

## ISS ESG CONTROVERSIAL WEAPONS RESEARCH

ISS ESG's Controversial Weapons Research is based on a well-established, internally developed methodology that helps users make decisions regarding companies involved in any of nine categories of weapons that are seen under international humanitarian law as being particularly controversial because of their indiscriminate effects and the disproportionate harm, superfluous injury or unnecessary suffering they cause and/or because they are prohibited by specific national legislation or international arms control instruments. Involvement in controversial weapons can constitute a material sustainability risk.

International humanitarian law and specific arms control instruments constitute the basis for this research. Technical definitions of weapons as given in relevant conventions are used where available, such as for anti-personnel mines and cluster munitions in the Mine Ban Treaty and in the Convention on Cluster Munitions. The following weapon categories are currently covered: anti-personnel mines, biological weapons, chemical weapons, cluster munitions, depleted uranium ammunition and armor, incendiary weapons, nuclear weapons (inside and outside the Treaty on the Non-Proliferation of Nuclear Weapons, NPT), and white phosphorus weapons.

### Outputs

Involvement in relevant weapons programs is analyzed for companies involved, directly or indirectly, in the development, production, acquisition, stockpiling, retention, transfer – or assistance, encouragement or inducement – of complete weapon systems. Involvement in relevant weapons programs is also analyzed for companies involved, directly or indirectly, in the development, production, acquisition, stockpiling, retention, transfer – or assistance, encouragement or inducement – of components of these systems, differentiating between key components and non-key components, and establishing whether such components are specifically designed/modified for controversial weapons or “off-the-shelf”. Furthermore, ISS ESG's Controversial Weapons Research is designed to identify all companies in a corporate structure that have control over the relevant business activities, i.e., all immediate parent companies up to the ultimate parent. Bond issuers, joint venture partners and minority shareholders, as well as entities providing advisory and management services for private equity funds holding companies involved in controversial weapons are also covered to the extent that information is available.

The analysis process results in assessments on weapon program level per covered company, which are then aggregated per weapon category so that users have access to lists of companies (listed and non-listed globally) involved in different categories (e.g., anti-personnel mines or cluster munitions). Assessments are categorized using traffic light signals (RED, AMBER, GREEN) and a 10-1 score, which reflect both the degree of verification of a company's involvement in controversial weapons and the level of involvement (e.g., parent company vs. minority shareholder). These assessments further consist of descriptive text detailing business activities that comprise a company's involvement in an individual controversial weapon program, referencing sources used in the analysis, such as company and government publications as well as ISS ESG's dialogue with analyzed companies (to the extent that has taken place), and providing explanations regarding the evaluation of information from these sources in the context of ISS ESG's assessment criteria. Conclusions are expressed in written text and additionally in the form of the above-mentioned signals and scores, which represent a simplified expression of conclusions resulting from the qualitative research and analysis.

## Research Process

ISS ESG's Controversial Weapons Research team seeks to identify companies involved in relevant types of weapons following several research paths: identification of risk countries and relevant weapon programs, analysis and monitoring of such weapon programs, screening of companies in risk sectors, and targeted news source monitoring. Examples of sources monitored in this process include government publications such as procurement databases, corporate releases and filings, defense industry focused publications and databases, aerospace and defense exhibitions, media, and non-governmental organizations reports.

The typical Controversial Weapons Research analysis process consists of the following steps:

- Data collection of qualitative data to identify risk companies using the abovementioned sources  
(While sources include government contract data, sometimes including contract duration and descriptions of activities to be performed under such contracts, revenue derived from respective contracts is not relevant for company assessments in Controversial Weapons Research.)
- Research and dialogue with companies to understand details of involvement
- Quality assurance: Reports are peer reviewed to ensure they summarize information concerning the company's involvement accurately
- Final dialogue to give companies an opportunity to comment on the report draft and confirm/correct/add/clarify facts used in the analysis

These steps are repeated for regular and ad hoc updates.

## Use of Estimated Data

ISS ESG's Controversial Weapons Research does not incorporate estimated data.

*Last Updated: July 2022*

**We empower investors and companies to build  
for long-term and sustainable growth by providing  
high-quality data, analytics, and insight.**

---

**SUCCEED WITH ISS ESG SOLUTIONS**

Email [sales@iss-esg.com](mailto:sales@iss-esg.com) or visit [iss-esg.com](https://iss-esg.com) for more information.

---

ISS ESG is the responsible investment arm of Institutional Shareholder Services Inc., the world's leading provider of environmental, social, and governance solutions for asset owners, asset managers, hedge funds, and asset servicing providers. With more than 30 years of corporate governance expertise and 25 years of providing in-depth responsible investment research and analytics, ISS ESG has the unique understanding of the requirements of institutional investors. With its comprehensive offering of solutions, ISS ESG enables investors to develop and integrate responsible investing policies and practices, engage on responsible investment issues, and monitor portfolio company practices through screening solutions. It also provides climate data, analytics, and advisory services to help financial market participants understand, measure, and act on climate-related risks across all asset classes. In addition, ISS ESG delivers corporate and country ESG research and ratings enabling its clients to identify material social and environmental risks and opportunities.

This document and all of the information contained in it, including the methodologies which are described, is the property of Institutional Shareholder Services Inc. ("ISS") or its subsidiaries. The Information may not be reproduced or disseminated in whole or in part without prior written permission of ISS. The Information has not been submitted to, nor received approval from, the United States Securities and Exchange Commission or any other regulatory body. The Information is provided for informational purposes only. While ISS exercised due care in compiling this document, ISS makes no warranty, express or implied, regarding the accuracy, completeness or usefulness of this information and assumes no liability with respect to the consequences of relying on this information for any purposes. In particular, the Information provided does not constitute investment advice and is not intended to constitute an offer, solicitation or advice to buy or sell securities nor is it intended to solicit votes or proxies.

© 2022 | Institutional Shareholder Services and/or its affiliates