

Eerlijke  
Verzekeringswijzer

# Case study: Controversial Arms Trade

**Investments of the top 10 insurers in the Netherlands in companies  
involved in arms trade with Saudi Arabia**

A case study prepared for the Fair Insurance Guide

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## About this report

This report has been commissioned by the Fair Insurance Guide ('Eerlijke Verzekeringwijzer'), at the initiative of peace organization PAX, one of the six coalition members of the Fair Insurance Guide. It examines whether and to what degree the ten largest insurance groups active in the Netherlands, as selected by the Fair Insurance Guide, hold bonds or shares in five companies that are actively involved in controversial arms trade. A similar, more extensive study was published by the Fair Insurance Guide in 2015, titled "[Controversial Arms Trade](#)". The aim of the Fair Insurance Guide is to encourage Corporate Social Responsibility (CSR) by insurance companies. Also it aims to enable consumers of insurance products to make more well-informed decisions when to take out their (life)-insurance.

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## Table of contents

<b>Table of contents</b> .....	<b>iii</b>
<b>Summary</b>	<b>1</b>
<b>Introduction</b>	<b>3</b>
<b>Chapter 1 Rationale behind the focus on Saudi Arabia</b> .....	<b>5</b>
<b>1.1 Saudi Arabia and the war in Yemen</b> .....	<b>5</b>
<b>1.2 Saudi Arabia and investment principles related to arms trade</b> .....	<b>6</b>
1.2.1 Arms embargoes .....	7
1.2.2 Unfree countries .....	7
1.2.3 Armed conflict.....	7
1.2.4 Corruption.....	8
1.2.5 Fragile states.....	8
1.2.6 Poverty and military spending .....	9
1.2.7 Conclusion: Saudi Arabia and arms supplies.....	9
<b>Chapter 2 Selection of companies</b> .....	<b>11</b>
2.1.1 BAE Systems (United Kingdom).....	12
2.1.2 Boeing (United States) .....	13
2.1.3 General Dynamics (United States) .....	14
2.1.4 Lockheed Martin (United States).....	15
2.1.5 Raytheon (United States) .....	15
<b>Chapter 3 Methodology financial research</b> .....	<b>17</b>
<b>Chapter 4 Investments by insurers in companies involved in controversial arms trade</b> .....	<b>18</b>
<b>4.1 Achmea, ASR, Delta Lloyd and Vivat</b> .....	<b>18</b>
4.1.1 Reaction Achmea .....	18
4.1.2 Reaction ASR.....	19
4.1.3 Reaction Delta Lloyd.....	19
4.1.4 Reaction Vivat.....	19
4.1.5 Response Fair Insurance Guide to ASR, Achmea, Delta Lloyd and Vivat .....	19
<b>4.2 Aegon</b> .....	<b>20</b>
4.2.1 Reaction Aegon .....	22
4.2.2 Response Fair Insurance Guide to Aegon.....	23
<b>4.3 Allianz</b> .....	<b>23</b>
4.3.1 Reaction Allianz .....	31
4.3.2 Response Fair Insurance Guide to Allianz.....	31
<b>4.4 APG</b> .....	<b>31</b>
4.4.1 Reaction APG.....	32

4.4.2	Response Fair Insurance Guide to APG .....	33
<b>4.5</b>	<b>Generali</b> .....	<b>33</b>
4.5.1	Reaction Generali .....	33
<b>4.6</b>	<b>Legal &amp; General</b> .....	<b>33</b>
4.6.1	Reaction Legal & General .....	40
4.6.2	Response Fair Insurance Guide to Legal & General .....	40
<b>4.7</b>	<b>NN Group</b> .....	<b>40</b>
4.7.1	Reaction NN Group .....	40
4.7.2	Response Fair Insurance Guide to NN Group: .....	41
<b>Chapter 5</b>	<b>Conclusions</b> .....	<b>42</b>
<b>Chapter 6</b>	<b>Recommendations</b> .....	<b>44</b>
<b>Reference</b>	<b>45</b>	

## Summary

This study examines whether and to what degree the ten largest insurance groups active in the Netherlands, as selected by the Fair Insurance Guide, invest in companies that are involved in controversial arms trade. Controversial arms trade relates to the supply of (important parts of) weapons and weapon systems, military transport systems and other military goods, as referred to by the Common Military List of the EU, to:

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

In 2015, the Fair Insurance Guide conducted a similar study, the "Controversial Arms Trade" case study. This study focuses on arms exports to Saudi Arabia only, which is a narrower focus than the 2015 report. The ten selected insurers are:

- Achmea
- Aegon
- Allianz
- APG
- ASR
- Delta Lloyd
- Generali
- Legal & General
- NN Group
- Vivat

This study is aimed at controversial arms transfers specifically to Saudi Arabia. The methodology to select countries to which arms supply is controversial was updated for Saudi Arabia. In addition to the red flags which already existed in 2015 (Saudi Arabia is an unfree country with high risks of corruption), Saudi Arabia is now also involved in an armed conflict. Besides, reporting coming from Yemen indicates Saudi Arabia's operations in Yemen have violated principles of international humanitarian law.

The following five arms producers have been involved in the most relevant transfers and are thus selected for this research:

- BAE Systems
- Boeing
- Lockheed Martin
- General Dynamics
- Raytheon

Insurance companies are portfolio investors that purchase securities on secondary markets, rather than financiers. Therefore this study has examined bond- and shareholdings of the selected insurers in the selected arms manufacturers. As is standard practice at the Fair Insurance Guide, the investigation focused on the group level of the insurers, not individual subsidiaries. The sole exception is Vivat Verzekeringen, which, since 2015, is a subsidiary of Chinese insurer Anbang (see chapter 3). In the 2015 study, Vivat was taken up in the research as part of the SNS Reaal group, comparisons between the outcome in 2015 and the outcome now are therefore not possible.

This report focuses on investments in the five companies involved in the most relevant arms transfers to Saudi Arabia in 2015 and 2016. The overall conclusion is that 4 insurers active on the Dutch market have major investments in the five companies involved in these arms transfers. These are Legal & General, Allianz, Aegon and APG. Two insurers, Generali and NN Group, hold small investments in one of the selected companies. In total, these insurers invest over 3.6 billion euro in companies involved in arms trade with Saudi Arabia. Four insurers, ASR, Achmea, Delta Lloyd and Vivat Verzekeringen hold no investments in any of these five companies.

Since the report published in 2015 focused on investments in a much wider range of companies, a full comparison is not possible. However, if we look only at the investments found in 2015 for the five arms companies selected now, some conclusions on developments over time can be drawn. The overall picture then, is worrisome. Aegon and APG remain at roughly the same elevated level of exposure to companies active in controversial arms trade, albeit with some ups and downs in individual investments. The biggest investors by far, then as now, are Allianz and Legal & General with a total investment value of €1.2 billion and €1.5 billion respectively. If anything, these two have increased their exposures. The 2015 report showed that Delta Lloyd held holdings worth € 5 million in total (equivalent to US\$ 6 million), from which it has now divested. It should be noted however that this research did not verify whether Delta Lloyd divested from the other four companies it invested in in 2015. Achmea and ASR remain unexposed to the selected arms companies.

The [2016 policy update](#) of the Fair Insurance Guide showed that the insurers found in the 2015 report to be investing in companies involved in controversial arms trade, have not improved their policies in this matter. The only exception is NN Group, of which the 2016 policy update for the Fair Insurance Guide concluded that its updated investment policy found it unacceptable to supply weapons if there is an overriding risk these will be used for human rights and humanitarian law violations. Nonetheless, NN Group was found to be investing in Boeing. Table 1 provides an overview of the found investments.

**Table 1 Overview of all share- and bond holdings (€ mln)**

Group	BAE Systems		Boeing		General Dynamics		Lockheed Martin		Raytheon		Total
	Shares	Bonds	Shares	Bonds	Shares	Bonds	Shares	Bonds	Shares	Bonds	
Achmea	-	-	-	-	-	-	-	-	-	-	-
Aegon	74	27	16	103	0	-	78	68	7	33	<b>406</b>
Allianz	66	196	124	234	180	1	117	118	29	172	<b>1,237</b>
APG	25	-	121	-	102	-	102	-	110	-	<b>460</b>
ASR	-	-	-	-	-	-	-	-	-	-	-
Delta	-	-	-	-	-	-	-	-	-	-	-
Generali	0	-	2	-	0	-	-	-	-	-	<b>2</b>
L&G	565	4	298	12	177	10	288	10	168	8	<b>1,540</b>
NN	-	-	22	-	-	-	-	-	-	-	<b>22</b>
Vivat	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>730</b>	<b>227</b>	<b>583</b>	<b>349</b>	<b>459</b>	<b>11</b>	<b>585</b>	<b>196</b>	<b>314</b>	<b>213</b>	<b>3,667</b>

"0" indicates that there is an investment that is lower than EURO 0.5 million and therefore rounded to zero. "-" indicates that no investment exists. Rounding can introduce minor inconsistencies into the table.

## Introduction

This study examines whether and to what degree the ten largest insurance groups active in the Netherlands, as selected by the Fair Insurance Guide (see Table 2), invest in companies that are active in controversial arms trade. Controversial arms trade relates to the supply of (important parts of) weapons and weapon systems, military transport systems and other military goods, as referred to by the Common Military List of the EU, to

- unfree countries;
- countries involved in a (civil) war;
- countries with a high risk of corruption in military procurement;
- countries considered a fragile state; and
- poor countries that spend a disproportional share of their government budget on weapons.

This study is a follow-up of the 2015 "[Controversial Arms Trade](#)" case study. It also ties in with "Deadly Investments", a recent study on the involvement of Swedish banks in the financing of companies active in controversial arms trade. While the 2015 study focused on investments in companies involved in arms transfers to a list of 38 countries, this study focuses on supply of arms to only Saudi Arabia. This is explained in more detail in Chapter 1.

**Table 2 Selected insurers**

<b>Insurance groups</b>	<b>Brand names used in the Netherlands</b>
Achmea	Achmea, Agis, Avéro, Centraal Beheer, FBTO, Hagelunie, HEMA, Interpolis, Zilveren Kruis, Syntrus, Inshared, OZF, Prolife, Woonfonds
Aegon	Aegon, Onna Onna, Kroodle, Meeus, IAK Verzekeringen
Allianz	Allianz, Allsecur
APG	Loyalis
ASR	ASR, De Amersfoortse, Ditzo, Europeesche Verzekeringen, Ardanta
Delta Lloyd	Delta Lloyd, ABN AMRO Verzekeringen, BeFrank, Ohra
Generali	Generali
Legal & General	Legal & General
NN Group	NN, Nationale-Nederlanden
Vivat Verzekeringen <sup>1</sup>	Zwitserleven, Zelf, Route Mobiel, Reaal, Proteq, Dier & Zorg

The five selected arms manufacturers are:

- BAE Systems (UK)
- Boeing (USA)
- Lockheed Martin (USA)
- General Dynamics (USA)
- Raytheon (USA)

The rationale behind the selection of these arms companies is found in the first chapter. A summary of the findings of this report can be found on the first pages of this report.



## Chapter 1 Rationale behind the focus on Saudi Arabia

This research focuses specifically on arms transfers to Saudi Arabia because of its involvement in the war in Yemen. The first paragraph provides background on Saudi Arabia's involvement in this war and the controversies around it. This research builds on the research published in 2015, which focused on arms transfers to 38 countries, by 15 companies. The selection of countries for the 2015 report was based on their standing in various international rankings on freedom, democracy, involvement in armed conflict, corruption, etcetera. The other paragraphs in this chapter update the score of Saudi Arabia for these rankings.

### 1.1 Saudi Arabia and the war in Yemen

In 2011, the then president of Yemen, Saleh, was forced by an uprising to cede power to his deputy, Hadi. Hadi struggled to keep Yemen under his control, and was faced by an uprising of the so-called Houthi movement, culminating in a siege of the presidential palace in January 2015. President Hadi then fled Yemen in March 2015. An international coalition led by Saudi Arabia decided to intervene, aiming to restore the government of president Hadi. The conflict also appears to reflect competition between Iran and Saudi Arabia.<sup>2</sup> The US, UK and France supported the Saudi-led coalition with logistics and intelligence.<sup>3</sup>

For this report, it is relevant to focus on the use of military equipment and its consequences for civilians in Yemen. We note the following events:

- Blockade: since early on in the war, the Saudi-led coalition has blocked access to Houthi administered areas, significantly limiting the influx of supplies such as fuel, food and medicine to these areas. In the summer of 2015, UN agencies reported over 20 million people in Yemen were in urgent need of food, water and medical aid, access to which was severely hampered by the blockade.<sup>4</sup>
- The intervention of the Saudi-led coalition is based on ground troops and a naval blockade, but relies predominantly on air strikes. UN experts stated that several air strikes appear to violate international humanitarian law. For instance, an attack on October 8 2016 hit a funeral service, killing an estimated 114 people while injuring over 600. There is significant doubt over the proportionality of this attack: whether the military target aimed for justified the number of civilian deaths which could be anticipated. Another main issue is that the first bomb was followed by a second bomb three to eight minutes after the first bomb. The UN monitors state that this second attack violated the principle in IHL that those wounded or out of combat (f.i. medical personnel) should not be targeted.<sup>5</sup>
- More elaborate documentation of a number of attacks and how these attacks appear to have violated principles of international humanitarian law can be found in reports published by Amnesty<sup>6</sup> and Human Rights Watch.<sup>7</sup>

## Box 1: Ammar<sup>8</sup>

### *Impact of the war on civilians in Yemen: Ammar*

Until the war began, life was normal for Ammar, a 44-year-old bus driver from Taiz. He was able to work and provide for his seven boys and girls, including one infant. But then a rocket hit and destroyed his bus next to his home. 'Suddenly another loud explosion happened', Ammar said. 'My family and I ran back to our house, including the baby. Where our house used to be, a column of smoke was rising to the sky. It looked like a huge chimney. The second rocket had destroyed one room and the roof, and all doors and windows were gone. I found myself like a blind man in the street. I had no bus and no house any more. The only consolation was that the second rocket didn't kill us, either by chance or the grace of Allah.' After seeking shelter at his father's home, Ammar returned to investigate what remained of his former life. A rocket had hit his neighbour's home, killing his neighbour instantly. Ammar sold all of his remaining assets and sought safety and shelter with his family in a disused health centre in Batra Taiziyah. Their savings are now almost entirely depleted. However, he does not want to travel too far to look for work because he fears for the safety of his family.

## 1.2 Saudi Arabia and investment principles related to arms trade

To operationalise 'controversial arms trade', Table 3 links seven responsible investment principles to the selection criteria used to identify controversial destinations for arms. These principles are the assessment elements used in the Fair Insurance Guide policy study.<sup>9</sup>

**Table 3 Investment principles and selection criteria**

Investment principle	Selection 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.	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 rights.	Unfree country
Supply of arms and weapon systems, military transport systems, and other military goods to countries that violate human rights, is unacceptable.	Unfree country
Supply of arms and weapon systems, military transport systems, and other military goods to conflict areas or war zones, is unacceptable.	Armed conflict
Supply of arms and weapon systems, military transport systems, and other military goods to countries that are sensitive to corruption, is unacceptable.	Corruption
Supply of arms and weapon systems, military transport systems, and other military goods to countries having a failed or fragile state, is unacceptable.	Fragile states
Supply of arms and weapon systems, military transport systems, and other military goods to countries that spend a disproportionate part of their budget on purchases of arms, is unacceptable.	Poverty and military spending

### 1.2.1 Arms embargoes

The first criterion focuses on arms embargoes by the EU or the UN. There are more organisations that issue arms embargoes. However, in this research we only focus on UN/EU embargoes, because these are considered most authoritative. Saudi Arabia is currently not under an arms embargo by the UN or EU.<sup>10</sup> The European Parliament however, called for such an embargo in February 2016.<sup>11</sup> There is parliamentary debate around arms supplies to Saudi Arabia in the UK, and there is a judicial review of these arms sales.<sup>12</sup>

It is also noteworthy that some states have become more cautious in allowing the sale of arms to Saudi Arabia.<sup>13</sup> For instance, while the Netherlands has not been willing to impose a unilateral embargo, it is restricting arms exports to Saudi Arabia. The Ministry of Foreign Affairs has indicated it considers it very unlikely that licences will be granted for exports of arms to Saudi Arabia. Additionally, the Ministry indicates it is actively using its denials of requests for such licences to put pressure on other European states to restrict arms transfers to Saudi Arabia.<sup>14</sup>

### 1.2.2 Unfree countries

The third criterion focuses on 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, on a scale from 1 to 7, are averaged. The most unfree countries scored a 6.5 or 7 on political and civil rights in the 2016 edition.<sup>15</sup> Saudi Arabia scores a 7 (both for political freedoms and civil liberties), the lowest score possible.

The Economist's Democracy Index provides a snapshot of the state of democracy worldwide for 165 independent states and two territories. This covers almost the entire population of the world and the vast majority of the world's states (micro states are excluded). The Democracy Index is based on five categories:<sup>16</sup>

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

Countries are placed within one of four types of regimes: full democracies, flawed democracies, hybrid regimes, and authoritarian regimes. Saudi Arabia is typified as an authoritarian regime, with a ranking of 159 (out of the 165 countries in the report).

### 1.2.3 Armed conflict

The third criterion indicates whether countries have been caught up in armed conflicts. Two datasets are used for the selection of countries. First the countries that have been in armed conflict in one or more years during the research period from 2015 to 2016, according to the [Uppsala Conflict Data Program](#) of the Uppsala University, were selected. At the time of writing Uppsala did not yet release the conflict data for 2016 however.

For 2015, the dataset of the UCDP program lists Saudi Arabia as involved in two conflicts: the conflict with IS, and the conflict in Yemen.<sup>17</sup> Since March 2015, Saudi Arabia has been leading a coalition in Yemen where it intervened militarily to combat the Houthis. It is well documented that the coalition forces appear to engage in human rights abuses and breaches of international humanitarian law.<sup>18</sup> Such breaches are also documented on the side of the Houthi rebels (see also section 1.1).

[The Global Peace Index](#) of Vision of Humanity, an Australian research institute, assesses the extent to which countries live in peace or are caught up in conflicts. It uses twenty two indicators for its assessments and is supported by a long list of Nobel Prize winners, politicians, academics, business people and civil society organizations. The Global Peace Index categorises the overall score into five levels of peacefulness, namely very high, high, borderline, low and very low.<sup>19</sup>

Since the launch of the original report on investments in companies involved in controversial arms trade in 2015, this Index has not been updated. Saudi Arabia scores 'medium' on the level of peacefulness, and ranks 95<sup>th</sup> (out of 162 countries).

#### **1.2.4 Corruption**

The fourth criterion focuses on the corruption level of countries. An assessment of this can be found in the [Government Defence Anti-Corruption Index](#) of Transparency International (TI). TI is an international non-profit organization that campaigns against the destructive influence corruption has on the lives of men, women and children, all over the world. The Government Defence Anti-Corruption Index is the first global analysis of corruption risk in defence establishments worldwide. The index assesses and compares levels of corruption risk and vulnerability across countries. Hereby, it placed the countries in six different categories to indicate their level of corruption risk.

The categories range from very low, low and moderate to high, very high and critical. In 2016, Saudi Arabia was listed as a country with a 'very high' risk of corruption.<sup>20</sup>

#### **1.2.5 Fragile states**

The fifth criterion emphasises the importance of establishing whether a country should be characterized as a fragile state. This index is published by Foreign Policy magazine and the Fund for Peace, an American research institute. The Fragile States Index 2016 assesses 178 states, using twelve social, economic, political and military indicators in order to indicate which states are most vulnerable to violent internal conflicts and social decline. The Index differentiates nine categories: very sustainable, sustainable, very stable, more stable, stable, elevated warning, alert, high alert and very high alert.<sup>21</sup>

For 2016, Saudi Arabia is labelled as a country for which an 'elevated warning' applies, ranking 97<sup>th</sup> out of 178 (the higher the ranking, the more stable the country).

### 1.2.6 Poverty and military spending

The sixth criterion considers military expenditure as proportion of the GDP in relation to the level of development in a country. To operationalise this criterion, we first apply a relatively high threshold of 7% of the GDP and consider that and anything above 'high military spending'.<sup>i</sup> We base this on data of the [Stockholm International Peace Research Institute](#) (SIPRI), an international research institute, which publishes the SIPRI military expenditure list.<sup>22</sup> There is no international standard to define the threshold percentage above which governments' spending on military equipment harms the sustainable development of a country. For this indicator, we only consider high military spending a problem if the 'human development' of countries is low. The United National Development Program publishes the '[Human Development Index](#)',<sup>23</sup> which we use to establish the level of human development in a country.

Saudi Arabia spent 13.7% of its GDP on its military in 2015, according to the database. Saudi Arabia however is also characterized by the UNDP Human Development report as a country with 'very high human development'.

### 1.2.7 Conclusion: Saudi Arabia and arms supplies

The 2015 report on controversial arms supplies listed 38 countries as destinations to be considered controversial destinations for arms trade. Saudi Arabia was included in that selection and a striking finding of the 2015 report was that it was the only destination which *all* the selected companies had delivered weapons to. Just before the publication of this report, SIPRI published data ranking Saudi Arabia the 2<sup>nd</sup> largest arms buyer in the world between 2012 and 2016.<sup>24</sup> For this reason and because of its involvement in the war in Yemen (see section 1.1), it merits to take a closer look at arms deals with Saudi Arabia. Therefore, this report focusses solely on arms trade with Saudi Arabia.

Additionally, based on the selection criteria to identify 'controversial arms trade' as laid out in the previous section, it is relevant to consider that Saudi Arabia meets the following criteria besides the one in 1.2.3:

- Saudi Arabia is an unfree country (1.2.2)
- Saudi Arabia is a country with very high levels of corruption (1.2.4)

Saudi Arabia is not a fragile state, though its score on the Fragile States Index indicates that the country is not entirely stable. Although Saudi Arabia spends significant proportions of its GDP on its military, it succeeds in maintaining a very high level of human development at the same time.

The overall evaluation of Saudi Arabia as arms destination provides ample ground to consider the country as a controversial destination for arms trade. The key rationale is the risk that the supplied weaponry appears to be used in a war zone (1.2.3), for alleged violations of human rights and potential war crimes/violations of international humanitarian law. Additionally, the current scores on indicators mentioned in sections 1.2.2 and 1.2.4 are reasons to consider Saudi Arabia a controversial destination for arms trade. These indicators form the basis of our conclusion, and the key rationale for this study, that arms transfers to Saudi Arabia must be considered controversial, and should be prohibited.

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<sup>i</sup> In 2015, the average military spending as percentage of the GDP was 2.1% (for all states in the database for which data is available).

## Box 2: Halima<sup>25</sup>

### *Impact of the war on civilians in Yemen: Halima and her children*

Oxfam spoke with Halima, a mother of eight children, who fled her home following intense fighting and airstrikes, which killed her husband. 'I could not see anything because of the dust. All I remember is that I was screaming the names of my kids', she said. With nowhere else to go, she fled to a camp in Amran. Before she received food vouchers from Oxfam, Halima was forced to live on whatever food or medicine people would give her. Previously the family survived on just one meal a day.

## Chapter 2 Selection of companies

This section contains an overview of the selected arms companies and arms trade with Saudi Arabia. This selection is limited to the 5 companies that have made the most recent and relevant (in terms of type of weapons and quantity of weapons) deliveries to Saudi Arabia.

Many companies were identified as involved in controversial arms trade with Saudi Arabia. However, this selection is limited to the five companies that had the most relevant transactions of arms with Saudi Arabia. Therefore, this list is not a comprehensive list of companies involved in weapons trade with Saudi Arabia. To select the companies, the following guidance was applied:

- The company has delivered arms to Saudi Arabia.
- The list is composed of publicly listed companies, because all the selected insurance groups invest in publicly traded companies. Investor information of public companies is (partially) publicly available.
- The company list consists of parent companies. If a subsidiary or joint venture is involved in controversial arms trade, the parent company is held responsible.
- If a deal is executed by a joint venture company with no majority shareholder, this is listed as additional information if the involved company/companies are already included in the study for other deliveries.
- The research focuses on arms deliveries in the period from January 2015 up until December 2016. This is because Saudi Arabia became involved in the conflict in Yemen in March 2015. Since it is not possible to establish in what months the arms deliveries were made, the scope of the research spans all arms deliveries in 2015 and 2016. It is worth noting that it takes time for arms transfers to be incorporated in databases. Possibly, a number of arms transfers taking place in 2016 are not listed in this report.
- Arms deals of which at the end of 2016 it was not yet clear whether the arms had been delivered or if the delivery is scheduled after 2016, are not taken into account. However, for companies that are selected because of a confirmed delivery within the research period, the scheduled deliveries for 2016 (and onwards) are listed as additional information, in italics.

Nine companies were identified, out of which we selected five based on the following rules:

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

The sources used to select companies include:

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

Table 4 contains the five selected companies, ranked by their position in the SIPRI list of top 100 arms-producing companies of 2015.<sup>26</sup>

**Table 4 Selection of arms companies**

<b>Company</b>	<b>Country from which the company exported the arms</b>
Lockheed Martin	United States
Boeing	United States
BAE Systems	France, Italy, South Africa, United Kingdom, United States
Raytheon	United States
General Dynamics	Canada, United States

In the following sections, in alphabetical order, short profiles of the companies and overviews of the identified weapon exports are presented. Please consider the following reading notes:

- Where orders have been placed but delivery is planned beyond 2016, the order is in *italics*.
- Some numbers are between brackets. This means that while the delivery / order is confirmed, the exact number or, if the year is between brackets, the year, is uncertain.
- In some cases, the order is confirmed, but the year of delivery is not yet set (as opposed to not yet confirmed. In this case, the tables will use 'TBD' (to be determined) to indicate this.
- It was not possible to retrieve the value of the arms transfer in all cases. Where the value could not be established, the tables will use 'n/a' to indicate this.

### **2.1.1 BAE Systems (United Kingdom)**

BAE Systems, with headquarters in the United Kingdom, is a defence, security and aerospace company. The company's main divisions are Electronic Systems, Intelligence & Security, Land & Armaments, Maritime, Military, Air & Services and Support Solutions.<sup>27</sup>

In the financial year ending 31 December 2015, BAE Systems reported revenues of £17.9 billion (€ 21.3 billion), resulting in an operating profit of £1.5 billion (€1.8 billion) and a net profit of £176 million (€ 211 million).<sup>28</sup> According to the SIPRI list of top 100 arms-producing companies of 2015, BAE Systems ranked third with total arms sales of US\$25.5 billion (€ 24.6 billion), accounting for 93% of its total sales that year.<sup>29</sup>

MBDA<sup>30</sup> and FNSS<sup>31</sup> are joint ventures of BAE Systems with another party. MBDA is owned for 37,5% by BAE systems, FNSS for 49%.

The involvement of BAE Systems in arms deals with Saudi Arabia is summarized in Table 5. The table lists the arms deals that took place between January 2015 and December 2016, which are the focus of this research.

**Table 5 Controversial arms deals BAE Systems**

Manufacturing company	Importing country	Weapon class	Quantity/weapon	Year of (anticipated) delivery	Value (US\$ mln)	Source
BAE Systems	Saudi Arabia	Aircraft	(22) Hawk Advanced Jet Trainers	(2016)	n/a	32
MBDA	Saudi Arabia	Cruise missiles	(100) Storm Shadow/SCALP ASM	(2016/2017)	n/a	33
BAE Systems	Saudi Arabia	Fighter aircraft	10 Typhoon Block-20 <sup>ii</sup>	2015	n/a	34
FNSS	Saudi Arabia	Armoured personnel carriers (APC)	(320) M-113A300	2013-2015	n/a	35
MBDA	Saudi Arabia	Air defence missiles	(800) Mistral	2013-2015	n/a	36
MBDA	Saudi Arabia	Air defence vehicles	(49) MPCV's	2013-2015	n/a	37

### 2.1.2 Boeing (United States)

Boeing, based in the United States, is an aerospace company and manufacturer of commercial jetliners and military aircraft combined. Additionally, Boeing designs and manufactures rotorcraft, electronic and defence systems, missiles, satellites, launch vehicles and advanced information and communication systems. It also provides numerous military and commercial airline support services.<sup>38</sup>

In the financial year 2015, Boeing reported revenues of US\$96.1 billion (€ 62.9 billion), resulting in a net profit of US\$5.2 billion (€ 5 billion).<sup>39</sup> According to the SIPRI list of top 100 arms-producing companies of 2015, Boeing ranked second with total arms sales of US\$27.9 billion (€ 26.8 billion), accounting for 29% of its total sales that year.<sup>40</sup>

The involvement of Boeing in arms deals with Saudi Arabia is summarized in Table 6. The table lists the arms deals that took place between January 2015 and December 2016, which are the focus of this research.

<sup>ii</sup> This transaction is part of the 'Salam' deals. Currently, negotiations are underway for another order of 48 of these fighters, see for instance: <http://www.bbc.com/news/business-37575599>.

**Table 6 Controversial arms deals Boeing (2015-2016)**

Manufacturing company	Importing country	Weapon class	Quantity/weapon	Year of (anticipated) delivery	Value (US\$ mln)	Source
Boeing	Saudi Arabia	Fighter aircraft	(84) F-15 <sup>iii</sup>	(2015-2019)	29,400 <sup>iv</sup>	41
Boeing	Saudi Arabia	Attack helicopters	(31) AH-64D/E Apache <sup>v</sup>	2014-2015	n/a	42
Boeing	Saudi Arabia	Attack helicopters	(24) AH 6i Little bird	2016	n/a	43
Boeing	Saudi Arabia	Anti Ship Missiles	(20) RGM-84L Harpoon-2	2015	n/a	44
<i>Boeing</i>	<i>Saudi Arabia</i>	<i>Transport helicopters</i>	<i>(48) CH-47F</i>	<i>TBD</i>	<i>3,510</i>	<i>45</i>

### 2.1.3 General Dynamics (United States)

General Dynamics, based in the United States, provides business aviation, land combat systems, armaments and munitions, shipbuilding and marine systems, and information systems and technology.<sup>46</sup>

In the financial year ending 31 December 2015, General Dynamics reported revenues of US\$ 31.5 billion (€ 30.3 billion), resulting in an operating profit of US\$ 4.1 billion (€ 3.9 billion) and a net profit of US\$ 2.9 billion (€ 2.8 billion).<sup>47</sup> According to the SIPRI list of top 100 arms-producing companies of 2015, General Dynamics ranked sixth with total arms sales of US\$ 19.2 billion (€ 18.5 billion), accounting for 61% of its total sales that year.<sup>48</sup>

The involvement of General Dynamics in arms deals with Saudi Arabia is summarized in Table 7. The table lists the arms deals that took place between January 2015 and December 2016, which are the focus of this research. The deals relevant for this research take place through the Canadian subsidiary of General Dynamics.

<sup>iii</sup> Another 70 F-15S fighters already operated by the Royal Saudi Air Force will be upgraded to the SA configuration.

<sup>iv</sup> This is part of a 29billion USD deal

<sup>v</sup> Implementation of this proposed sale requires the assignment of approximately 900 contractor representatives and 30 U.S. Government personnel on a full time basis in Saudi Arabia for a period of 15 years.

**Table 7 Controversial arms deals General Dynamics**

Manufacturing company	Importing country	Weapon class	Quantity/weapon	Year of (anticipated) delivery	Value (US\$ mln)	Source
General Dynamics Land Systems	Saudi Arabia	Armored Personnel Carrier (APC)	(724) Piranha APCs	2011-2015	2,200	49
General Dynamics Land Systems	Saudi Arabia	Armored Personnel Carrier (APC)	Piranha-5	2016 <sup>vi</sup>	10,000	50

#### 2.1.4 Lockheed Martin (United States)

Lockheed Martin, based in the United States, produces military aircraft and space systems, missiles and military electronics.<sup>51</sup>

In the financial year ending 31 December 2015, Lockheed Martin reported revenues of US\$ 46.1 billion (€ 44.2 billion), resulting in an operating profit of US\$ 5.4 billion (€ 5.1 billion) and a net profit of US\$ 3.6 billion (€ 3.4 billion).<sup>52</sup> According to the SIPRI list of top 100 arms-producing companies of 2015, Lockheed Martin ranked first with total arms sales of US\$ 36.4 billion (€ 34.9 billion), accounting for 79% of its total sales that year.<sup>53</sup> Sikorsky is part of Lockheed Martin; it was acquired in 2015.<sup>54</sup>

The involvement of Lockheed Martin in arms deals with Saudi Arabia is summarized in Table 8. The table lists the arms deals that took place between January 2015 and December 2016, which are the focus of this research.

**Table 8 Controversial arms deals Lockheed Martin**

Manufacturing company	Importing country	Weapon class	Quantity/weapon	Year of (anticipated) delivery	Value (US\$ mln)	Source
Lockheed Martin	Saudi Arabia	Air defence system	(8) Patriot PAC-3	2014-2015	1.700	55
Lockheed Martin	Saudi Arabia	Helicopters	(24) UH-60L Blackhawk	2014-2015	n/a	56
Sikorsky	Saudi Arabia	ASW Helicopters	(10) MH-60R Seahawks	2018-2019	n/a	57

#### 2.1.5 Raytheon (United States)

Raytheon, based in the United States, is an industrial corporation with core manufacturing concentrations in weapons and military electronics.<sup>58</sup>

<sup>vi</sup> The number for this order is not specified, only the value. Sources confirm that the deal was concluded and the export permits for the first deliveries have been granted. Specific deliveries have however not yet been confirmed. Because the number cannot be specified, there could also be overlap with the (confirmed) order first listed in this table.

In the financial year ending 31 December 2015, Raytheon reported revenues of US\$ 23.2 billion (€ 22.2 billion), resulting in an operating profit of US\$ 3.0 billion (€ 2.9 billion) and a net profit of US\$ 2.0 billion (€ 1.5 billion).<sup>59</sup> According to the SIPRI list of top 100 arms-producing companies of 2015, Raytheon ranked fourth with total arms sales of US\$ 21.8 billion (€ 20.8 billion), accounting for 94% of its total sales that year.<sup>60</sup>

The involvement of Raytheon in arms deals with Saudi Arabia is summarized in Table 9. The table lists the arms deals that took place between January 2015 and December 2016, which are the focus of this research.

**Table 9 Controversial arms deals Raytheon**

<b>Manufacturing company</b>	<b>Importing country</b>	<b>Weapon class</b>	<b>Quantity/weapon</b>	<b>Year of (anticipated) delivery</b>	<b>Value (US\$ mln)</b>	<b>Source</b>
Raytheon	Saudi Arabia	Bombs	(2400) Paveway guided bomb <sup>vii</sup>	(2015)	250	61
Raytheon	Saudi Arabia	Missiles	(200) AIM-9X Sidewinder	2012-2015		62
Raytheon	Saudi Arabia	Missiles	(1640) BGM-71F TOW-2B	2015	n/a	63
Raytheon	Saudi Arabia	Missiles	(3500) BGM-71 TOW	2015-2017	n/a	64

<sup>vii</sup> SIPRI: Paveway-4 version; for Typhoon and modernized Tornado combat aircraft.

### Chapter 3 Methodology financial research

Insurance companies are portfolio investors that purchase securities on secondary markets, rather than financiers. Therefore this study has examined bond- and shareholdings of the selected insurers in the selected companies that are involved in controversial arms trade. The data was obtained from the Thomson Eikon database and represents the state of affairs at the most recent filing dates. These filing dates are listed in the tables listing the investments. After processing, this information was sent to each insurance company with a request for comments or corrections. Where applicable the responses were considered and included in the final report.

Following standard practice at the Fair Insurance Guide, the investigation focused on the group level of the insurers, not individual subsidiaries. Vivat Verzekeringen, which was bought by Chinese insurance group Anbang in 2015, is the sole exception to this rule. Because of Vivat's role as a sustainability champion among Dutch insurers, the Fair Insurance Guide has up to now evaluated investment policy and practice of Vivat, and not of its owner Anbang.

## Chapter 4 Investments by insurers in companies involved in controversial arms trade

This chapter presents the results of the main investigation. Shareholdings and bond holdings are presented by insurance company, but in separate tables, which also includes information about which subsidiary of the respective group manages a particular investment and, in the case of bonds, in which fund it is held. A visually more convenient overview and evaluation of these results that puts them into the context of the 2015 “Controversial Arms Trade” study can be found in chapter 5.

This chapter makes comparisons between the investments found in this report and the investments found in the 2015 study. As the 2015 study included more companies, the comparison takes this into account and compares the investments for the same five companies.

### 4.1 Achmea, ASR, Delta Lloyd and Vivat

The research found that the following insurers do not own bonds or shares in any of the five selected arms manufacturers during the research period.

- Achmea
- ASR
- Delta Lloyd
- Vivat

Upon our request, all four confirmed these findings. Two insurers, Achmea and ASR responded to the findings, which are included here below.

On 23 December 2016, NN Group and Delta Lloyd formally announced that they had reached an agreement for a take-over of Delta Lloyd by NN.<sup>65</sup> This deal needs to be approved by the relevant public authorities, but if it goes through, as is likely, it is worth keeping in mind that Delta Lloyd will then be part of a group that does invest in controversial arms manufacturers.

On 24 November 2016, Legal and General Nederland announced that the English company Chesnara plc. is preparing to buy all shares of Legal and General Nederland from its current owner, Legal and General Group plc. For the timeframe used in this report, this acquisition had not yet materialized, and was pending approval by the relevant authorities. The implications for this research are discussed below, under ‘Legal and General’.

All insurance companies in this research were asked whether they were currently considering a policy to avoid becoming involved in controversial arms trade. Their reactions are copied below the results of the research. Directly below, the four reactions of the insurers for which no financial links were found are copied.

#### 4.1.1 Reaction Achmea

“Hereby we can confirm that since the expansion of our Weapons engagement guideline –see Engagement Guidelines, #6 ‘Military activities and weapons’, no further changes have been made on this guideline.

The combination of excluding companies producing controversial and/or nuclear weapons and this guideline, prevents Achmea to a reasonable degree that it is not involved with or becoming engaged in companies that have relations with controversial arms trade.”

#### 4.1.2 Reaction ASR

“Hereby the confirmation that our current policy on controversial arms trade is the one published in the a.s.r. corporate website <http://asrneland.nl/duurzaam-ondernemen/beleggen/duurzaam-beleggingsbeleid>

The 5 identified companies in the new case study are screened by a.s.r. and currently excluded of our investment universe due to their involvement in armament.

You can see the full exclusion list in our corporate website <http://asrneland.nl/media/2301/excluded-companies-publication-h2-2016.pdf>”

#### 4.1.3 Reaction Delta Lloyd

“In 2016 Delta Lloyd decided to elaborate its policy on arms, and we are glad to see that this had sorted the desired effect. Delta Lloyd would like to take this even further. A good example is our recently introduced ESG Fund (Delta Lloyd Sustainable Equity Global). A passive, worldwide fund of shares of over 2 billion EUR which we have submitted to even stronger criteria, and a Best in Class policy. With this, we want to encourage companies to do even more for people, environment and society in general. The policy we have introduced now serves as an example for our other funds. Exclusion only policies will not be sufficient, and we aim to speed up a sustainable transition. We reward companies which are ready to contribute to this transition and step away from companies which do not take this step.”

#### 4.1.4 Reaction Vivat

“VIVAT applies an extensive weapons policy which does not only prohibit investment in companies that are involved with controversial weapons, but also the sale of firearms to consumers. VIVAT also has an exclusion policy for companies involved in controversial weapon trade. VIVAT defines controversial weapon trade as “the trade of conventional weapons, including the provision of related services, with countries and non-state actors subject to United Nations Security Council, or the Council of the European Union arms embargoes”. If it comes to our knowledge that companies are involved in such controversial weapons trade, they will be excluded from investment by ACTIAM, VIVAT’s asset manager. We are glad to say that all companies researched by this Fair Finance Guide case study are excluded from investment by ACTIAM.

In 2016, ACTIAM also updated its investment policy for government bonds to exclude all government bonds issued by states on the aforementioned arms embargo lists.”

#### 4.1.5 Response Fair Insurance Guide to ASR, Achmea, Delta Lloyd and Vivat

The Fair Insurance Guide is glad to learn that ASR and Achmea, the two insurers for which the 2015 report did not find investments in companies involved in controversial arms trade, have continued not investing in these companies. Though the scope of this research is slightly different, it is clear that Delta Lloyd no longer invests in Boeing and Lockheed Martin, in which it did invest in the research period of the 2015 study. We cannot at this point draw conclusions about the other 4 companies Delta Lloyd held minor bonds or shares in, in 2015. Given its recent history, a comparison between the 2015 finding and this report cannot be made for Vivat. It is nonetheless encouraging to learn Vivat does not invest in any of the companies selected for this research.

As a general remark, the Fair Insurance Guide would like to point out the following: some exclusion policies on controversial weapons lead to an investment policy which in practice also excludes companies involved in controversial arms trade. It is however important to develop a separate policy on controversial arms trade, for two reasons:

- This sends a clear signal to the companies involved, that controversial arms trade is considered cause for (strong engagement or) exclusion
- Companies could, and hopefully will, end production of controversial weapons. If that happens, investors should be aware of other activities such companies are involved in with similar risks.

Though these four insurers are not involved with any of the five selected companies, the Fair Insurance Guide concluded in its study of responsible investment policies that only ASR actually has extensive policies avoiding investments in controversial arms trade. Achmea, Vivat Verzekeringen and Delta Lloyd are strongly recommended to formulate explicit policies on this issue as well.

## 4.2 Aegon

Aegon remains at roughly the same elevated level of exposure to arms manufacturers as in the 2015 report,<sup>66</sup> albeit with some ups and downs in individual investments. For example, Aegon held € 1 million worth of bonds in Lockheed Martin in 2015. Now it holds € 67.7 million. Otherwise, however, Aegon's exposure remains fundamentally unchanged.

**Table 10 Aegon's shareholdings in selected companies involved in controversial arms trade (€ mln, most recent filing date)**

Group	Asset manager	Asset manager country	Filing date	No. of shares held	% of shares outstanding	Value of shareholding
BAE Systems	AEGON Investment Management B.V.	Netherlands	14-10-2016	579,497	0.02	4
	Kames Capital	United Kingdom	01-12-2016	10,357,784	0.33	71
<i>BAE Systems Total</i>				<i>10,937,281</i>	<i>0.35</i>	<i>74</i>
Boeing	AEGON Investment Management B.V.	Netherlands	30-04-2016	132,483	0.02	16
General Dynamics	Transamerica Financial Advisors, Inc.	United States	30-09-2016	6	0.00	0
Lockheed Martin	AEGON Investment Management B.V.	Netherlands	30-04-2016	59,882	0.02	12
	Kames Capital	United Kingdom	30-09-2016	287,385	0.10	61
	Transamerica Financial Advisors, Inc.	United States	30-09-2016	19,444	0.01	4
<i>Lockheed Martin Total</i>				<i>366,711</i>	<i>0.13</i>	<i>78</i>
Raytheon	AEGON Investment Management B.V.	Netherlands	30-04-2016	64,113	0.02	7
<b>Total</b>						<b>175</b>

Source: Thomson EIKON (January 2017), "Shareholdings of: Aegon".

**Table 11 Aegon’s bond holdings in selected companies involved in controversial arms trade (€ mln, most recent filing date)**

Group	Asset manager	Asset manager country	Fund	Filing date	Value of bondholding
BAE Systems	AEGON USA Investment Management LLC	United States	Transamerica Financial Life Insurance Co S/A	31-12-2015	0.8
			Transamerica Life Insurance Co	30-06-2016	17.1
	Kames Capital	United Kingdom	Kames Investment Grade Bond B Acc	31-10-2016	3.7
			Kames Sterling Corporate Bond Acc B	31-10-2016	1.9
			Scottish Equitable Distribution-Life	31-10-2016	0.6
			Scottish Equitable Life Fund - Fixed Interest	31-10-2016	0.0
			Scottish Equitable Pension Fund -Distribution Fund	31-10-2016	3.0
<i>BAE Systems Total</i>					27.2
Boeing	AEGON USA Investment Management LLC	United States	Monumental Life Insurance Co	30-06-2016	29.2
			Physicians Reciprocal Insurers (Co-managed)	30-06-2016	0.6
			Stonebridge Life Insurance Co	30-09-2015	4.5
			Transamerica Financial Life Insurance Co	30-06-2016	0.5
			Transamerica Life Insurance Co	30-06-2016	64.0
			Transamerica Life Insurance Co S/A	31-12-2015	3.9
<i>Boeing Total</i>					102.6
Lockheed Martin	AEGON USA Investment Management LLC	United States	Monumental Life Insurance Co	30-06-2016	23.1
			Physicians Reciprocal Insurers (Co-managed)	30-06-2016	0.2
			Transamerica Financial Life Insurance Co	30-06-2016	3.0

Group	Asset manager	Asset manager country	Fund	Filing date	Value of bondholding
	Transamerica Capital, Inc.	United States	Transamerica Financial Life Insurance Co S/A	31-12-2015	1.2
			Transamerica Life Insurance Co	30-06-2016	37.4
			Transamerica Life Insurance Co S/A	31-12-2015	2.6
			Transamerica Voya Limited Maturity Bond VP (Aggrgtd)	30-09-2016	0.2
<i>Lockheed Martin Total</i>					67.7
Raytheon	AEGON USA Investment Management LLC	United States	Monumental Life Insurance Co	30-06-2016	19.2
			Transamerica Casualty Insurance Co	30-06-2016	1.8
			Transamerica Life Insurance Co	30-06-2016	11.9
<i>Raytheon Total</i>					32.9
<b>Total</b>					<b>230.4</b>

Source: Thomson EIKON (January 2017), "Bondholdings of: Aegon".

#### 4.2.1 Reaction Aegon

"Aegon has been exploring how it can make the most impact in as far as much companies can produce weapons in a responsible way since Aegon developed its Responsible Investment Policy in 2011. After hosting a roundtable on this subject last year with industry, government and civil society organizations we have come to the conclusion that it is beyond the influence or control of defence companies to determine whether their products are exported and is an area where neither Aegon's exclusion policy or engagement programme could have a meaningful impact.

As such, Aegon's exclusion policy for controversial weapons includes one of the five companies you mention, General Dynamics (Our latest exclusions list is available [here](#)). At this stage, the other four companies do not meet our criteria.

Where you note the shareholdings in General Dynamics, at this time Aegon's exclusion policy covers its own assets and those of third parties based in the Netherlands. The shares you have identified are held in a mutual fund for external clients outside of the Netherlands and are thus out of scope of the policy."

## 4.2.2 Response Fair Insurance Guide to Aegon

The Fair Insurance Guide appreciates that Aegon responded to the findings of this study, and acknowledges the work that has been invested to deepen knowledge on this issue. We do however disagree with the conclusions Aegon has drawn. The arms sales listed in this report are sales the companies very much have a say in. While governments can prohibit arms exports, it is up to the company to decide with whom it signs sales contracts. As investor in these companies, Aegon should point out to these companies that their sales of weapons to Saudi Arabia is unacceptable. Besides, it is up to insurance companies and investors in general to set responsible investment policies, they are the investors in these companies, and should choose not to invest in them based on their own values.

The second point raised by Aegon concerns the scope of policies: it is the position of the Fair Insurance Guide that responsible investment policies should apply to all investments of the company, be it in the Netherlands or abroad.

## 4.3 Allianz

Together with the Legal & General Group, Allianz is by far the largest investor in companies involved with controversial arms trade among those investigated in this study.

**Table 12 Allianz' shareholdings in selected companies involved in controversial arms trade (€ mln, most recent filing date)**

Group	Asset manager	Asset manager country	Filing date	No. of shares held	% of shares outstanding	Value of shareholding
BAE Systems	Allianz Global Investors GmbH	Germany	01-12-2016	4,020,181	0.13	28
	Allianz Invest Kapitalanlagegesellschaft mbH	Austria	30-09-2016	100,000	0.00	1
	Allianz Popular Asset Management, SGIIC, S.A.	Spain	30-06-2016	208,137	0.01	1
	Investitori SGR S.p.A.	Italy	30-09-2016	10,000	0.00	0
	NFJ Investment Group LLC	United States	14-10-2016	2,064,422	0.07	28
	NFJ Investment Group LLC	United States	31-10-2016	635,050	0.08	2
	PIMCO (US)	United States	30-09-2016	268,699	0.01	7
	PTE Allianz Polska S.A.	Poland	14-10-2016	1,100,000	0.03	66
<i>BAE Systems Total</i>				<i>8,406,489</i>	<i>0.33</i>	66
Boeing	Allianz Global Investors Asia Pacific Limited	Hong Kong	31-12-2015	6,550	0.00	1
	Allianz Global Investors GmbH	Germany	30-09-2016	626	0.00	0
	Allianz Global Investors Taiwan Ltd.	Taiwan	30-09-2016	587	0.00	0

Group	Asset manager	Asset manager country	Filing date	No. of shares held	% of shares outstanding	Value of shareholding
	Allianz Global Investors U.S. LLC	United States	30-09-2016	943,961	0.15	111
	Investitori SGR S.p.A.	Italy	30-09-2016	1,800	0.00	0
	PIMCO (US)	United States	30-09-2016	62,637	0.01	7
	PTE Allianz Polska S.A.	Poland	31-12-2015	38,580	0.01	5
<i>Boeing Total</i>				<i>1,054,741</i>	<i>0.17</i>	124
General Dynamics	Allianz Global Investors U.S. LLC	United States	30-09-2016	238,597	0.08	33
	NFJ Investment Group LLC	United States	30-09-2016	1,061,361	0.35	147
<i>General Dynamics Total</i>				<i>1,299,958</i>	<i>0.43</i>	180
Lockheed Martin	Allianz Global Investors Asia Pacific Limited	Hong Kong	30-09-2016	268,549	0.09	57
	Allianz Global Investors GmbH	Germany	30-09-2016	1,900	0.00	0
	Allianz Global Investors U.S. LLC	United States	30-09-2016	252,117	0.09	54
	PIMCO (US)	United States	30-09-2016	27,143	0.01	6
<i>Lockheed Martin Total</i>				<i>549,709</i>	<i>0.19</i>	117
Raytheon	Allianz Global Investors GmbH	Germany	30-09-2016	134,211	0.05	16
	Allianz Global Investors U.S. LLC	United States	30-09-2016	36,371	0.01	4
	Investitori SGR S.p.A.	Italy	30-09-2016	1,300	0.00	0
	NFJ Investment Group LLC	United States	30-09-2016	54,505	0.02	7
	PIMCO (US)	United States	30-09-2016	9,254	0.00	1
<i>Raytheon Total</i>				<i>235,641</i>	<i>0.08</i>	29
<b>Total</b>						<b>515</b>

Source: Thomson EIKON (January 2017), "Shareholdings of: Allianz".

**Table 13 Allianz' bond holdings in selected companies involved in controversial arms trade  
(€ mln, most recent filing date)**

Group	Asset manager	Asset manager country	Fund	Filing date	Value of bondholding
BAE Systems	Allianz of America, Inc	United States	Allianz Life Insurance Co of North America (Co-managed)	30-06-2016	35.9
	CO-MANAGED	United States	Allianz Life Insurance Co of North America (Aggrgtd)	30-06-2016	71.8
	PIMCO (US)	United States	Advanced Series PIMCO Total Return Bond Portfolio	30-06-2016	0.7
			Allianz Life Insurance Co of North America (Co-managed)	30-06-2016	35.9
			Auto Club Life Insurance Company (Co-managed)	30-06-2016	0.2
			Automobile Club of Southern California Life Insurance Co (Co	30-06-2016	0.4
			BCBS of Mass HMO Blue Inc (Co-managed)	30-06-2016	0.0
			Blue Cross & Blue Shield of Kansas Inc (Co-managed)	30-06-2016	0.5
			Blue Cross & Blue Shield of MA (Co-managed)	30-06-2016	0.0
			Blue Cross & Blue Shield of North Carolina (Co-managed)	30-06-2016	0.3
			EQ Multimanager Core Bond Portfolio	30-09-2016	0.0
			Guardian Life Insurance Co of America	30-06-2016	15.3
			Mercer Core Opportunistic Fixed Income Fund	31-12-2015	0.7
			Pacific Life Insurance Co (Co-managed)	30-06-2016	33.7
			PIMCO Select UK Corporate Bond GBP	31-03-2016	0.1
SunAmerica Total Return Bond Portfolio	31-08-2016	2.2			

Group	Asset manager	Asset manager country	Fund	Filing date	Value of bondholding
<i>BAE Systems Total</i>					197.7
Boeing	Allianz Global Investors U.S. LLC	United States	Advanced Srs RCM World Trends Portfolio	30-09-2016	2.7
	Allianz of America, Inc	United States	Allianz Life Insurance Co of New York	30-06-2016	1.8
			Allianz Life Insurance Co of North America (Co-managed)	30-06-2016	50.8
	CO-MANAGED	United States	Allianz Life Insurance Co of North America (Aggrgtd)	30-06-2016	101.6
	PIMCO (US)	United States	ACE American Insurance Company (Co-managed)	30-06-2016	0.5
			ACE Property & Casualty Insurance Co (Co-managed)	30-06-2016	0.5
			Advanced Series PIMCO Total Return Bond Portfolio	30-06-2016	0.2
			Allianz Life Insurance Co of North America (Co-managed)	30-06-2016	50.8
			Allianz Life Insurance Co of North America S/A	31-12-2015	1.8
			Auto Club Life Insurance Company (Co-managed)	30-06-2016	0.5
			Automobile Club of Southern California Life Insurance Co (Co	30-06-2016	0.4
			BCBS of Mass HMO Blue Inc (Co-managed)	30-06-2016	0.1
			Blue Cross & Blue Shield of Kansas Inc (Co-managed)	30-06-2016	0.3
			Blue Cross & Blue Shield of MA (Co-managed)	30-06-2016	0.1
	Blue Cross & Blue Shield of North Carolina (Co-managed)	30-06-2016	1.4		

Group	Asset manager	Asset manager country	Fund	Filing date	Value of bondholding
			Building Industry Insurance Assoc Inc (Co-managed)	30-06-2016	0.0
			EQ Multimanager Core Bond Portfolio	30-09-2016	0.0
			Guardian Life Insurance Co of America	30-06-2016	9.9
			GuideStone Medium-Duration Bond Fund (Co-managed)	30-06-2016	0.1
			HMO Louisiana Inc (Co-managed)	30-06-2016	0.0
			Louisiana Health Service & Indemnity Co (Co-managed)	30-06-2016	0.0
			Pacific Life Insurance Co (Co-managed)	30-06-2016	9.7
			PF Managed Bond Fund	30-09-2016	0.6
			QCC Insurance Co (Co-managed)	30-06-2016	0.0
			Russell Strategic Bond Fund (Co-managed)	30-09-2016	0.1
<i>Boeing Total</i>					233.9
General Dynamics	PIMCO (US)	United States	BCBS of Mass HMO Blue Inc (Co-managed)	30-06-2016	0.1
			Blue Cross & Blue Shield of MA (Co-managed)	30-06-2016	0.1
			Blue Cross & Blue Shield of Minnesota (Co-managed)	30-06-2016	0.3
			EQ Multimanager Core Bond Portfolio	30-09-2016	0.0
			Navigators Insurance Co (Co-managed)	30-06-2016	0.7
<i>General Dynamics Total</i>					1.2
Lockheed Martin	PIMCO (US)	United States	ACE American Insurance Company (Co-managed)	30-06-2016	0.9
			ACE Property & Casualty Insurance Co (Co-managed)	30-06-2016	0.1

Group	Asset manager	Asset manager country	Fund	Filing date	Value of bondholding
			Advanced Series PIMCO Total Return Bond Portfolio	30-06-2016	1.8
			Alliance Health & Life Insurance Co (Co-managed)	30-06-2016	0.0
			Auto Club Life Insurance Company (Co-managed)	30-06-2016	0.5
			Automobile Club of Southern California Life Insurance Co (Co	30-06-2016	0.8
			BCBS of Mass HMO Blue Inc (Co-managed)	30-06-2016	0.0
			Blue Cross & Blue Shield of Minnesota (Co-managed)	30-06-2016	0.2
			Blue Cross & Blue Shield of North Carolina (Co-managed)	30-06-2016	0.8
			Building Industry Insurance Assoc Inc (Co-managed)	30-06-2016	0.0
			EQ Multimanager Core Bond Portfolio	30-09-2016	0.1
			First Priority Life Insurance Co. (Co-managed)	30-06-2016	0.0
			Guardian Life Insurance Co of America	30-06-2016	44.8
			GuideStone Low-Duration Bond Fund (Co-managed)	30-06-2016	0.0
			GuideStone Medium-Duration Bond Fund (Co-managed)	30-06-2016	0.4
			Harbor Bond Fund	30-06-2016	5.4
			Healthwise	30-06-2016	0.1
			HMO Louisiana Inc (Co-managed)	30-06-2016	0.0
			JNL/PIMCO Credit Income Fund	30-06-2016	0.3

Group	Asset manager	Asset manager country	Fund	Filing date	Value of bondholding
			Louisiana Health Service & Indemnity Co (Co-managed)	30-06-2016	0.0
			Optimum Fixed Income Fund (Co-managed)	30-09-2016	0.8
			PACE Strategic Fixed Income Investments	30-04-2016	2.1
			Pacific Life Insurance Co (Co-managed)	30-06-2016	42.2
			Pacific Life Insurance Co S/A (Co-managed)	31-12-2015	0.6
			PF Managed Bond Fund	30-09-2016	0.5
			PIMCO Investment Grade Corporate Bond Fund	30-06-2016	0.0
			PIMCO Investment Grade Corporate Bond Index Exchange-Traded	31-10-2016	2.4
			PIMCO Long-Term Credit Fund	30-06-2016	7.8
			PIMCO Total Return Fund II	30-06-2016	2.3
			PIMCO Total Return Fund IV	30-06-2016	1.4
			QCC Insurance Co (Co-managed)	30-06-2016	0.0
			Russell Investment Grade Bond Fund (Co-managed)	31-08-2016	0.3
			Russell Short Duration Bond Fund (Co-managed)	30-09-2016	0.2
			Russell Strategic Bond Fund (Co-managed)	30-09-2016	0.3
			SunAmerica Total Return Bond Portfolio	31-08-2016	0.5
			SunAmerica VCP Total Return Balanced Port	30-09-2016	0.0
			Transamerica PIMCO Tactical - Balanced VP	30-06-2016	0.0

Group	Asset manager	Asset manager country	Fund	Filing date	Value of bondholding
			Transamerica PIMCO Tactical - Conservative VP	30-06-2016	0.0
			Transamerica PIMCO Tactical - Growth VP	30-06-2016	0.0
<i>Lockheed Martin Total</i>					117.7
Raytheon	Allianz of America, Inc	United States	Allianz Life Insurance Co of New York	30-06-2016	0.4
			Allianz Life Insurance Co of North America (Co-managed)	30-06-2016	34.6
	CO-MANAGED	United States	Allianz Life Insurance Co of North America (Aggrgtd)	30-06-2016	69.1
	PIMCO (US)	United States	ACE American Insurance Company (Co-managed)	30-06-2016	0.6
			Allianz Life Insurance Co of North America (Co-managed)	30-06-2016	34.6
			Allianz Life Insurance Co of North America S/A	31-12-2015	0.9
			Auto Club Life Insurance Company (Co-managed)	30-06-2016	0.3
			BCBS of Mass HMO Blue Inc (Co-managed)	30-06-2016	0.0
			Blue Cross & Blue Shield of MA (Co-managed)	30-06-2016	0.0
			EQ Multimanager Core Bond Portfolio	30-09-2016	0.0
			Guardian Life Insurance Co of America	30-06-2016	25.7
			GuideStone Medium-Duration Bond Fund (Co-managed)	30-06-2016	0.1
			HMO Louisiana Inc (Co-managed)	30-06-2016	0.0
			Louisiana Health Service & Indemnity Co (Co-managed)	30-06-2016	0.0
			Pacific Life Insurance Co (Co-managed)	30-06-2016	5.3

Group	Asset manager	Asset manager country	Fund	Filing date	Value of bondholding
			PF Managed Bond Fund	30-09-2016	0.1
			SunAmerica Total Return Bond Portfolio	31-08-2016	0.2
<i>Raytheon Total</i>					171.8
<b>Total</b>					<b>722.4</b>

Source: Thomson EIKON (January 2017), "Bondholdings of: Allianz".

#### 4.3.1 Reaction Allianz

"Via this link you will find our ESG Framework which was introduced in July 2016 for Allianz' investments (and insurance business).

[https://www.allianz.com/v\\_1467708774000/media/responsibility/documents/Allianz\\_ESG\\_Integration\\_Framework\\_2016.pdf](https://www.allianz.com/v_1467708774000/media/responsibility/documents/Allianz_ESG_Integration_Framework_2016.pdf)

For your research I think the relevant sections are 3.4.6, 3.5 and 3.6.1.

Investments made on behalf of third party mandates are governed by the client, limited by law and regulation and if applicable by the client's own ESG framework.

Timewise we have not looked in detail to the specific holdings in stocks and bonds. This is the result of the focused approach towards ESG surveys who have to make choices given the amount of worldwide requests. This was also explained in talks with Fair Insurance Guide and Amnesty last year."

#### 4.3.2 Response Fair Insurance Guide to Allianz

The Fair Insurance Guide thanks Allianz for the response. Interestingly, Allianz has a policy on insurance services for transport of weapons to conflict zones. We ask Allianz to take measures to extend the scope of this policy beyond insurance, to include limitations on investments in companies involved in such activities.

Currently, the sections of its Integration Framework Allianz refers to in its response contain no prohibitions regarding investments in companies involved in controversial arms trade. Allianz' score on this issue in the last Fair Insurance Guide policy update also showed no policies exist to prevent involvement with such companies. We encourage Allianz to develop policy on this issue.

#### 4.4 APG

In 2015, APG did not own any bonds in the five arms manufacturers selected for this research, and this continues to be the case.<sup>67</sup> The overall size of its share portfolio in regard to the five selected companies active in controversial arms trade has not changed much, but there is considerable change on the level of individual shares. APG has cut its exposure to BAE by more than 50%, from 9.8 million shares in 2015 to about 4.1 million now. On the other hand, shareholdings in Raytheon have increased from 554,575 (#) in the 2015 report to 907,020 (#).

**Table 14 APG's shareholdings in selected companies involved in controversial arms trade (€ mln, most recent filing date)**

Group	Asset manager	Asset manager country	Filing date	No. of shares held	% of shares outstanding	Value of shareholding
BAE Systems	APG Asset Management	Netherlands	14-09-2016	4,136,689	0.13	25
Boeing	APG Asset Management	Netherlands	30-09-2016	1,033,427	0.17	121
General Dynamics	APG Asset Management	Netherlands	30-09-2016	737,345	0.24	102
Lockheed Martin	APG Asset Management	Netherlands	30-09-2016	476,672	0.16	102
Raytheon	APG Asset Management	Netherlands	30-09-2016	907,020	0.31	110
<b>Total</b>						<b>460</b>

Source: Thomson EIKON (January 2017), "Shareholdings of: APG".

By way of feedback to our investigation APG has shared with Profundo the information in Table 15. It shows the exposure of Loyalis Leven N.V., one of the main subsidiaries of APG Group, to the five selected arms manufacturers. APG insists that the group's exposure of roughly US\$ 515 million to these companies is only connected to APG's pension fund clients and therefore has nothing to do with the Loyalis brand. However, in accordance with general research procedures for the Fair Insurance Guide, the present investigation is focused at the group level. Therefore the information on APG's overall holdings retains its relevance.

**Table 15 Loyalis Leven N.V.'s shareholdings in selected companies involved in controversial arms trade (as of 30-09-2016)**

Group	Value of shareholding (in €)
BAE Systems	58,905
Boeing	173,317
General Dynamics	96,679
Lockheed Martin	143,390
Raytheon	96,936
<b>Total</b>	<b>569,228</b>

Source: Personal communication with a manager at APG Asset Management.

#### 4.4.1 Reaction APG

"APG requires all its investee companies involved in arms manufacturing to comply with applicable legislation and to obtain the necessary export licenses prior to exporting arms. Criteria including the situation regarding human rights and armed conflict of the buying country are explicitly taken into account in the license application of the common arms export policy of the European Union."

#### 4.4.2 Response Fair Insurance Guide to APG

APG's requirement towards its investee companies is clearly insufficient, as it allows for investments in companies involved in arms trade with Saudi Arabia. Insurers should see applicable legislation as the minimum norm. Their standard when it comes to responsible investment should aim higher, to avoid becoming involved in arms suppliers delivering weapons to (states like) Saudi Arabia.

Responsible investment policies should go much further than the law, and it is the responsibility of investors, like the insurance companies are, to develop such policies. It is after all the insurer which makes the investment.

#### 4.5 Generali

Generali's investments, which do not include bonds, fundamentally remain at the same level at which they stood in 2015.<sup>68</sup>

**Table 16 Generali's shareholdings in selected companies involved in controversial arms trade (€ mln, most recent filing date)**

Group	Asset manager	Asset manager country	Filing date	No. of shares held	% of shares outstanding	Value of shareholding
BAE Systems	BG Fund Management Luxembourg S.A.	Luxembourg	31-01-2016	24,757	0.00	0
Boeing	BG Fund Management Luxembourg S.A.	Luxembourg	30-11-2016	4,357	0.00	1
	Generali Investments CEE, a.s.	Czech Republic	30-04-2016	8,238	0.00	1
	Generali Investments Europe S.p.A. SGR	Italy	31-10-2016	1,283	0.00	0
<i>Boeing Total</i>				<i>13,878</i>	<i>0.00</i>	<i>2</i>
General Dynamics	Generali Investments Europe S.p.A. SGR	Italy	31-10-2016	723	0.00	0
<b>Total</b>						<b>2</b>

Source: Thomson EIKON (January 2017), "Shareholdings of: Assicurazioni Generali".

##### 4.5.1 Reaction Generali

Generali did not respond to our questions.

#### 4.6 Legal & General

Together with Allianz, the Legal & General Group is by far the largest investor in companies involved with controversial arms trade among those investigated in this study.

**Table 17 Shareholdings by Legal & General Group in selected companies involved in controversial arms trade (€ mln, most recent filing date)**

Group	Asset manager	Asset manager country	Filing date	No. of shares held	% of shares outstanding	Value of shareholding
BAE Systems	Global Index Advisors, Inc.	United States	30-09-2016	55,593	0.00	0
	Legal & General Investment Management Ltd.	United Kingdom	01-12-2016	82,582,381	2.60	565
<i>BAE Systems Total</i>				<i>82,637,974</i>	<i>2.60</i>	<i>565</i>
Boeing	Legal & General Investment Management America Inc.	United States	30-09-2016	22,195	0.00	3
	Legal & General Investment Management Ltd.	United Kingdom	30-09-2016	2,520,218	0.41	296
<i>Boeing Total</i>				<i>2,542,413</i>	<i>0.41</i>	<i>298</i>
General Dynamics	Global Index Advisors, Inc.	United States	30-09-2016	5,376	0.00	1
	Legal & General Investment Management America Inc.	United States	30-09-2016	10,638	0.00	1
	Legal & General Investment Management Ltd.	United Kingdom	30-09-2016	1,265,399	0.42	175
<i>General Dynamics Total</i>				<i>1,281,413</i>	<i>0.42</i>	<i>177</i>
Lockheed Martin	Global Index Advisors, Inc.	United States	30-09-2016	4,621	0.00	1
	Legal & General Investment Management America Inc.	United States	30-09-2016	9,730	0.00	2
	Legal & General Investment Management Ltd.	United Kingdom	30-09-2016	1,337,482	0.46	285
<i>Lockheed Martin Total</i>				<i>1,351,833</i>	<i>0.46</i>	<i>288</i>
Raytheon	Global Index Advisors, Inc.	United States	30-09-2016	5,534	0.00	1

Group	Asset manager	Asset manager country	Filing date	No. of shares held	% of shares outstanding	Value of shareholding
	Legal & General Investment Management America Inc.	United States	30-09-2016	11,002	0.00	1
	Legal & General Investment Management Ltd.	United Kingdom	30-09-2016	1,368,458	0.47	166
<i>Raytheon Total</i>				<i>1,384,994</i>	<i>0.47</i>	<i>168</i>
<b>Total</b>						<b>1,497</b>

Source: Thomson EIKON (January 2017), "Shareholdings of: Legal and General".

**Table 18 Bond holdings by Legal & General Group in selected companies involved in controversial arms trade (€ mln, most recent filing date)**

Group	Asset manager	Asset manager country	Fund	Filing date	Value of bondholding
BAE Systems	Legal & General Investment Management America Inc	United States	SEI Inst Inv Intermediate Duration Credit Fund (Co-managed)	30-09-2016	1.2
			SEI Inst Inv Long Duration Corporate Bond (Co-managed)	30-09-2016	0.6
			SEI Institutional Investments Long Duration Fund (Co-managed)	30-09-2016	2.3
<i>BAE Systems Total</i>					<i>4.0</i>
Boeing	Global Index Advisors Inc	United States	Wells Fargo Dow Jones Target 2010 Fund	30-09-2016	0.1
			Wells Fargo Dow Jones Target 2015 Fund	30-09-2016	0.2
			Wells Fargo Dow Jones Target 2020 Fund	30-09-2016	0.5
			Wells Fargo Dow Jones Target 2025 Fund	30-09-2016	0.4
			Wells Fargo Dow Jones Target 2030 Fund	30-09-2016	0.3

Group	Asset manager	Asset manager country	Fund	Filing date	Value of bondholding
			Wells Fargo Dow Jones Target 2035 Fund	30-09-2016	0.1
			Wells Fargo Dow Jones Target 2040 Fund	30-09-2016	0.1
			Wells Fargo Dow Jones Target 2045 Fund	30-09-2016	0.0
			Wells Fargo Dow Jones Target 2050 Fund	31-08-2016	0.0
			Wells Fargo Dow Jones Target 2055 Fund	30-09-2016	0.0
			Wells Fargo Dow Jones Target Today Fund	30-09-2016	0.1
	Legal & General Investment Management America Inc	United States	Banner Life Insurance Co	30-09-2016	2.7
			Banner Life Insurance Co S/A	31-12-2015	1.4
			SEI Inst Inv Intermediate Duration Credit Fund (Co-managed)	30-09-2016	1.6
			SEI Inst Inv Long Duration Corporate Bond (Co-managed)	30-09-2016	1.0
			SEI Institutional Investments Long Duration Fund (Co-managed)	30-09-2016	1.0
	Legal & General Investment Management Ltd	United Kingdom	William Penn Life Insurance Co of New York	30-06-2016	2.4
<i>Boeing Total</i>					12.0
General Dynamics	Global Index Advisors Inc	United States	Wells Fargo Dow Jones Target 2010 Fund	30-09-2016	0.0
			Wells Fargo Dow Jones Target 2015 Fund	30-09-2016	0.1
			Wells Fargo Dow Jones Target 2020 Fund	30-09-2016	0.3
			Wells Fargo Dow Jones Target 2025 Fund	30-09-2016	0.2

Group	Asset manager	Asset manager country	Fund	Filing date	Value of bondholding
			Wells Fargo Dow Jones Target 2030 Fund	30-09-2016	0.2
			Wells Fargo Dow Jones Target 2035 Fund	30-09-2016	0.1
			Wells Fargo Dow Jones Target 2040 Fund	30-09-2016	0.1
			Wells Fargo Dow Jones Target 2045 Fund	30-09-2016	0.0
			Wells Fargo Dow Jones Target 2050 Fund	31-08-2016	0.0
			Wells Fargo Dow Jones Target 2055 Fund	30-09-2016	0.0
			Wells Fargo Dow Jones Target Today Fund	30-09-2016	0.1
	Legal & General Investment Management America Inc	United States	Banner Life Insurance Co	30-06-2016	2.5
			Banner Life Insurance Co S/A	31-12-2015	0.5
			SEI Inst Inv Intermediate Duration Credit Fund (Co-managed)	30-09-2016	1.3
	Legal & General Investment Management Ltd	United Kingdom	William Penn Life Insurance Co of New York	30-06-2016	4.5
<i>General Dynamics Total</i>					9.8
Lockheed Martin	Global Index Advisors Inc	United States	Wells Fargo Dow Jones Target 2010 Fund	30-09-2016	0.2
			Wells Fargo Dow Jones Target 2015 Fund	30-09-2016	0.3
			Wells Fargo Dow Jones Target 2020 Fund	30-09-2016	1.1
			Wells Fargo Dow Jones Target 2025 Fund	30-09-2016	0.8
			Wells Fargo Dow Jones Target 2030 Fund	30-09-2016	0.7
			Wells Fargo Dow Jones Target 2035 Fund	30-09-2016	0.2

Group	Asset manager	Asset manager country	Fund	Filing date	Value of bondholding
			Wells Fargo Dow Jones Target 2040 Fund	30-09-2016	0.2
			Wells Fargo Dow Jones Target 2045 Fund	30-09-2016	0.0
			Wells Fargo Dow Jones Target 2050 Fund	31-08-2016	0.1
			Wells Fargo Dow Jones Target 2055 Fund	30-09-2016	0.0
			Wells Fargo Dow Jones Target Today Fund	30-09-2016	0.3
	Legal & General Investment Management America Inc	United States	Banner Life Insurance Co	30-06-2016	0.9
			Banner Life Insurance Co S/A	21-12-2015	2.4
			SEI Inst Inv Long Duration Corporate Bond (Co-managed)	30-09-2016	0.5
			SEI Institutional Investments Long Duration Fund (Co-managed)	30-09-2016	2.5
	<i>Lockheed Martin Total</i>			30-09-2016	10.4
Raytheon	Global Index Advisors Inc	United States	Wells Fargo Dow Jones Target 2010 Fund	30-09-2016	0.1
			Wells Fargo Dow Jones Target 2015 Fund	30-09-2016	0.1
			Wells Fargo Dow Jones Target 2020 Fund	30-09-2016	0.4
			Wells Fargo Dow Jones Target 2025 Fund	30-09-2016	0.3
			Wells Fargo Dow Jones Target 2030 Fund	30-09-2016	0.2
			Wells Fargo Dow Jones Target 2035 Fund	30-09-2016	0.1
			Wells Fargo Dow Jones Target 2040 Fund	30-09-2016	0.1
			Wells Fargo Dow Jones Target 2045 Fund	30-09-2016	0.0

Group	Asset manager	Asset manager country	Fund	Filing date	Value of bondholding
			Wells Fargo Dow Jones Target 2050 Fund	31-08-2016	0.0
			Wells Fargo Dow Jones Target 2055 Fund	30-09-2016	0.0
			Wells Fargo Dow Jones Target Today Fund	30-09-2016	0.1
	Legal & General Investment Management America Inc	United States	Banner Life Insurance Co S/A	31-12-2015	1.5
			SEI Inst Inv Intermediate Duration Credit Fund (Co-managed)	30-09-2016	1.6
			SEI Inst Inv Long Duration Corporate Bond (Co-managed)	30-09-2016	0.1
	Legal & General Investment Management Ltd	United Kingdom	William Penn Life Insurance Co of New York	30-09-2016	3.2
<i>Raytheon Total</i>					7.7
<b>Total</b>					<b>44.0</b>

Source: Thomson EIKON (January 2017), "Bondholdings of: Legal and General".

In feedback to our investigation Legal & General Nederland, the Dutch subsidiary of the Legal & General Group, has argued that its activities and investments should be investigated independently of the L&G Group. It has shared with Profundo that it does not invest on its own account in any of the five selected companies (as of end 2016), and that it operates its own responsible investment policy that explicitly rules out four of the five companies (the exception being BAE Systems).<sup>69</sup>

In November 2016, L&G Group announced the sale of its Dutch subsidiary to the British company Chesnara plc, pending approval of the sale by the relevant authorities, including the Dutch central bank.<sup>70</sup> This should be kept in mind when examining the information about the holdings of L&G Group, to which L&G Nederland may not belong anymore soon after publication of this report. It is of course entirely possible that L&G Nederland will also cease trading under its present name.

In accordance with general research procedures for the Fair Insurance Guide, the present investigation is focused at the group level. So while the information provided by L&G Nederland is useful and interesting, it does not mean that the information about the group to which L&G Nederland belongs is irrelevant.

#### 4.6.1 Reaction Legal & General

Legal & General NL did not respond to our question, other than the note addressed in the paragraphs above.

#### 4.6.2 Response Fair Insurance Guide to Legal & General

The Fair Insurance Guide focuses on policy and practise of the insurance company at a group level. The main argument to do so is that responsible investment principles are of such importance that they should apply to the whole group, not to just a part of the group. In addition, to the insurance holders we seek to inform with our research, it would be impossible to explain that policy and practice on responsible investment can be completely different within one company group. We therefore encourage those parts of a company group with more advance responsible investment policies to seek to influence the whole company group in adopting these policies.

#### 4.7 NN Group

The investments of NN Group do not include bonds and fundamentally remain at the same level at which they stood in 2015.<sup>71</sup>

**Table 19 Shareholdings by NN Group in selected companies involved in controversial arms trade (€ mln, most recent filing date)**

	Asset manager	Asset manager country	Filing date	No. of shares held	% of shares outstanding	Value of shareholding
Boeing	NNIP Advisors B.V.	Netherlands	30-09-2016	116,299	0.02	14
	NNIP Asset Management B.V.	Netherlands	30-09-2015	70,315	0.01	8
<i>Boeing Total</i>				<i>186,614</i>	<i>0.03</i>	<i>22</i>
<b>Total</b>						<b>22</b>

Source: Thomson EIKON (January 2017), "Shareholdings of: NN Group". These figures were amended in accordance with feedback received from NN Group.

##### 4.7.1 Reaction NN Group

"NN Group has a responsible investment policy in place. We are transparent about this policy and have published it on our website. Furthermore, we improved our monitoring process for arms trade exclusions.

NN Group applies investment restrictions to companies that are involved in the development, production, maintenance or trade of Controversial Weapons, which we define as cluster munition, anti-personnel mines, biological and chemical weapons, weapons with depleted uranium and nuclear weapons. In addition to controversial weapons, 'arms trade' is covered in this policy. This to ensure that no investments are made in companies that demonstrably have activities in the trade of arms to central governments or non-state actors that are sanctioned by a UN, EU or US arms embargo. More detail on our criteria and how we apply our restrictions can be found in our Defence Policy which is published on the NN Group website.

Regarding arms trade, we strengthened our semi-annual exclusion process in 2015 through use of a screening tool from an independent ESG data provider. This tool provides insights on companies that are selling arms to countries considered high risk of violence against civilians, thereby risking complicity in human rights abuses or a breach of arms embargoes. The use of this tool improved our monitoring of arms trade and resulted in more companies being excluded for sanction breaches. Next to this, we continuously raise awareness for a wide range of environmental, social and corporate governance (ESG) topics, such as human rights, that can have an impact on investments by organizing workshops, developing guidance materials and making tools available for our analyst and portfolio managers. This will support them in the integration of ESG factors in the investment decision-making and active ownership practices.”

#### **4.7.2 Response Fair Insurance Guide to NN Group:**

NN Group is the only group for which the policy update of the Fair Insurance Guide concluded late 2016 that its policy on arms trade was improved. We consider this an important step and are glad to learn NN Group is advancing its responsible investment policies in this regard. NN Group continues to invest in Boeing however, even though the amount is small relative to other investments listed in this report. We recommend NN Group to review its processes around responsible investment to avoid investments in companies involved in arms trade with a high risk of countries using these weapons to engage in violence against civilians. Boeing is an example of such a company, given its arms export to Saudi Arabia.

## Chapter 5 Conclusions

This research shows that four insurance companies active on the Dutch market invest in all five companies involved in arms deliveries to Saudi Arabia. Two insurance companies, NN Group and Generali, hold investments in one such company. It shows that, like in 2015, these insurers do not pay sufficient attention to the risk of investing in companies involved in arms deliveries to states involved in armed conflict and violations of international humanitarian rights. Together, these six insurance companies invest for over € 3.6 billion in arms producers which supply weapons to Saudi Arabia. For the five companies selected in this report only, this figure was € 2.8 billion in the 2015 report. Table 19 provides an overview of the found investments.

**Table 20 Overview of all share- and bond holdings (€ mln)**

Group	BAE Systems		Boeing		General Dynamics		Lockheed Martin		Raytheon		Total
	Shares	Bonds	Shares	Bonds	Shares	Bonds	Shares	Bonds	Shares	Bonds	
Achmea	-	-	-	-	-	-	-	-	-	-	-
Aegon	74	27	16	103	0	-	78	68	7	33	406
Allianz	66	196	124	234	180	1	117	118	29	172	1,237
APG	25	-	121	-	102	-	102	-	110	-	460
ASR	-	-	-	-	-	-	-	-	-	-	-
Delta	-	-	-	-	-	-	-	-	-	-	-
Generali	0	-	2	-	0	-	-	-	-	-	2
L&G	565	4	298	12	177	10	288	10	168	8	1,540
NN	-	-	22	-	-	-	-	-	-	-	22
Vivat	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>730</b>	<b>227</b>	<b>583</b>	<b>349</b>	<b>459</b>	<b>11</b>	<b>585</b>	<b>196</b>	<b>314</b>	<b>213</b>	<b>3,667</b>

"0" indicates that there is an investment that is lower than EURO 0.5 million and therefore rounded to zero. "-" indicates that no investment exists. Rounding can introduce minor inconsistencies into the table.

Achmea and ASR, which had no investments in the five arms companies under investigation here, continue not to have such investments. Delta Lloyd should be mentioned as a positive example since it has completely divested from all five arms manufacturers, albeit from what were already low amounts in 2015 (€ 3 million in shares in Boeing, and € 2 million in Lockheed Martin).

Similarly, the investments by Generali and NN Group remain fundamentally unchanged at a relatively low level.

The main conclusion is however that based on the financial links found, several insurers continue to invest in companies involved in controversial arms trade. As noted above, Aegon and APG remain at roughly the same elevated level of exposure to arms manufacturers, albeit with minor ups and downs in individual investments. For example, Aegon held only € 1 million worth of bonds in Lockheed Martin in 2015. Now it holds € 67.7 million. Otherwise, however, Aegon's exposure remains fundamentally unchanged. APG continues not to own any bonds in the five arms manufacturers and the overall size of its share portfolio in regard to our five arms manufacturers has not changed much, although there is considerable change on the level of individual shares.

The biggest investors by far, in the 2015 study and the present research, are Allianz and the Legal & General Group with a total investment value of € 1.2 billion and € 1.54 billion respectively. If anything, these two have increased their exposures. For example, Allianz' shareholdings in General Dynamics increased in value, from € 3 million in 2015 to € 180 million now, and in Lockheed Martin from € 11 million to € 117 million. Bond holdings in the latter have also increased, from € 37 million to € 118 million. The value of L&G's bond holdings has increased moderately, whereas shareholdings have stayed roughly the same.

## Chapter 6 Recommendations

Based on the results of this case study on investments by the ten main insurance groups operating in the Dutch market in 5 arms companies involved in arms trade to Saudi Arabia, the Dutch Fair Insurance Guide makes the following recommendations to the insurance groups. These recommendations are mostly the same as the recommendations made in the 2015 study:

1. Investors should develop and publish an exclusion policy on controversial arms trade and apply it to all investments (including third party investment and funds that follow an index) and all subsidiaries of the insurance group in all countries. The policy should cover investments in companies that deliver weapons and military goods to countries with an arms embargo, to unfree countries, to countries engaged in an armed conflict, to fragile states, to countries where corruption is high and to countries where poverty alleviation is limited by military expenditure. Exclude companies involved in controversial arms trade from investments.
2. Given the overwhelming evidence of civilian casualties and harm to the civilian caused by the operations the Saudi-led coalition in Yemen, we urge investors to disinvest from arms producers involved in current arms deals with Saudi Arabia.
3. Investors should end current exposure to companies involved in controversial arms trade and send a clear message to the company involved containing the precise reasons for ending its financial involvement.
4. Increase transparency by publishing not only the insurance group's responsible investment policies on controversial arms trade but also, if applicable, the corresponding exclusion list featuring the companies involved in controversial arms trade. This provides clarity about the implementation of the policy and enables customers to make well-informed decisions about their insurance company.
5. Do not limit the policy to United Nations or European Union embargoes or national laws. Political reality as defined by embargoes and laws does not acquit insurance groups of the responsibility to make decisions that prevent investments in controversial arms trading companies. Human rights violating governments of fragile, corrupt and impoverished states might be the legal recipients of arms deals, but that does not mean that arms trading companies and their investors should refrain from making their own decisions on the desirability of these arms deals. The case of Saudi Arabia as elaborated in this report underlines this point.
6. The companies identified in this case study present a selection of companies active in arms trade to controversial countries. While outside of the scope of this research, dozens of other publicly listed companies, private companies and state-owned companies are involved in controversial arms trade. Insurers should apply screening throughout their entire investment universe to prevent investments in companies that are active in controversial arms trade.

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