±10
Egypt	BVRAAM	±100 MICA	2017	±25
Egypt	BVRAAM	±150 MICA	2015-2018	±150
Egypt	Anti-ship missile/SSM	± 15 MM-40-3 Exocet	2015	±15
Egypt	SAM	± 25 ASTER-15 SAAM	2015	±25
India	anti-tank missile	±22, 250 MILAN	1984-2018	± 22,000
India	light helicopter	±20 SA-315B Lama	2015-2016	± 20

India	anti-ship missile	±36 SM-39 Exocet	2017	± 6
India	BVRAAM	±493 MICA	2014-2018	± 319
India	BVRAAM/SRAAM	±384 ASRAAM	2017	± 384
Laos	helicopter	±2 AS365/565 Panther	2015	2
Lebanon	Anti-tank missile	±48 MILAN	2015	48
Mali	transport aircraft	1 C-295W	2016	1
Pakistan	light helicopter	10AS-350/550 Fennec	2013-2014	± 10
Philippines	transport ac	3 C-295	2015-2016	3
Saudi Arabia	Light helicopter	23 EC145	2017-2018	± 23
Saudi Arabia	Tanker/transport ac	3 A-330 MRTT	2014-2015	3
Saudi Arabia	Transport aircraft	2 C-295	2015-2017	2
Saudi Arabia	MP aircraft	2 C-295MPA	2018	2
Saudi Arabia	FGA aircraft	24 Typhoon Block-20	2015-2017	24
Saudi Arabia	FGA aircraft	48 Typhoon Block-8	2009-2015	± 48
Saudi Arabia	anti-tank missile	±100 MILAN	2014	± 100
Saudi Arabia	Mobile AD system	±49 MPCV	2013-2015	± 49
Saudi Arabia	Portable SAM	±130 Mistral	2016-2017	± 130
Saudi Arabia	ASM	±1000 Brimstone	2016-2018	± 700
Saudi Arabia	Portable SAM	±800 Mistral	2013-2015	± 800
Saudi Arabia	BVRAAM	±250 MICA	2018	± 100
Saudi Arabia	SAM system	±5 VL-MICA	2018	± 2
Saudi Arabia	ASM	±100 Storm Shadow/SCALP	2016-2017	± 100
Saudi Arabia	BVRAAM	Meteor	2018	± 20
Turkey	Transport aircraft	10 A400M Atlas	2014-2018	7
Turkmenistan	Portable SAM	±28 Mistral	2013-2017	± 28
Turkmenistan	anti-ship missile	±25 Marte-2	2015-2017	± 25
UAE	Anti-ship MI/SSM	150 MM-40-3 Exocet	2010-2016	± 150
UAE	Anti-ship missile	±100 Marte-2	2013-2015	± 100
UAE	Anti-ship missile	±50 Marte-2	2018	± 25

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

3.4 Boeing

Boeing, based in the US, is the world's largest aerospace company and a leading manufacturer of jetliners and military, space and security systems. Its products and services include commercial and military aircraft, satellites, bombs and missiles, electronic and military systems, launch systems, advanced information and communication systems, and performance-based logistics and training.²⁴

In the financial year ending 31 December 2018, Boeing reported revenues of US\$ 101.1 billion (€ 89.8 billion), resulting in an operating income of US\$ 11.98 billion (€ 10.64 billion) and a net income of US\$ 10.46 billion (€ 9.29 billion).²⁵ According to the SIPRI list of top 100 arms-producing companies of 2017, Boeing ranked second with total arms sales of US\$26,9 billion (€23,9 billion), accounting for 29% of its total sales that year.²⁶

The involvement of Boeing in controversial arms deals, in the period from January 2014 to December 2018, is summarized in Table 12.

Table 12 Sales of military goods to states at risk 2014-2018 by Boeing

Recipient	Weapon description	Quantity ordered and designation	Years delivery	Number delivered
Afghanistan	UAV	65 ScanEagle	2016-2018	± 65
Cameroon	UAV	±2 ScanEagle	2016	± 2
Egypt	Anti-ship MI/SSM	25 RGM-84L Harpoon-2	2013-2015	± 25
Egypt	Anti-ship Missile/SSM	20 RGM-84L Harpoon-2	2017	± 10
India	ASW ac	8 P-8A Poseidon	2012-2015	8
India	Heavy transport ac	10+1 C-17A Globemaster-3	2013-2014	10
India	Anti-ship Missile/SSM	12+ ±21 RGM-84L Harpoon-2	2018 + 2014	33
Iraq	mobile AD system	8 Avenger	2013-2014	± 8
Iraq	UAV	±10 ScanEagle	2014	± 10
Israel	Guided bomb	±3450 GBU-39 SDB	2015-17	± 3450
Israel	Guided bomb	±4100 GBU-39 SDB	2018	± 1300
Israel	Guided bomb	±2701 JDAM	2014-2015	± 2701
Israel	Guided bomb	3000 JDAM	2015-2016	± 3000
Israel	Guided bomb	100 JDAM	2016	± 100
Pakistan	UAV	15 ScanEagle	2015	± 15
Philippines	UAV	6 ScanEagle	2018	6
Saudi Arabia	Combat helicopter	12 AH-64E Apache Guardian	2014-2015	± 12
Saudi Arabia	Combat helicopter	± 24 AH-64E Apache Guardian	2015-2016	± 24
Saudi Arabia	FGA aircraft	84 F-15SG	2016-2018	± 54

Saudi Arabia	FGA aircraft	70 F-15SG	2016	2
Saudi Arabia	Combat helicopter	12 AH-64E Apache Guardian	2015	± 12
Saudi Arabia	Guided bomb	600 JDAM	2016	± 600
Saudi Arabia	Anti-ship Missile/SSM	±400 RGM-84L Harpoon-2	2016-2018	± 220
Saudi Arabia	ASM	±650 AGM-84H SLAM-ER	2016-2018	± 210
Saudi Arabia	Guided bomb	1000 GBU-39 SDB	2017-2018	± 400
Saudi Arabia	Combat helicopter	24 AH-6S	2016-2018	± 24
Saudi Arabia	Guided bomb	±2645 JDAM	2018	± 2645
Turkey	AEW&C aircraft	4 Boeing-737 AEW&C	2014-2015	4
Turkey	Transport helicopter	6 CH-47F Chinook	2016	6
Turkey	Transport helicopter	4 CH-47F Chinook	2018	± 4
Turkey	Guided bomb	±1300+100 JDAM	2017-2018	± 1300+100
Turkey	ASM	±48 AGM-84H SLAM-ER	2016-2017	48
UAE	Transport helicopter	±12 CH-47F Chinook	2012-2015	± 12
UAE	Guided bomb	±5000 GBU-39 SDB	2015-2018	± 4000
UAE	Guided bomb	3600 JDAM	2015-2016	± 3600
UAE	Heavy transport ac	2 C-17A Globemaster-3	2015	2
UAE	Guided bomb	±3504 JDAM	2017-2018	± 3504
UAE	Guided bomb	1500 JDAM	2018	± 1500

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

3.5 General Dynamics

General Dynamics, based in the US, provides business aviation; combat vehicles, weapons systems and munitions; IT and C4ISR solutions; and shipbuilding and ship repair.²⁷

In the financial year ending 31 December 2018, General Dynamics reported revenues of US\$ 36.2 billion (€ 32.1 billion), and full-year earnings from continuing operations of \$3.4 billion (€ 3.0 billion).²⁸ According to the SIPRI list of top 100 arms-producing companies of 2017, General Dynamics ranked sixth with total arms sales of US\$19,4 billion (€17,3 billion), accounting for 63% of its total sales that year.²⁹

The involvement of General Dynamics in controversial arms deals, in the period from January 2014 to December 2018, is summarized in Table 13.

Table 13 Sales of military goods to states at risk 2014-2018 by General Dynamics

Recipient	Weapon description	Quantity and designation	Years delivery	Quantity delivered
Colombia	APC	32 Piranha-3	2014	± 32
Egypt	Tank	125 M-1A1 Abrams	2015-2018	± 125
Saudi Arabia	IFV turret	264 LAV-25 turret	2011-2015	± 264
Saudi Arabia	Tank	± 314 M-1A2S	2012-2017	± 314
Saudi Arabia	Tank	± 153 M-1A2S	2018	± 70
Saudi Arabia	APC	385 Piranha LAV-6	2018	± 5
Saudi Arabia	APC	724 Piranha	2011-2015	± 724

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

3.6 General Electric

General Electric, based in the US, provides industrial products in the areas of power, healthcare, oil and gas, aviation, transportation and lighting amongst others.³⁰ Military goods produced are mostly engines for military aircraft.

In the financial year ending 31 December 2018, General Electric reported revenues of US\$ 121,6 billion (€ 108,6 billion), and full-year earnings from continuing operations of \$19,8 billion (€ 17,7 billion).³¹ According to the SIPRI list of top 100 arms-producing companies of 2017, General Electric ranked twenty-second with total arms sales of US\$3,8 billion (€3,4 billion), accounting for 3% of its total sales that year.³²

The involvement of General Electric in controversial arms deals, in the period from January 2014 to December 2018, is summarized in Table 114.

Table 14 Sales of military goods to states at risk 2014-2018 by General Electric

Recipient	Weapon description	Quantity ordered and designation	Years delivery	Number delivered
Egypt	Gas turbine	1 LM-2500	2015	1
India	Turbofan	24 F-404	2016-2018	± 9
Philippines	Turbofan	±12 F404	2015-2017	12
Saudi Arabia	Turbofan	±6 CF-6/F-103	2014-2015	± 6
Saudi Arabia	Turbofan	±25 F110	2017-2018	± 20
Turkey	Gas turbine	2 LM-2500	2018	1

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

3.7 Honeywell

Honeywell International, based in the US, operates as a diversified technology and manufacturing company. The company's business units are aerospace, building technologies, safety and productivity solutions and performance materials and technologies.³³

In the financial year ending 31 December 2017, Honeywell International generated revenues of US\$ 40.5 billion (€33.8 billion), resulting in an operating income of US\$ 6.9 billion (€ 5.8 billion) and a net income of US\$ 1.7 billion (€ 1.4 billion).³⁴ According to the SIPRI list of top 100 arms-producing companies of 2017, Honeywell ranked sixteenth with total arms sales of US\$4,4 billion (€3.9 billion), accounting for 11% of its total sales that year.³⁵

The involvement of Honeywell in controversial arms deals, in the period from January 2014 to December 2018, is summarized in Table 15.

Table 15 Sales of military goods to states at risk 2014-2018 by Honeywell

Recipient	Weapon description	Quantity ordered and designation	Years delivery	Number delivered
India	Turboprop	±28 TPE-331	2013-2016	± 28
Turkey	Turboshaft	± 188 T-800	2014-2018	± 90
Israel	Turbofan	60 F-124	2014-2016	± 60

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

3.8 Leonardo

Leonardo, based in Italy, develops products and services in the fields of aerospace, military and security.³⁶ The company changed its name from Finmeccanica to Leonardo in April 2016.³⁷

In the financial year ending 31 December 2017, Leonardo generated revenues of € 11.5 billion, resulting in an operating income of € 397 million and a net profit of € 274 million.³⁸ According to the SIPRI list of top 100 arms-producing companies of 2017, Leonardo ranked ninth with total arms sales of US\$8,7 billion (€7.8 billion), accounting for 68% of its total sales that year.³⁹

The involvement of Leonardo in controversial arms deals, in the period from January 2014 to December 2018, is summarized in Table 16.

Table 16 Sales of military goods to states at risk 2014-2018 by Leonardo

Recipient	Weapon description	Quantity ordered and designation	Years delivery	Number delivered
Bahrain	fire control radar	6 Orion RTN-25X	2018	2
Chad	transport aircraft	2 C-27J Spartan	2014	± 2
Colombia	naval gun	1 Compact 76mm	2017	1
Colombia	guided shell	±200 DART	2014	± 200
Egypt	Naval gun	3 Super Rapid 76mm	2013-2015	3

Egypt	Naval gun	1 Super Rapid 76mm	2015	1
Egypt	Naval gun	4 Super Rapid 76mm	2017	1
Egypt	Naval gun	1 Super Rapid 76mm	2015	1
India	naval gun	±20 Super Rapid 76mm	2013-2017	10
Israel	Trainer/combat ac	30 M-346 Master	2014-2016	± 30
Lebanon	UAV	±3 Falco	2014	± 3
Mauritania	light helicopter	2 A-109/AW109 Power	2014	2
Pakistan	helicopter	5+3+15 AW139	2016-2018	± 23
Philippines	Light helicopter	8+2 A-109K	2015	10
Saudi Arabia	Air search radar	2 RAT-31S	2015	± 2
Saudi Arabia	Air search radar	6 RAT-31S	2016-2017	± 6
Turkey	Combat helicopter	50 A-129C Mangusta	2016-2018	± 36
Turkey	Combat helicopter	9 A-129C Mangusta	2014-2015	± 9
Turkey	Naval gun	16 Compact 40L70	2011-2015	16
Turkey	Naval gun	2+4 Super Rapid 76mm	2018	2
Turkey	Recce satellite	1 Göktürk-1	2016	1
Turkmenistan	light helicopter	±4 A-109K	2016	± 4
Turkmenistan	naval gun	8 Compact 40L70	2013-2016	8
UAE	Naval gun	6 Super Rapid 76mm	2012-2016	6
UAE	Fire control radar	6 Orion RTN-25X	2011-2016	6
UAE	Helicopter	±9 AW139	2015	± 9

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

3.8.1 Leonardo's reply to the letter sent by PAX

Leonardo replied to our letter with a general overview of Leonardo's responsible business conduct. Leonardo refers to the applicable (Italian) regulations and internal mechanisms that ensure compliance with these regulations. The regulations referred to include risks that this report also considered in the selection of states at risk. A company representative indicates that *'All the activities related to import/export of military goods have been authorized by relevant national and, if the case, international authority'*.

Leonardo further emphasizes that some of the goods that Leonardo, according to this report, sold to states at risk, while being military goods, should not be considered weapons. A list is provided by means of example, which includes military helicopters and vehicles.

- PAX and the Fair Bank Guide recommend Leonardo to develop policies to prevent that the company supplies military good if the risk is significant that these goods will be used to violate human rights. A compliance policy with national legislation is not sufficient to avoid this risk. The criteria used in this report are an example of how to develop such policy.
- Furthermore, the distinction between military goods and weapons is not very practical. In reality, military equipment (both goods and weapons) are part of a bigger system in which the weapons couldn't be used without the military goods.

3.9 Lockheed Martin

Lockheed Martin, based in the US, focuses on aeronautics, space systems, electronic systems and information systems. Its most important divisions are aerospace and defence, information technology and new technologies.⁴⁰

In the financial year ending 31 December 2018, it generated revenues of US\$ 53.8 billion (€47.7 billion), resulting in net earnings of US\$ 5.0 billion (€4.4 billion).⁴¹ According to the SIPRI list of top 100 arms-producing companies of 2017, Lockheed Martin ranked first with total arms sales of US\$44,9 billion (€44,5 billion), accounting for 88% of its total sales that year.⁴²

The involvement of Lockheed Martin in controversial arms deals, in the period from January 2014 to December 2018, is summarized in Table 117.

Table 17 Sales of military goods to states at risk 2014-2018 by Lockheed Martin

Recipient	Weapon description	Quantity ordered and designation	Years delivery	Number delivered
Bahrain	Guided rocket	24 GMLRS	2017	± 24
Egypt	FGA aircraft	20 F-16C Block-50/52	2013-2015	20
Egypt	Aircraft EO system	±12 AAQ-33 Sniper	2013-2015	± 12
Egypt	Anti-tank missile	±356 AGM-114K HELLFIRE	2016-2017	± 356
India	transport ac	6 C-130J-30 Hercules	2017	6
Iraq	FGA aircraft	18 F-16C Block-50/52	2014-2015	± 18
Iraq	Aircraft EO system	±20 AAQ-33 Sniper	2015	± 20
Iraq	FGA aircraft	18 F-16C Block-50/52	2016-2017	± 18
Iraq	Anti-tank missile	±5000 AGM-114K HELLFIRE	2015-2017	± 5000
Iraq	Anti-tank missile	1500+±175 AGM-114L HELLFIRE	2013-2014	1675
Israel	FGA aircraft	19 F-35A JSF	2016-2018	± 15
Israel	transport aircraft	3 C-130J Hercules	2013-2015	3
Israel	transport aircraft	4 C-130J Hercules	2016	± 3
Israel	guided rocket	±1000 GMLRS	2017-2018	± 1000
Lebanon	Anti-tank missile	±50 AGM-114K HELLFIRE	2015	± 50
Lebanon	Anti-tank missile	±100+100 AGM-114K HELLFIRE	2014-2015	± 100+100

Pakistan	Aircraft EO system	15 AAQ-33 Sniper	2015-2016	± 15
Saudi Arabia	Combat ac radar	±193 AAQ-13 LANTIRN	2016-2018	± 64
Saudi Arabia	Aircraft EO system	±158 AAQ-33 Sniper	2016-2018	± 56
Saudi Arabia	Tanker/transport ac	2 KC-130J Hercules	2016	2
Saudi Arabia	Anti-tank missile	±2592+2176 AGM-114L HELLFIRE	2013-2016	± 2176
Saudi Arabia	Helicopter	24 S-70/UH-60L	2014-2015	± 24
Saudi Arabia	ASW helicopter	10 MH-60R Seahawk	2018	± 5
Saudi Arabia	Helicopter	12 S-70/UH-60L	2013-2014	± 12
Saudi Arabia	Helicopter	8 S-70/UH-60L	2017	± 8
Saudi Arabia	Helicopter	40 S-70/UH-60L	2018	± 10
Turkey	FGA aircraft	±100 F-35A JSF	2018	2
Turkey	Naval SAM system	4 Mk41	2013-2014	± 4
Turkey	ASW helicopter	17 S-70B/SH-60B Seahawk	2012-2014	± 17
UAE	Guided rocket	390 GMLRS	2017	± 390
UAE	Self-propelled MRL	12 M-142 HIMARS	2017	± 12
UAE	SSM	124 MGM-140B ATACMS	2017-2018	± 124
UAE	Anti-tank missile	±1000 AGM-114K HELLFIRE	2018	± 10000

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

3.10 Northrop Grumman

Northrop Grumman, based in the US, provides products, services and solutions in the military aerospace, electronics, information systems and shipbuilding sectors.⁴³

In the financial year ending 31 December 2017, Northrop Grumman generated revenues of US\$ 30.1 billion (€ 26.7 billion), resulting in an operating income of US\$ 3.8 billion (€ 3.4 billion) and net earnings of US\$ 3.2 billion (€ 2.8 billion).⁴⁴ According to the SIPRI list of top 100 arms-producing companies of 2017, Northrop Grumman ranked fifth with total arms sales of US\$22,4 billion (€19,9 billion), accounting for 87% of its total sales that year.⁴⁵

The involvement of Northrop Grumman in controversial arms deals, in the period from January 2014 to December 2018, is summarized in Table 118.

Table 18 Sales of military goods to states at risk 2014-2018 by Northrop Grumman

Recipient	Weapon description	Quantity ordered and designation	Years delivery	Number delivered
Colombia	air search radar	±4 TPS-70	2015	4
Iraq	Combat ac radar	4 APG-68	2015	± 4
Pakistan	combat ac radar	±35+10 APG-68	2012-2014	± 45
Turkey	Combat ac radar	±163 APG-68	2009-2015	± 163

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

3.11 Safran

Safran, based in France, is a high-tech group with three key business areas: the aircraft propulsion and equipment, space and defence markets.⁴⁶ The French government holds a 13.2% stake in the company.⁴⁷

In the financial year ending 31 December 2018, Safran reported revenues of € 21.0 billion, resulting in an operating income of € 3.0 billion and a net profit of € 2.0 billion.⁴⁸ According to the SIPRI list of top 100 arms-producing companies of 2017, Safran ranked thirty-third with total arms sales of US\$2,9 billion (€2,6 billion), accounting for 15% of its total sales that year.⁴⁹

The involvement of Safran in controversial arms deals, in the period from January 2014 to December 2018, is summarized in Table 1119.

Table 19 Sales of military goods to states at risk 2014-2018 by Safran

Recipient	Quantity ordered and designation	Weapon description	Years delivery	Number delivered
Egypt	±500 AASM	ASM	2016-2018	± 500
Turkey	±40 TP400-D6	Turboprop	2014-2018	± 28

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

3.12 Raytheon

Raytheon, based in the US, provides mainly military electronics, mission systems integration and other capabilities in the areas of sensing and command, control, communications and intelligence systems as well as a broad range of mission support services.⁵⁰

In the financial year ending 31 December 2018, Raytheon generated revenues of US\$ 27.1 billion (€ 24.0 billion), resulting in an operating income of US\$ 2.9 billion (€ 2.6 billion).⁵¹ According to the SIPRI list of top 100 arms-producing companies of 2017, Raytheon ranked third with total arms sales of US\$23,9 billion (€21,3 billion), accounting for 94% of its total sales that year.⁵²

The involvement of Raytheon in controversial arms deals, in the period from January 2014 to December 2018, is summarized in Table 20.

Table 20 Sales of military goods to states at risk 2014-2018 by Raytheon

Recipient	Weapon description	Quantity ordered and designation	Years delivery	Number delivered
Bahrain	BVRAAM	25 AIM-120C AMRAAM	2015	25
Bahrain	Anti-tank missile	±264 BGM-71 TOW	2017-2018	± 264
Bahrain	Anti-tank missile	±221 BGM-71 TOW-2B	2018	± 221
Colombia	AT-missile	100 BGM-71 TOW	2015	100
Colombia	Portable SAM	60 FIM-92 Stinger	2015	60
Egypt	SAM	139 RIM-116A RAM	2014	± 139
India	ASW torpedo	±32 Mk-54 MAKO	2013-2016	± 32
Iraq	Portable SAM	±200 FIM-92 Stinger	2013-2014	± 200
Iraq	ASM	±50 AGM-65 Maverick	2015	± 50
Iraq	BVRAAM	±150 AIM-7M Sparrow	2015-2016	± 150
Iraq	SRAAM	100 AIM-9L Sidewinder	2015	± 100
Iraq	Guided bomb	±300 Paveway ^{iv}	2015	± 300
Iraq	ASM	±50 AGM-65 Maverick	2016	± 50
Iraq	BVRAAM	±150 AIM-7M Sparrow	2016-2017	± 150
Iraq	SRAAM	100 AIM-9L Sidewinder	2016-2017	± 100
Iraq	Guided bomb	±300 Paveway	2016-2017	± 300
Iraq	air search radar	±13 MPQ-64	2013-2014	± 13
Lebanon	Anti-tank missile	±1500 BGM-71 TOW-2B	2018	± 500
Lebanon	Anti-tank missile	±350 BGM-71 TOW	2017	± 350
Pakistan	AMRAAM/BVRAAM	±500 AIM-120C	2010-2014	± 500
Pakistan	Anti-tank missile	±843 BGM-71 TOW	2015	± 843
Philippines	ASM	±125 AGM-65 Maverick	2017-2018	± 75

^{iv} Paveway missiles are produced by both Raytheon and Lockheed Martin, but predominantly by Raytheon, hence all Paveway deliveries are listed here, under Raytheon.

Saudi Arabia	Guided bomb	±2400 Paveway	2015	± 2400
Saudi Arabia	ARM	±600 AGM-88 HARM	2018	± 100
Saudi Arabia	SRAAM	±300 AIM-9X Sidewinder	2012-2018	± 270
Saudi Arabia	Guided bomb	±3100 Paveway	2013-2016	± 3100
Saudi Arabia	BVRAAM	±500 AIM-120C AMRAAM	2015-2018	± 371
Saudi Arabia	Guided bomb	±355 AGM-154 JSOW	2016-2017	± 355
Saudi Arabia	Guided bomb	±8120 Paveway	2016-2017	± 8120
Saudi Arabia	Guided bomb	618 AGM-154 JSOW	2018	± 130
Saudi Arabia	Anti-tank missile	±4941 BGM-71F TOW-2B	2015-2018	± 4941
Saudi Arabia	Anti-tank missile	±10747 BGM-71 TOW	2015-2018	± 10747
Turkey	SAM	±275 RIM-162 ESSM	2011-2017	± 275
Turkey	CIWS	4 Mk-15 Phalanx	2017-2018	4
Turkey	BVRAAM	±145 AIM-120C AMRAAM	2016-2018	± 108
Turkey	SRAAM	117 AIM-9X Sidewinder	2015-2016	± 117
Turkey	SAM	±125 RIM-116A RAM	2011-2018	± 105
Turkey	SAM	±150 RIM-116A RAM	2017	± 30
Turkey	CIWS	4 Mk-15 Phalanx	2017-2018	± 4
UAE	SAM	±96+96 RIM-162 ESSM	2015 & 2018	± 144
UAE	SAM	±200 RIM-116A RAM	2011-2016	± 200
UAE	ABM system	2 THAAD	2015-2016	± 2
UAE	ABM missile	192 THAAD missile	2015-2018	± 171
UAE	SAM	±25 RIM-116A RAM	2017	± 25
UAE	ASM	±2000 Talon	2015-2018	± 2000
UAE	SAM	100 MIM-104C PAC-2	2018	± 30

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

3.12.1 Raytheon's reply to the letter sent by PAX

Raytheon replied to our letter stating that it cannot comment on specific arms sales. In general terms, a company representative explained that the company has in place internal systems to ensure compliance with regulation applicable within the US, concerning doing business with foreign governments.

- PAX and the Fair Bank Guide recommend Raytheon to develop policies to prevent that the company supplies military good if the risk is significant that these goods will be used to violate human rights. A compliance policy with national legislation is not sufficient to avoid this risk. The criteria used in this report are an example of how to develop such policy.

3.13 Safran

Safran, based in France, is a high-tech group with three key business areas: the aircraft propulsion and equipment, space and defence markets.⁵³ The French government holds a 13.2% stake in the company.⁵⁴

In the financial year ending 31 December 2018, Safran reported revenues of € 21.0 billion, resulting in an operating income of € 3.0 billion and a net profit of € 2.0 billion.⁵⁵ According to the SIPRI list of top 100 arms-producing companies of 2017, Safran ranked thirty-third with total arms sales of US\$2,9 billion (€2,6 billion), accounting for 15% of its total sales that year.⁵⁶

The involvement of Safran in controversial arms deals, in the period from January 2014 to December 2018, is summarized in Table 11.

Table 21 Sales of military goods to states at risk 2014-2018 by Safran

Recipient	Quantity ordered and designation	Weapon description	Years delivery	Number delivered
Egypt	±500 AASM	ASM	2016-2018	± 500
Egypt	13 M-88	ARV	2015	13
Turkey	±40 TP400-D6	Turboprop	2014-2018	± 28

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

3.14 Textron

Textron is a US-based multi-industry company engaged in aircraft, military, industrial and finance businesses. Military-related business sections include Textron Systems and Bell Helicopter.⁵⁷

In the financial year ending 31 December 2018, Textron generated revenues of US\$ 14.0 billion (€ 12.4 billion), resulting in an operating income of US\$ 845 million (€ 750 million) and a net income of US\$ 1.2 billion (€ 1.06 billion).⁵⁸ According to the SIPRI list of top 100 arms-producing companies of 2017, Textron ranked twentieth with total arms sales of US\$4,1 billion (€3,7 billion), accounting for 29% of its total sales that year.⁵⁹

The involvement of Textron in controversial arms deals, in the period from January 2014 to December 2018, is summarized in Table 1122.

Table 22 Sales of military goods to states at risk 2014-2018 by Textron

Recipient	Weapon description	Quantity ordered and designation	Years delivery	Number delivered
Afghanistan	armored security vehicle	71 ASV-150/M-1117 Guardian	2014	± 71
Afghanistan	armored security vehicle	±136 ASV-150/M-1117 Guardian	2013-2014	± 136
Afghanistan	armored security vehicle	135 ASV-150/M-1117 Guardian	2014-2015	± 135

Afghanistan	armored security vehicle	55 ASV-150/M-1117 Guardian	2015	55
Afghanistan	light transport ac	±7 Cessna-208 Caravan	2018	± 2
Cameroon	light transport ac	2 Cessna-208 Caravan	2018	2
Chad	light transport ac	±2 Cessna-208 Caravan	2017	2
Colombia	APC	28+2 ASV-150/M-1117	2013-2014 + 2016	± 28 +2
Colombia	helicopter	4 Bell-412	2013-2014	± 4
Colombia	APC turret/RWS	12 Textron turret	2014	± 12
Colombia	light transport ac	±1 Cessna-208 Caravan	2017	± 1
India	guided bomb	512 CBU-97 SFW	2013-2017	± 512
Iraq	AGS aircraft	1 King Air-350 ISR	2016	1
Iraq	Light helicopter	16 Bell-407	2015	16
Iraq	APC	60 ASV-150/M-1117	2016	± 60
Lebanon	Light transport ac	1 Cessna-208 Caravan	2016	1
Lebanon	helicopter	±18 Bell-205/UH-1 Huey-2	2016-2017	± 6
Mauritania	light transport ac	2 Cessna-208 Caravan	2014	2
Niger	light transport ac	2 Cessna-208 Caravan	2015	2
Nigeria	light transport ac	3 King Air	2014	3
Pakistan	light transport ac	7 Cessna-208 Caravan	2015-2016	7
Pakistan	light ac	7 Cessna-U206	2017	4
Pakistan	AGS aircraft	2 King Air-350 ISR	2013-2018	± 2
Philippines	helicopter	±7 Bell-205/UH-1H	2014	± 7
Philippines	helicopter	±6 Bell-412	2015	± 6
Philippines	light transport ac	±2 Cessna-208 Caravan	2017	2
Saudi Arabia	light transport ac	±9 King Air-350	2013-2014	± 9
Saudi Arabia	AGS aircraft	4 King Air-350 ISR	2015-2016	± 4
Saudi Arabia	Guided bomb	±1300 CBU-97 SFW	2014-2015	± 1300
UAE	Light helicopter	30 Bell-407	2014-2016	± 30
Uganda	helicopter	5 Bell-205/UH-1 Huey-2	2016	5
Uganda	light transport ac	2 Cessna-208 Caravan	2014	2
Yemen	AGS aircraft	±1 King Air-350 ISR	2015	± 1

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

3.15 Thales

Thales is a European company engaged in aerospace, defence, ground transportation, security and space.⁶⁰ The French state (25.7%) and aircraft manufacturer Dassault Aviation (24.7%) are the main shareholders of Thales.⁶¹

In the financial year ending 31 December 2018, Thales generated revenues of € 15.9 billion, resulting in an operating income of € 1.65 billion and a net income of € 1.17 billion.⁶² According to the SIPRI list of top 100 arms-producing companies of 2017, Thales ranked eighth with total arms sales of US\$9 billion (€8,0 billion), accounting for 51% of its total sales that year.⁶³

The involvement of Thales in controversial arms deals, in the period from January 2014 to December 2018, is summarized in Table 1123.

Table 23 Sales of military goods to states at risk 2014-2018 by Thales

Recipient	Weapon description	Quantity ordered and designation	Years delivery	Number delivered
Colombia	fire control and radar systems	4+4+4 Mirador+SMART+STING	2012-2014	± 4+4+4
Egypt	Air search radar	3 MRR-3D	2013-2015	3
Egypt	Air search radar	1 MRR-3D	2015	1
Egypt	Sea search radar	3 Scout	2013-2015	3
Egypt	Fire control radar	3 STING	2013-2015	3
Egypt	Sea search radar	1 Scout	2015	1
Egypt	Fire control radar	1 STING	2015	1
Egypt	Air search radar	4 SMART	2017	1
Egypt	Air search radar	1 SMART	2018	± 1
Egypt	Fire control radar	4 STING	2017	1
Egypt	Aircraft EO system	±12 TALIOS	2016-2018	± 12
India	air search radar	19 GS-100	2010-2016	± 19
India	air search radar	7 LW-08	2014-2016	3
Saudi Arabia	Arty locating radar	±2 COBRA	2017-2018	± 3
Saudi Arabia	Aircraft EO system	±60 Damocles	2009-2017	± 60
Saudi Arabia	Air search radar	±20 Ground Master-60	2013-2015	± 20
Saudi Arabia	ASW sonar	±10 FLASH	2018	± 5
Turkey	MP aircraft radar	15 Ocean Master	2013-2014	± 9
Turkey	Fire control radar	2 STING	2017	1
Turkey	Air search radar	2 SMART	2017	2
Turkey	Air search radar	2 SMART	2017	1
Turkmenistan	sea search radar	8 Scout	2013-2016	8
Turkmenistan	air/sea search radar	8 Variant	2013-2016	8
UAE	Air search radar	17 Ground Master-200	2015-2017	± 17

3.16 United Technologies Corp

United Technologies Corp (UTC) is a US-based multi-industry company in defence, aerospace and building that owns companies like Carrier (air-conditioning), Pratt & Whitney (military and civilian aircraft engines), Collins Aerospace (aircraft components) and Otis (elevators and escalators).

In the financial year ending 31 December 2018, UTC generated net sales of US\$ 66,5 billion (€ 59,5 billion), resulting in a net income of US\$ 5,7 billion (€ 5.1 billion).⁶⁴ According to the SIPRI list of top 100 arms-producing companies of 2017, UTC ranked eleventh with total arms sales of US\$7,8 billion (€ 7,0 billion), accounting for 13% of its total sales that year.⁶⁵

The involvement of UTC in controversial arms deals, in the period from January 2014 to December 2018, is summarized in Table 1124.

Table 24 Sales of military goods to states at risk 2014-2018 by UTC

Recipient	Weapon description	Quantity ordered and designation	Years delivery	Number delivered
Afghanistan	turboprop/turboshaft	±26 PT6A-68/3	2016-2018	± 26
Egypt	Turboprop/turboshaft	±12+16+8 PW100	2013-2016	± 12+16+8
India	Turboprop/turboshaft	±75+10 PT6	2013-?	± 75
Iraq	Aircraft recce system	4 DB-110	2015-2016	± 4
Lebanon	Turboprop/turboshaft	±8 PT6	2017-2018	± 8
Mali	turboprop/turboshaft	±4 PT6	2018	4
Mali	turboprop/turboshaft	2 PW100	2016	2
Philippines	turboprop/turboshaft	±6 PW100	2015	± 6
Saudi Arabia	Turboprop/turboshaft	±8 PW100	2015-2018	8
Saudi Arabia	Turboprop/turboshaft	±55 PT6	2014-2016	± 55
Saudi Arabia	Aircraft recce system	±10 DB-110	2014-2016	± 10
Turkey	Aircraft recce system	4 DB-110	2014	± 4
UAE	Turboprop/turboshaft	±24 PT6	2015-2017	± 24

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

3.17 Overview

Table 25 provides an overview of which companies supplied which states with military goods. A few things stand out:

- Nearly all companies supplied weapon systems to Egypt, except for Honeywell, Northrop Grumman, Safran and Textron
- Nearly all companies supplied weapon systems to India, except for General Dynamics, Northrop Grumman and Safran.

- Nearly all companies supplied weapon systems to Saudi Arabia, except for Honeywell, Northrop Grumman and Safran.
- Nearly all companies supplied weapon systems to Turkey, except for General Dynamics and Textron.

Table 25 Overview of countries supplied by companies

	Airbus	Boeing	General Dynamics	General Electric	Honeywell	Leonardo	Lockheed Martin	Northrop Grumman	Raytheon	Safran	Textron	Thales	UTC
Afghanistan		x							x		x		x
Bahrain						x	x		x				
Cameroon		x									x		
Chad						x					x		
China	x												
Colombia			x			x		x	x		x	x	
Egypt	x	x	x	x		x	x		x			x	x
Equatorial Guinea													
India	x	x		x	x	x	x		x		x	x	x
Iraq		x					x	x	x		x		x
Israël		x			x	x	x						
Laos	x												
Lebanon	x					x	x		x		x		x
Mali	x												x
Mauritania						x					x		
Niger											x		
Nigeria											x		
Pakistan	x	x				x	x	x	x		x		
Philippines	x	x		x		x			x		x		x
Saudi Arabia	x	x	x	x		x	x		x		x	x	x
Turkey	x	x		x	x	x	x	x	x	x		x	x
Turkmenistan	x					x						x	
UAE	x	x				x	x		x			x	x
Uganda											x		

Chapter 4 Investments by Dutch banks in the selected companies

This chapter identifies which Dutch banks have investments in the companies listed in chapter 3, for arms sales to states at risk. If investments were found for a bank, a table is presented that summarizes these investments. Investments lower than US\$ 100,000 were not included in the report. In line with Fair Bank Guide practice, we study the banks at their group level. This means that all investments that fall under the banking group are included in this report.

Table 26 provides a summary of the investments by Dutch banks in the selected companies.

Table 26 Summary table investments by Dutch banks (amounts in US\$ million)

		ABN Amro	ING	Van Lanschot	Total
Airbus	Bonds	13,3			137,5
	Shares	9,1			
	Loans		115,1		
Boeing	Bonds				182,3
	Shares	0,1	182,2		
	Loans				
General Dynamics	Bonds				6,9
	Shares		6,9		
	Loans				
General Electric	Bonds	3,4	181,1	27,4	225,2
	Shares	5,8	7,5		
	Loans				
Honeywell	Bonds	1,3			63,5
	Shares	46	16,1		
	Loans				
Leonardo	Bonds	0,3		2,3	2,6
	Shares				
	Loans				
Lockheed Martin	Bonds				10,6
	Shares		10,3	0,3	
	Loans				
Northrop Grumman	Bonds				6,9
	Shares		6,6	0,3	
	Loans				
Safran	Bonds	7,3			7,5
	Shares	0,2			
	Loans				
Raytheon	Bonds		7,1		7,4
	Shares			0,3	

	Loans				
Textron	Bonds		2,1		
	Shares	16,6			18,7
	Loans				
Thales	Bonds				
	Shares	8,5			8,5
	Loans				
United Technologies Corp	Bonds	1,2			
	Shares	1,4	37,1	4,7	44,4
	Loans				
Total					US\$ 722,1 € 644 [∨]

Sources: Thomson Reuters Eikon, "Share ownership: most recent filings", viewed in January 2019
 Bloomberg, 'BBID: BL771978 Corp', viewed in February 2019
 Thomson Reuters Eikon, 'Tearsheet 6410226116', viewed in February 2019

4.1 Fair hearing of banks

The banks involved in this study were given the opportunity to comment before publication. They were asked to respond within 21 days to the following questions:

- Is the information concerning financial links with the selected companies correct?
- Has your bank taken any action towards the selected companies, either through engagement, through voting on shareholder meetings or by reducing investments in the company, to persuade the company in question to change its policy and practice around the supply of military goods to the countries listed in this report?
- If yes, could you provide more information about the actions your bank took, specifically:
 - The goals of the action
 - The results so far
 - The timeframe you have established for your actions
- How does the action your bank took relate to the policy of your bank?
- Will you take measures based on this study?

None of the three banks for which investments in the selected companies were found chose to reply to these questions.

4.2 ABN Amro

Table 27 shows the investments found for ABN Amro. ABN Amro invests in nine of the arms producers that supplied military goods to states at risk. ABN Amro holds shares and bonds valued at approximately 114,6 million US\$ (€ 102,2 million).

[∨] The euro amounts are an indication, the dollar amounts are based on the sources provided.

Table 27 Overview of investments found for ABN Amro (in US\$ million)

Arms Producer (group)	Closing / Issue date	Type of investment	Manager (Investor)	Per Bank Value (US\$ mln)
Airbus	30-11-2018	Bondholding	ABN AMRO Investment Solutions (AAIS)	13,3
Airbus	30-11-2018	Shareholding	ABN AMRO Investment Solutions (AAIS)	9,1
Boeing	30-11-2018	Shareholding	ABN AMRO Investment Solutions (AAIS)	0,1
General Electric	30-11-2018	Bondholding	ABN AMRO Investment Solutions (AAIS)	3,4
General Electric	30-11-2018	Shareholding	ABN AMRO Investment Solutions (AAIS)	5,8
Honeywell	30-09-2018	Bondholding	ABN AMRO Investment Solutions (AAIS)	0,8
Honeywell	30-11-2018	Bondholding	Bethmann Bank AG	0,5
Honeywell	30-11-2018	Shareholding	ABN AMRO Investment Solutions (AAIS)	46,0
Leonardo	30-11-2018	Bondholding	Bethmann Bank AG	0,3
Safran	30-11-2018	Bondholding	ABN AMRO Investment Solutions (AAIS)	7,3
Safran	30-11-2018	Shareholding	ABN AMRO Investment Solutions (AAIS)	0,2
Textron	30-11-2018	Shareholding	ABN AMRO Investment Solutions (AAIS)	16,6
Thales	30-11-2018	Shareholding	ABN AMRO Investment Solutions (AAIS)	8,5
United Technologies Corp	30-11-2018	Bondholding	ABN AMRO Investment Solutions (AAIS)	1,2
United Technologies Corp	30-11-2018	Shareholding	ABN AMRO Investment Solutions (AAIS)	1,4
Total				114,6

Source: Thomson Reuters Eikon, "Share ownership: most recent filings", viewed in January 2019

4.2.1 ABN Amro policy and recommendations

The following section discusses ABN Amro's policies relevant for the investments found in this study and makes recommendations to avoid exposure to companies involved in controversial arms trade.

ABN Amro states in its 'Summary – Defence Policy':

"ABN AMRO acknowledges that the defence industry poses sustainability risks, such as:

- *Human rights violations; weapons or dual use goods such as jamming equipment for telecommunications, may contribute to human rights violations in the hands of oppressive regimes.*
- *Proliferation of Controversial Weapons; components or techniques may be used in the manufacturing process of controversial weapons thus contributing to the proliferation of controversial weapons.*
- *Corruption; trade of weapons in fragile states may be associated with corruption."*

And:

"ABN AMRO's clients must comply with at least the following requirements:

- *Client demonstrates a high level of governance and transparency*
- *Client has an anti-corruption policy*
- *Client has a robust internal approval - and monitoring process for defence related products and services*
- *Client has a Supplier Code of Conduct - Client has a strong ethical track record - Products and services have a legitimate and non-controversial ('generally accepted') defensive use"⁶⁶*

The document ABN Amro publishes is a summary of the policy that applies. While the summary acknowledges the risks around the defence industry, not all concerns are translated in requirements.

ABN Amro would not respond to questions for clarification. ABN Amro publishes a Human Rights Report, in which the bank provides an overview of its ESG engagements.⁶⁷ The information provided by the bank does not include the company name, but does provide the industry, region and the issue. One of the descriptions in the overview provided by ABN Amro could theoretically concern a company listed in chapter 3. As the description is very vague and general, it is unlikely that this is in fact the case.

The Fair Bank Guide would recommend ABN Amro:

- Embed the following elements much more strongly in the policy and ask an investee in the defence sector to account for its management of the following risks when it comes to arms sales:
 - The risk of human(itarian) rights violations
 - The risk of fuelling an armed conflict
 - The risks of selling military goods to a corrupt state
 - The risks of selling military goods to a fragile state
 - The risks of selling military goods to a state that spends a disproportionate share of its budget on military goods.
- Apply the policy to all activities and investments, including assets managed for third parties as well as passive investments.

4.3 ING

Table 28 shows the investments found for ING. ING invests in ten of the arms producers that supplied military goods to states at risk. The investments are through credit, shares and bonds, and amount to 572,1 million US\$ (€ 510,3 million).

Table 28 Overview of investments found for ING (in US\$ million)

Arms Producer (group)	Closing / Issue date	Type of investment	Manager (Investor)	Manager role	Per Bank Value (US\$ mln)
Airbus	14-04-2011	Revolving Credit Facility	ING Group NV	Lender(s) / Mandated Arranger(s)	75,6
Airbus	14-10-2014	Revolving Credit Facility	ING Bank NV	Arranger(s)	39,6
Boeing	30-09-2018	Shareholding	ING Bank N.V.		182,2
General Dynamics	30-09-2018	Shareholding	ING Bank N.V.		6,9
General Electric	10-05-2017	Bond issuance	ING Bank NV	Co-Manager	39,6
General Electric	10-05-2017	Bond issuance	ING Bank NV	Co-Manager	45,3
General Electric	10-05-2017	Bond issuance	ING Bank NV	Co-Manager	50,9
General Electric	10-05-2017	Bond issuance	ING Bank NV	Co-Manager	45,3
General Electric	30-09-2018	Shareholding	ING Bank N.V.		7,5
Honeywell	30-09-2018	Shareholding	ING Bank N.V.		16,1
Lockheed Martin	30-09-2018	Shareholding	ING Bank N.V.		10,3
Northrop Grumman	30-09-2018	Shareholding	ING Bank N.V.		6,6
Raytheon	30-09-2018	Shareholding	ING Bank N.V.		7,1
Textron	30-09-2018	Shareholding	ING Bank N.V.		2,1
United Technologies Corp	30-09-2018	Shareholding	ING Bank N.V.		37,1
Total					572,1

Sources: Bloomberg, 'BBID: BL771978 Corp', viewed in February 2019
 Thomson Reuters Eikon, 'Tearsheet 6410226116', viewed in February 2019
 Thomson Reuters Eikon, "Share ownership: most recent filings", viewed in January 2019.

4.3.1 ING policy and recommendations

The following section discusses ING's policies relevant for the investments found in this study and makes recommendations to avoid exposure to companies involved in controversial arms trade.

ING is the only bank in this report that provides loans to companies that supply military goods to states at risks. In addition, ING also holds shares and bonds in these companies. ING devoted a paper to this type of company titled "A clear stance on banking in sensitive markets: defence equipment". The paper focuses on companies that are engaged in nuclear weapon production, but also in non-defence activities. ING states it asks companies like this to guarantee they do not use ING funds for the production of nuclear weapons. The same papers states this about the arms trade:

"Furthermore, our defence policy sets guidelines for arms trade. It prescribes that ING will not have dealings with companies in the defence sector when there is evidence that they make arms available to countries that are under a weapons embargo, terrorists and other non-governmental armed groups, or when they are used for internal repression, serious violations of international humanitarian law or for any other purpose that cannot reasonably be considered consistent with normal and legitimate national security and defence."⁶⁸

A very similar paragraph to this one is in a policy document from ING called the 'Environmental and Social Risk Framework'.⁶⁹ ING's paper suggests that it applies the same practice towards defence companies involved in the controversial arms trade as it does to companies involved in producing nuclear weapons. In both situations, the policy allows significant investments to continue and does not demonstrate a forceful attempt to change the producing company's behaviour.

The reasoning in the paper builds on the idea that a company will not use funds provided by ING for the activities that ING considers off limits. The Fair Bank Guide would like to make two comments:

- For loans, such as provided to Airbus, this theoretical construct is highly problematic in practice. Naturally, if ING provides funds to Airbus for civilian activities only (although this is not what its paper states), Airbus will free up capital to invest in its military activities. We do acknowledge that through this action, there is at least the possibility of a conversation between the bank and the company in which the bank states its objections to some of the activities of the company.
 - In its 2018 Human Rights Report, ING provides a sample of the companies it engaged with.⁷⁰ The report does not provide the names of the companies, but does provide information on the sector, the ESG issue and the region. None of the companies in this sample of formal dialogues ING had with companies match a company listed in this report.
- The paper and the policy do not explain how ING unites its principles with investments through shares, in for instance Boeing. Shares are general for the company, and ING has no say over how Boeing uses the capital it acquires through shares. In fact, increase in the value of shares will generate profit for ING. Profit which, roughly speaking, in the case of Boeing is for one third based on the sale of weapons such as fighter jets, guided bombs and combat helicopters.

Note that ING holds investments (albeit with smaller amounts) in companies like Raytheon, Textron, Lockheed Martin and General Dynamics as well. These companies get the majority of their revenues from the sale of military goods, including ammunition and fighter jets.

ING would not clarify its position or respond to the questions listed in 4.1.

The Fair Bank Guide recommends ING:

- Further develop existing policy to include the risks involved with supplying military goods to states in conflict.

- Further develop existing policy to include the risks involved with supplying military goods to states that are considered fragile.
- Further develop existing policy to include the risks involved with supplying military goods to states that spend a disproportionate part of their government budget on the military.
- Apply the policy to all activities, including assets managed for own account and assets managed for the account of clients.
- Apply the policy without exceptions for companies with other than military activities. This does not necessarily mean swift exclusion of all companies, a strategically laid out engagement would be possible as well.

4.4 NIBC

For NIBC, no investments in the selected companies were found. NIBC states, in its ‘Weapons and Defence Sustainability Policy’:

“NIBC does not finance or invest in companies which manufacture, supply, or develop weapons systems, including highly controversial weapons.”⁷¹

And:

“NIBC will not support the supply of military transport or other military goods:

- to countries where an arms embargo by the United Nations or European Union is in place;
- to regimes that violate human rights;
- to countries that are engaged in (civil) war;
- to countries with unacceptable levels of corruption;
- to failing or fragile states;
- to countries which spend disproportionate amounts of their budget to weapons. “

4.5 Rabobank

For Rabobank, no investments in the selected companies were found. Rabobank states, in its ‘Sustainability Policy Framework’:

“The Rabobank acknowledges the right of democratic countries to defend themselves. At the same time, the Group pursues an armaments industry policy based on the ‘No, unless’ principle. This principle is implemented as follows: based on its core values, Rabobank refrain from facilitating the armaments industry except where the company in question is only involved in the supply of non-controversial weapons or armaments-related products to non-controversial regimes.”⁷²

The policy provides characteristics of controversial regimes that match some of the criteria used in this report, for instance being in armed conflict or at greater risk of violating human rights.

While no loans or holding of shares or bonds were found, Rabobank could further improve its policy in the following ways:

- Apply the policy to loans (which are currently exempted)
- Pay specific attention to the risks of the sale of military goods to states that are at greater risk of corruption and that spend a disproportionate part of their government budget on military goods.

4.6 Triodos

For Triodos, no investments in the selected companies were found. Triodos states, in its 'Minimum Standards':

Arms are tools specifically designed for the execution of physical force by people towards other people or animals. Triodos Bank's mission is to help create a society that advances people and promotes the quality of life. The use of arms undermines this mission, which is why Triodos Bank does not finance or invest in companies that make or sell them.

And:

Triodos Bank excludes companies that supply strategic products or services to parties that (are prone to) infringe human rights.⁷³

4.7 Van Lanschot Kempen

Table 29 shows the investments found for Van Lanschot Kempen. Van Lanschot Kempen invests in six of arms producers that supplied military goods to states at risk. The investments are through shares and bonds, and amount to 35,3 million US\$ (€ 31,5 million).

Table 29 Overview of investments found for Van Lanschot Kempen (in US\$ million)

Arms Producer (group)	Closing / Issue date	Type of investment	Manager (Investor)	Per Bank Value (US\$ mln)
General Electric	30-11-2018	Bondholding	Kempen Capital Management N.V.	27,4
Leonardo	30-11-2018	Bondholding	Kempen Capital Management N.V.	2,3
Lockheed Martin	30-11-2018	Shareholding	Kempen Capital Management N.V.	0,3
Northrop Grumman	30-11-2018	Shareholding	Kempen Capital Management N.V.	0,3
Raytheon	30-11-2018	Shareholding	Kempen Capital Management N.V.	0,3
United Technologies Corp	30-09-2018	Shareholding	F. van Lanschot Bankiers (België) N.V.	4,7
Total				35,3

Thomson Reuters Eikon, "Share ownership: most recent filings", viewed in January 2019

4.7.1 Van Lanschot policy and recommendations

The following section discusses Van Lanschot's policies relevant for the investments found in this study and makes recommendations to avoid exposure to companies involved in controversial arms trade.

Van Lanschot Kempen states in its policy on loans (section is translated from Dutch to English):

‘Van Lanschot speaks out against the financing of weapons and ammunition (conventional as well as controversial) if there is a substantial risk that the weapons will be used for serious violations of international human rights. The supply of weapons to failing or fragile states, states in civil war, dubious and / or corrupt buyers, terror groups and (organized) criminals are not allowed. To determine which countries and individuals fall under these definitions, Van Lanschot follows amongst others the European sanction list. To countries and individuals on the EU Sanction list, both controversial and conventional weapons should not be supplied. Producers and traders that do so, should be excluded.’⁷⁴

Kempen Capital Management, Van Lanschot’s asset management branch which makes most of the identified investments, states the following on its website, under ‘exclusions’:

‘Kempen will only invest in companies involved with weapons if ‘the weapons are not supplied to countries or individuals that are on the sanctions list of the EU and / or the UN, or to vulnerable or unstable countries, or failing states, or to countries in civil war, or to suspicious and / or corrupt buyers, terror groups, criminal organizations or organized crime.’⁷⁵

Van Lanschot Kempen’s policy mentions several elements that this study also used to determine which states should or should not be able to purchase weapons. Van Lanschot Kempen does invest in companies involved in the sale of military goods to states at risk, though the investments are limited in size. The biggest investment is in a company that produces fighter jet engines, which perhaps fall outside the scope of Van Lanschot Kempen’s policy.

Van Lanschot Kempen would not respond to the questions for clarification.

The Fair Bank Guide recommends Van Lanschot Kempen:

- Clarify how the European Sanctions list is used: is any sanction sufficient basis to exclude companies providing the state under sanction with military goods, or does Van Lanschot Kempen only look at military sanctions to determine this?
- Include the risk that ‘weapons will be used for serious violations of international human rights’ in the policy for its asset manager Kempen, instead of the loans policy of Van Lanschot bank only.
- Ensure that the policy on weapons applies to other military goods as well, such as fighter jet engines.
- Include its own or other analysis besides the EU sanctions list. States like Saudi Arabia and the United Arab Emirates are not in the EU sanctions list, while this report shows that arms supply to these states is irresponsible.
- Apply the policy to all activities and investments, including assets managed for third parties as well as passive investments.

4.8 de Volksbank (ASN Bank, BLG Wonen, RegioBank en SNS)

For de Volksbank, no investments in the selected companies were found. Its subsidiary ASN Bank, states in its 'Human Rights Policy Paper':

*"ASN Bank does not invest in the arms industry. This is not required under human rights treaties, but is a criterion that we adopt by choice. We realise that weapons are important for peace missions, and that the police, for example, sometimes need weapons to prevent crime and to maintain law and order. But arms are also a source of great misery. Because they are easily available, they contribute significantly to the outbreak and continuation of armed conflicts. The devastating consequences of the use of arms are sufficiently familiar to all. That is why we do not invest in companies engaged in or benefiting from war or armed conflict, or that are active in the manufacture of or trade in arms. We cannot and will not reconcile ourselves with the idea that the arms industry benefits from having (more) armed conflicts. Consequently, this means that we also refrain from every form of funding or investing in companies that are active in the development, manufacture and distribution of or trade in arms. By 'arms' we mean all types of conventional weapons, ammunition, weapon parts, supporting technologies and associated expertise. For a precise definition of the term 'arms' we use the Common Military List of the European Union. This list contains a wide-ranging summary of weapons, parts and chemicals, as well as software."*⁷⁶

This policy applies to all investments by de Volksbank.⁷⁷

Chapter 5 Conclusions and recommendations

This report focused on the investments of Dutch banks in controversial arms trade.

5.1 Conclusions

The following conclusions stand out:

1. 50 countries should be considered 'states at risk', as the sale of military goods to these states is a risk for civilians. They face significant risks of violation of their human rights.
2. ABN Amro invests in nine arms producers that supplied these states with military goods despite the risks. ABN Amro holds shares and bonds in these companies valued at approximately 114,6 million US\$ (€ 102,2 million).
3. ING invests in ten of the arms producers that supplied military goods to states at risk. The investments are through credit, shares and bonds, and amount to 572,1 million US\$ (€ 510,3 million).
4. Van Lanschot Kempen invests in six of arms producers that supplied military goods to states at risk. The investments are through shares and bonds, and amount to 35,3 million US\$ (€ 31,5 million).
5. Combined, the investments of these three banks in companies that supplied military goods to states at risk, amount to US\$722 million (€644 million).
6. For NIBC, Rabobank, Triodos and de Volksbank (ASN, BLG Wonen, Regiobank and SNS), no investments in these companies were found.

5.2 Recommendations

The Fair Bank Guide recommends the banks to:

1. Embed the following elements (much more) strongly in the policy and ask an investee defence to account for its management of the following risks when it comes to arms sales:
2. The risk of human(itarian) rights violations
3. The risk of fueling an armed conflict
4. The risks of selling military goods to a corrupt state
5. The risks of selling military goods to a fragile state
6. The risks of selling military goods to a state that spends a disproportionate share of its budget on military goods.
7. Apply the policy to all activities and investments, including assets managed for third parties as well as passive investments.
8. Apply the policy without exceptions for companies with other than military activities.
9. This does not necessarily mean swift exclusion of all companies, a strategically laid out engagement would be possible as well.

Annex 1 Detailed overview of States at Risk

The 50 selected states are summarized in Table 930. To indicate whether a state is selected (i.e.: is at risk, should not be supplied with military goods), the row is marked red. For each state, the indicators for which the state scored above the threshold for one of the criteria, is marked dark red.

All states listed in the indicator-specific tables in Chapter 2 are listed in the table below as well.

Table 30 Final selection of states for the case study

Institution ->	European Union & United Nations	Freedom House & The Economist Intelligence Unit	Institute for Economics and Peace & Uppsala	Transparency International	Foreign Policy & The Fund for Peace	United Nations Development Programme / SIPRI
Criteria type	Primary criteria			Support criteria		
Name of Index	Arms Embargo	Freedom House Index & Democracy Index	Global Peace Index & Conflict Data Program	Government Defence Anti-Corruption Index	Fragile State Index	Human Development Index (low development) & SIPRI government budget on military spending
Threshold	EU or UN arms embargo	6.5 or higher <i>and</i> Authoritarian Regime (AR)	> 2.300 <i>and</i> Listed as in conflict	Very high or critical corruption risk	>90.0	Low Human development <i>and</i> > 7% government budget on military spending
Afghanistan	No	5.5/AR	3.585 2014-2017	Very high corruption risk	106.6	LHD/3.6%
Algeria	No	5.5/AR	2.182	Critical corruption risk	75.8	HHD/16.1%
Azerbaijan	No	6.5/AR	2.454 2014 UN	Very high corruption risk	74.6	HHD/10.04%
Bahrain	No	6.5/AR	2.437 2015-2016	Critical corruption risk	64.4	VHHD/11.8%
Bangladesh	No	4.0/HR	2.084	High corruption risk	90.3	MHD/9.6%
Belarus	EU	6.0/AR	2.112	No data	70.5	VHHD/25.3%

Botswana	No		1.659	Very high corruption risk	62.0	HHD/9.2%
Burkina Faso	No		2.029	Critical corruption risk	86.5	LHD/5.1%
Burundi	No	6.5/AR	2.488 2014-2017 (UN) 2015	Very high corruption risk	97.4	LHD/8.3%
Brazil	No		2.160	Very high corruption risk	68.7	HHD/3.7%
Cambodia	No	5.5/AR	2.101	Critical corruption risk	84.0	MHD/9.0%
Cameroon	No	6.0/AR	2.484 2014-2017	Critical corruption risk	95.3	MHD/6.5%
Central African Republic	EU/UN	7.0/AR	3.236	Critical corruption risk	111.1	LHD/9.7%
Chad	No	6.5/AR	2.498 2014-2017	Critical corruption risk	108.3	LHD/13.8%
China	EU	6.5/AR	2.243	Very high corruption risk	72.4	HHD/6.1%
Colombia	No	3.0/FD	2.729 2014-2016	Low corruption risk	76.6	HHD/11.0%
Comoros	No	3.5/AR	No data	Very high corruption risk	82.6	LHD/No data
Congo (Br)	No	6.0/AR	2.343 2015-2016 (UN) 2016	Critical corruption risk	93.1	MHD/17.9%
Côte d'Ivoire	EU/UN (lifted 2016)	4.0/AR	2.207	Very high corruption risk	94.6	LHD/5.1%

Cuba	No	6.5/AR	2.037	No data	62.9	HHD/No data
Democratic Republic of Congo	EU/UN NGF	6.5/AR	3.251 2014-2017	Critical corruption risk	110.7	LHD/6.4%
Egypt	EU	6.0/AR	2.632 2014-2017	Critical corruption risk	88.7	MHD/4.6%
Equatorial Guinea	No	7.0/AR	1.946	Critical corruption risk	83.4	MHD/No data
Eritrea	EU/UN	7.0/AR	2.522 2016	Critical corruption risk	97.2	LHD/No data
Ethiopia	No	6.5/AR	2.524 2014-2017 2017 UN	Very high corruption risk	99.6	LHD/3.8%
Gabon	No	6.0/AR	2.099	Critical corruption risk	72.5	HHD/9.3%
Gambia	No	4.5/	1.989	Very high corruption risk	87.1	LHD/No data
Guinea	EU (lifted)	5.0/AR	2.101	Critical corruption risk	101.6	LHD/9.9%
Guinea-Bissau	No	5.0/AR	2.275	Critical corruption risk	98.1	LHD/No data
Haiti	No	5.0/HR	2.064	No data	102.0	LHD/0.0%
India	No	2.5/FD	2.504 2014-2017	High corruption risk	76.3	MHD/9.1%
Iran	EU/UN	6.0/AR	2.439 2015-2017	Very high corruption risk	84.3	HHD/15.8%
Iraq	EU/UN NGF	5.5/HR	3.425 2015-2017	Critical corruption risk	102.2	MHD/9.4%
Israel	No	2.0/FD	2.764	No data	78.5	VHHD/11.5%

			2014			
Jordan	No	5.0/AR	2.104	Very high corruption risk	76.8	HHD/15.8%
Kenya	No	4.0/HR	2.354 2014-2017 (UN)	High corruption risk	97.4	MHD/4.5%
Kuwait	No	5.0/AR	1.799	Critical corruption risk	55.9	VHHD/11.3%
Laos	No	6.5/AR	1.821	No data	80.7	MHD/No data
Lebanon	EU/UN NGF	5.0/HR	2.778 2014- 2015/2017	Very high corruption risk	86.8	HHD/15.6%
Liberia	EU/UN (lifted 2016)	3.0/HR	1.931	Very high corruption risk	92.6	LHD/1.7%
Libya	EU/UN	6.5/AR	3.262 2014-2017	Critical corruption risk	94.6	HHD/No data
Madagascar	No	3.5/	1.766	Very high corruption risk	83.6	LHD/2.9%
Malawi	No	3.0/	1.811	Very high corruption risk	85.5	LHD/2.7%
Mali	No	4.5/HR	2.686 2014-2017	Very high corruption risk	93.6	LHD/12.7%
Mauritania	No	5.5/AR	2.355 2014- 2017 (UN)	Critical corruption risk	92.2	LHD/No data 2016: 10.3% ^{vi}
Morocco	No	5.0/HR	1.979	Critical corruption risk	74.0	MHD/10.7%

^{vi} For Mali, no data is available on military spending in 2017. In 2016, military spending amounted to 10.3% of total government spending. We have included Mali based on 2016 data for military spending.

Mozambique	No	4.0/	2.056	Very high corruption risk	88.7	LHD/2.5%
Myanmar (Burma)	EU	5.0/AR	2.302 2014-2017	Critical corruption risk	96.1	MHD/12.4%
Niger	No	4.0/AR	2.359 2014-2017 (UN)	Very high corruption risk	96.2	LHD/8.8%
Nigeria	No	4.0/HR	2.873 2014-2017	Very high corruption risk	99.9	LHD/4.1%
North Korea	EU/UN	7.0/AR	2.950	No data	93.2	No data/No data
Oman	No	5.5/AR	1.984	Critical corruption risk	52.6	VHHD/26.3%
Pakistan	No	4.5/HR	3.079 2014-2017	Very high corruption risk	96.3	MHD/16.7%
Philippines	No	3.0/FD	2.512 2014-2017	High corruption risk	85.5	MHD/6.9%
Qatar	No	5.5/AR	1.869	Critical corruption risk	48.1	VHHD/No data
Russia	EU	6.5/AR	3.160 2014-2017	High corruption risk	77.2	VHHD/12.0%
Rwanda	No	6.0/AR	2.140	Very high corruption risk	89.3	LHD/5.1%
Saudi Arabia	No	7.0/AR	2.417 2014 -2017	Very high corruption risk	70.2	VHHD/30.4%
Senegal	No	2.0/	1.849	Very high corruption risk	79.6	LHD/6.6%
Sierra Leone	No	3.0/HR	1.740	Very high corruption risk	89.1	LHD/4.6%
Somalia	EU/UN	7.0/No data	3.367	Critical corruption risk	113.2	No data /No data

			2014-2017			
South Sudan	EU	7.0/No data	3.508 2014-2017	Critical corruption risk	113.4	LHD/7.4%
Sri Lanka	No	3.5/FD	1.954	Very high corruption risk	84.9	HHD/11.0%
Sudan	EU/UN	7.0/AR	3.115 2014-2017	Critical corruption risk	108.7	LHD / 30.9%
Swaziland	No	6.5/AR	1.980	Very high corruption risk	87.5	MHD/5.5%
Syria	EU	7.0/AR	3.600 2014-2017	Critical corruption risk	111.4	LHD/No data
Tajikistan	No	6.5/AR	2.266	No data	79.5	MHD/No data
Tanzania	No	4.0/	1.837	Very high corruption risk	79.4	LHD/5.8%
Thailand	No	5.5/	2.259	Very high corruption risk	75.0	HHD/1.0%
Togo	No	4.0/AR	2.104	Critical corruption risk	85.2	LHD/6.3%
Turkey	No	5.5/	2.898 2014 (UN) 2014-2017	High risk		HHD/6.4%
Turkmenistan	No	7.0/AR	2.283	No data	72.6	HHD/No data
Uganda	No	5.0/HR	2.168	Very high corruption risk	95.1	LHD/8.6%
Ukraine	EU (lifted)	3.0/HR	3.113 2014-2017	High corruption risk	72.6	HHD/7.8%
United Arab Emirates	No	6.5/AR	1.820	Very high corruption risk	42.8	VHHD/no data
Uzbekistan	No	7.0/AR	2.144	Very high corruption risk	79.1	HHD/No data

Venezuela	EU	5.5/AR	2.642	No data	86.2	HHD/1.5%
Yemen	EU/UN NGF	6.5/AR	3.305 2014-2017 2014 (UN)	Critical corruption risk	112.7	LHD/ No Data
Zambia	No	4.0/HR	1.822	Very high corruption risk	87.2	MHD/5.2%
Zimbabwe	EU	5.5/AR	2.326	Critical corruption risk	102.3	LHD/7.4%

Annex 2 Letter sent to the selected companies

To:...

Ref: Your company's involvement in controversial arms trade

Date: April 24, 2019

Dear Sir, Madam,

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

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

- countries that are under a United Nations or EU multilateral arms embargo;
- countries where there is an overriding risk that the arms will be used for serious violations of international human rights and humanitarian law;
- countries that severely violate human rights;
- parties involved in conflict, unless to parties acting in accordance with a UN Security Council resolution;
- countries that are sensitive to corruption;
- countries that can be considered as failed or fragile state;
- countries that spend a disproportionate part of the government budget on purchases of arms.

These criteria are based on international standards such as the Arms Trade Treaty and the EU Common Position on Arms Export Controls.

We have analysed supply of military goods to 50 countries that meet these criteria. Your company was involved in supply of a number of military goods to the selected countries. In appendix I of this letter, you will find an overview of the trade deals we found. This overview is based on SIPRI's Arms Transfers Database. If you would like to receive the full analysis that led to the selection of the 50 countries, please reach out to me by email via the address provided below.

Many other campaigns worldwide currently engage directly with arms producers, for instance around supply of military goods to states involved in the war in Yemen. The study we aim to publish in June 2019 focuses on the investment of financial institutions in your company, also has the overarching goal to convince your company to sell military goods only to countries of which the risk of abuse of these goods is minimal.

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

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

We would very much welcome your answers to these questions. We would like to include these, were possible, in the Fair Bank Guide's case study which will be published in June 2019. If you would want to respond, but would not want (parts of) your response to be included in the report, please indicate this and we will respect your preference. The study will be published online aimed at an audience in the Netherlands, and likely also in Belgium and Sweden.

We would like to receive your reaction **before May 13 2019**. Please send an email to

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

Yours sincerely,

PAX

PO Box 19318

3501 DH Utrecht

Nederland

W www.PAXforpeace.nl



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About this report

This report has been commissioned by The Fair Bank Guide (Eerlijke Bankwijzer) which is a coalition of the following organisations: Amnesty International, FNV, Milieudefensie, Oxfam Novib, PAX and World Animal Protection. It examines the investments of Dutch banks in companies involved in controversial arms trade. The aim of the Fair Bank Guide is to encourage corporate social responsibility by bank groups.

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