

Investor Responsibility in a Rapidly Evolving Arms and Defense Tech Sector: An Investor Briefing

November 5, 2026

INVESTOR ALLIANCE FOR HUMAN RIGHTS
AN INITIATIVE OF ICCR

Speakers



Sam Jones

President and Co-Founder, Heartland Initiative

Overview of The Working Group on Defense Tech & Responsible Investment; Investor Guidance for Conflict-Affected and High-Risk Areas: Portfolio Analysis and Company Engagement



Siniša Milatović

Business, Human Rights, and Peace Specialist, UN Development Programme

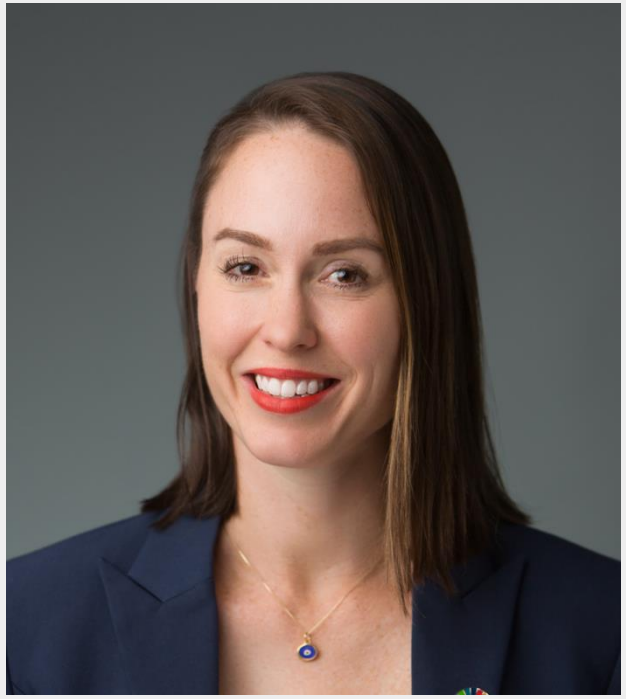
Investor Companion Guide: Translating the UNDP - UN Working Group on Business and Human Rights Heightened Human Rights Due Diligence Guide (soon to be released)

Speakers



Dan Neale
Director, Responsible Investment, Social Lead
Church Commissioners for England

Guidance for Responsible Investment in Defence-Related Companies (link to Concept Note)



Ashleigh Owens
Director / Financial Institutions Lead, Shift

Weapons, Dual Use tech and Financial Institutions

Speakers



Mauricio Lazala
Chief, Business and Human Rights Section, OHCHR

Information Note: Investors, the Arms Sector and the UN Guiding Principles on Business and Human Rights



Ayla Prentice
Senior Specialist, Stewardship, Social Issues and Human Rights, PRI

Moderator and Commentary on Investor Resources

HEARTLAND INITIATIVE

Demand

- More conflict than at any point since World War II, more autocracies than democracies
- Surging government and client demand for investment in defense, tech, critical minerals, and other CAHRA-related industries without guardrails
- Private market-driven growth in defense tech, especially AI and autonomy
- Evolving ethical, legal, and fiduciary responsibilities

Supply

- Lack of fit-for-purpose data on human rights, conflict, defense/dual-use tech and material risks
- Investors' revenue and product-based exclusionary criteria are no longer sufficient
- Under-resourced staff to interpret available information and deterioration in company disclosures
- Absence of systemic approach to risk management

Working Group on Defense Tech & Responsible Investment

Launched In October 2025 by Heartland Initiative, Investor Alliance for Human Rights and Business & Human Rights Centre, it convenes global asset owners & managers, private equity funds, investor networks, and banks with over $18 trillion in AUMA and civil society experts at the vanguard of military AI, autonomous weapons systems (AWS) & surveillance.

- Saliency-materiality risk analysis framework for defense tech
- Company engagement guidance: policy, practice & governance, transparency & disclosure, and four-stage product life cycle
- Product- and conduct-based exclusionary criteria
- Pared down version of guidance for private equity and venture capital markets
- Red Flag Due Diligence Guide & Introduction to be published in mid-November

Part 1: Portfolio analysis. Heartland's analyses typically find that 15 to 25 percent of portfolio companies have proximity to harms in CAHRA. A three-stage proximity methodology helps investors identify the companies with the most severe and systemic risks, then tier and prioritize them for action. The methodology is grounded in Heartland's Saliency-Materiality Nexus, the point where risks to people become material risks to companies and their shareholders.

Part 2: Active stewardship and company engagement. Five key questions help investors assess a company's exposure, governance, strategy, risk management, and metrics and targets in CAHRA. The guidance also identifies five common "red flag" company responses, explains how investors should answer them, and sets out practical recommendations investors can make to portfolio companies.





INTRODUCTION TO HEIGHTENED HUMAN RIGHTS DUE DILIGENCE FOR INVESTORS

Dr SINIŠA MILATOVIĆ, Business, Human Rights and Peace Specialist, United Nations Development Programme

The Investor HHRDD Process: Nine Steps, Three Phases

PHASE 1 Policy & triage
Set · screen · build · test

1 Set the rules
Define scope, severity triggers and who can act; embed in mandates and LP terms.

2 Triage portfolio & pipeline
Screen by geography, sector, counterparty. Escalate on a credible signal, not proof.

3 Deep-dive risk assessment
Map the harm pathway and the investee's role, incl. IHL exposure.

4 Test the evidence
Triangulate. Company data is a starting point; silence raises scrutiny.

PHASE 2 Decision
Assess · act

5 Assess involvement & leverage
Test for contribution before defaulting to 'linked'. Map the leverage you can actually exercise.

6 Act on findings
Continue on conditions, engage, restructure or suspend – or exit responsibly.

The decision test

Given our leverage, is continued investment defensible?

Engagement counts only with milestones, a review date and a pre-set escalation trigger.

PHASE 3 Oversight
Verify · disclose · monitor

7 Track effectiveness
Review against milestones; failure escalates automatically to the IC.

8 Communicate & account
Disclose how severe risks are handled – transparency is itself leverage.

9 Monitor exposures & triggers
Escalation, sanctions, allegations, ownership change → loop back.

Continuous, not one-off: when a Step 9 trigger fires, loop back to triage (Step 2) or the deep dive (Step 3). Exit is never human-rights-neutral.

B+HR BUSINESS AND HUMAN RIGHTS

UNDP

What It Asks of Investors

Three questions every investor with conflict exposure must be able to answer – and document

1. Are we exposed to adverse human rights and conflict impacts?
2. What leverage do we have to prevent, mitigate or remediate them?
3. Given that leverage, is continued investment defensible?

If in doubt, act
The trigger is credible reason to believe severe harm may be occurring – not certainty.

Test contribution before 'linked'
Would the harm proceed without your capital? Do you accelerate or scale it?

Find your window
Leverage peaks at issuance, financial close, mandate acceptance, the vote.

Leverage = what you can pull
Meetings and letters are not mitigation. No milestones, no escalation, no leverage.

Severity, not headlines
Focus scarce capacity where harm to people is most severe.

Plan the exit early
There is no neutral way out; responsibilities can outlast the position.

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"An institution that runs the process but does not let its findings change decisions has not satisfied the standard; it has manufactured a record of having looked."

GRID

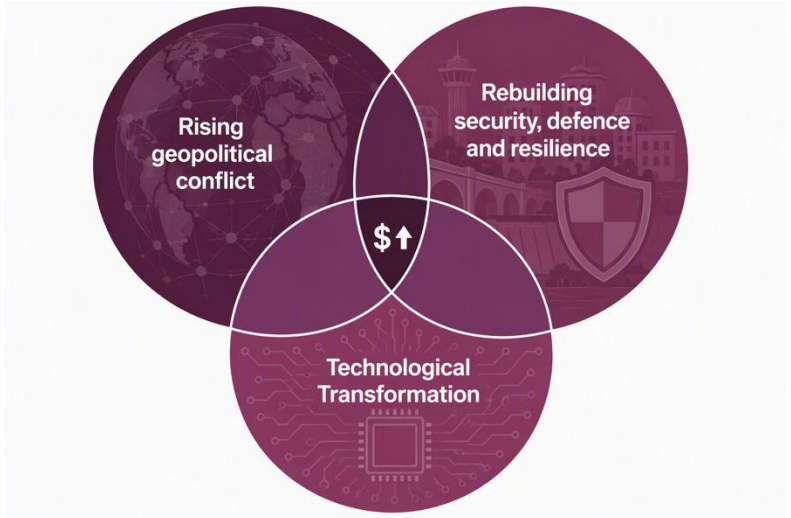
GUIDANCE FOR RESPONSIBLE INVESTMENT IN DEFENCE-RELATED COMPANIES

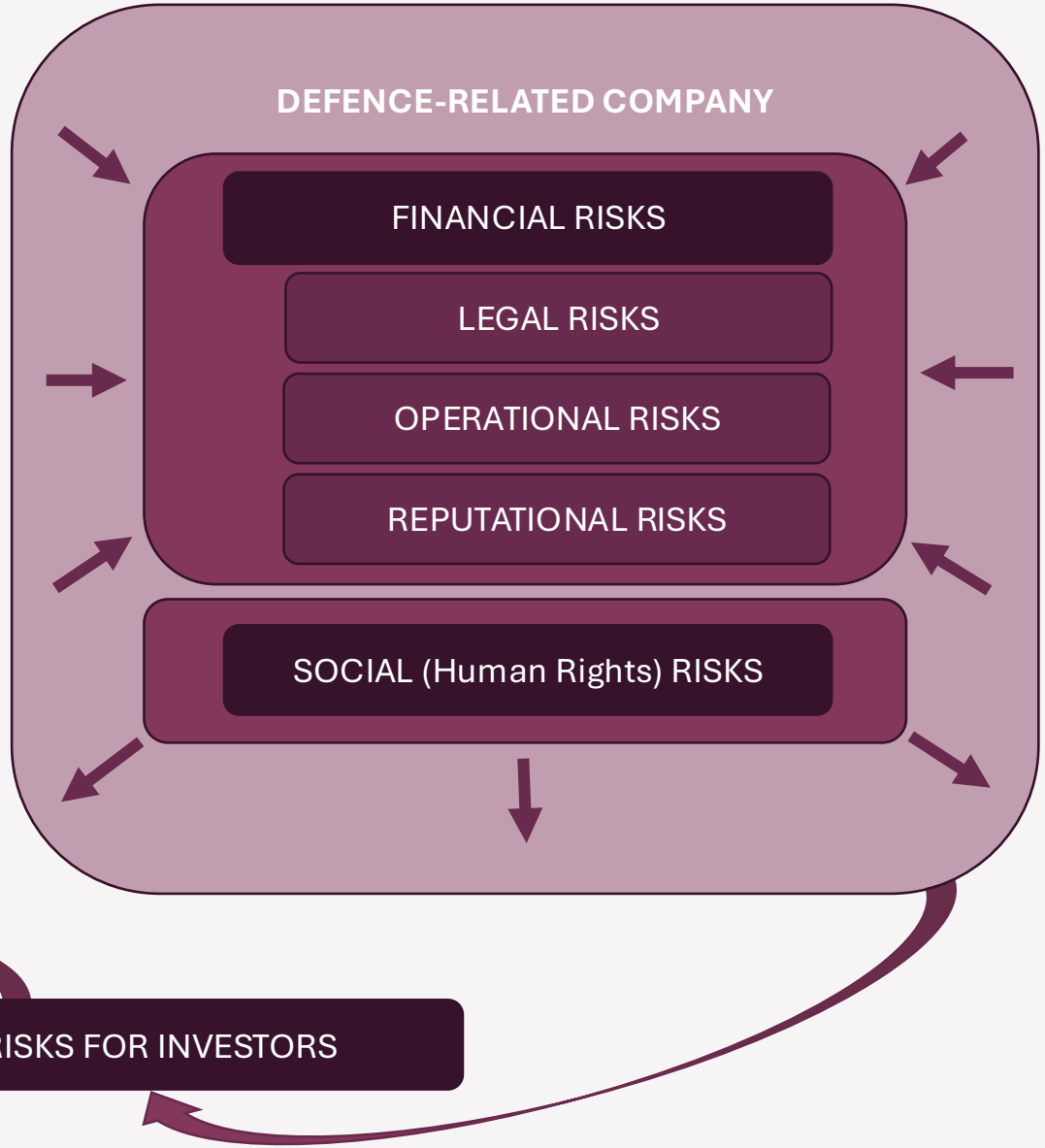
7-minute overview

For 05 November 2026

Why GRID, and why now?

GRID responds to three trends





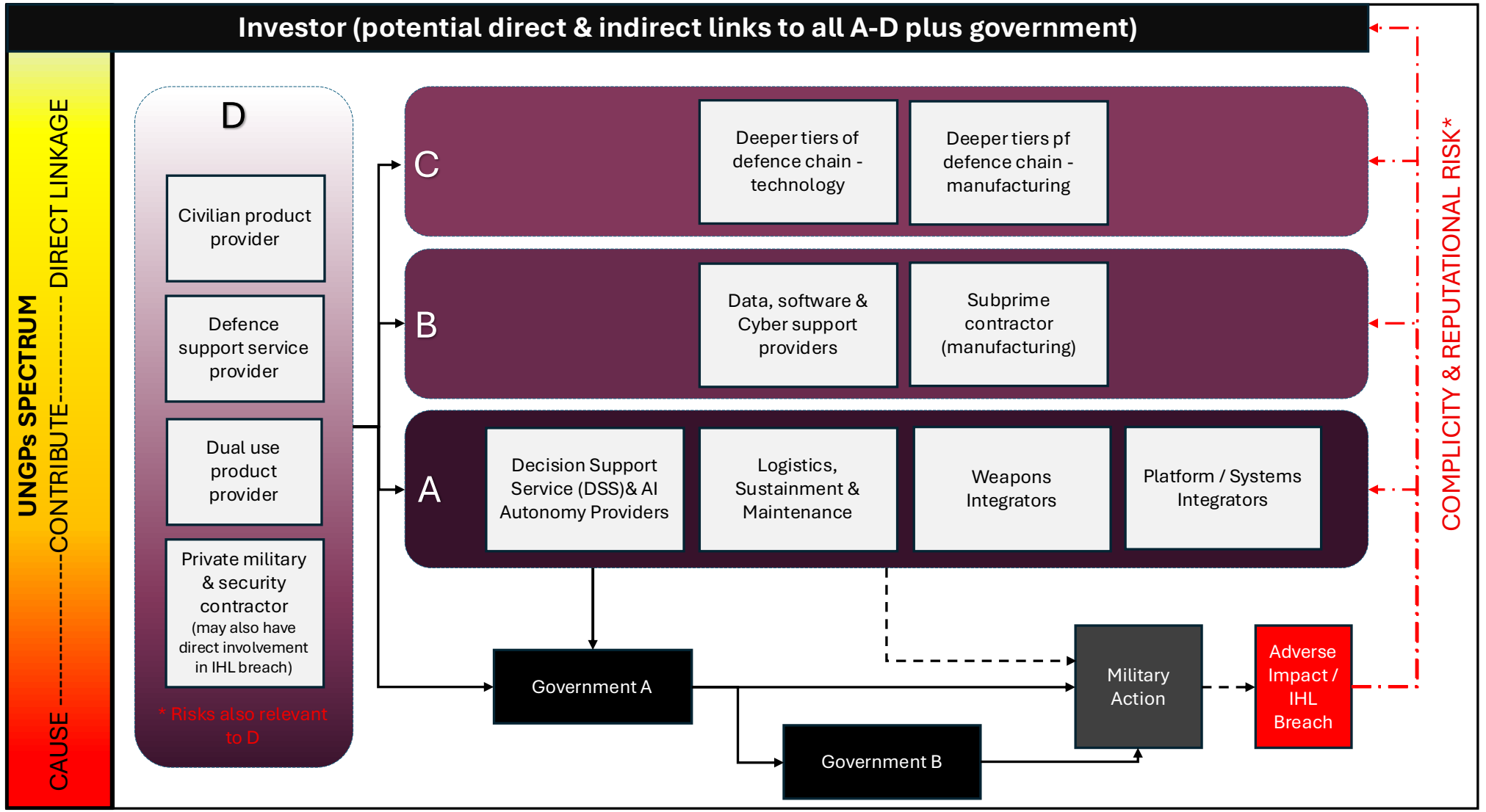
GRID
GUIDANCE FOR RESPONSIBLE INVESTMENT IN DEFENCE-RELATED COMPANIES

Five Expectations on *all* defence-related companies

International humanitarian law and international business and human-rights standards act as the guiding star.



SCOPE OF DEFENCE-RELATED COMPANIES
Weapons Platform or Systems Integrator
Weapons Integrator
Decision Support Service (DSS) and AI Autonomy Providers
Logistics, Sustainment and Maintenance Primes
Subprime Contractors
Data, AI & Cyber support providers
Deeper tier contractors – manufacturing
Deeper tier contractors – technology
Defence support services
Suppliers of dual-use products
Suppliers of civilian products or services
Private Military & Security Contractors (PMSCs)


Investor (potential direct & indirect links to all A-D plus government)
UNGPs SPECTRUM
CAUSE ----------CONTRIBUTE---------- DIRECT LINKAGE
D
Civilian product provider
Defence support service provider
Dual use product provider
Private military & security contractor (may also have direct involvement in IHL breach)
* Risks also relevant to D
C
Deeper tiers of defence chain - technology
Deeper tiers pf defence chain - manufacturing
B
Data, software & Cyber support providers
Subprime contractor (manufacturing)
A
Decision Support Service (DSS)& AI Autonomy Providers
Logistics, Sustainment & Maintenance
Weapons Integrators
Platform / Systems Integrators
Government A
Government B
Military Action
Adverse Impact / IHL Breach
COMPLICITY & REPUTATIONAL RISK*

Modular guidance, for multiple use-cases

Designed for (the larger)

- Asset Owners
- Asset Managers
  - Public
  - Private
  - Passive



Indicative Guidance relevance

Legend: Strong Relevance | Moderate Relevance | Weak Relevance

The starting point...

KNOW THYSELF

- Clarify mandates, fiduciary duties and regulatory constraints
- Define investment appetite and red lines
- Map where leverage sits across holdings and managers
- Match the Guidance modules to the investor's role and portfolio

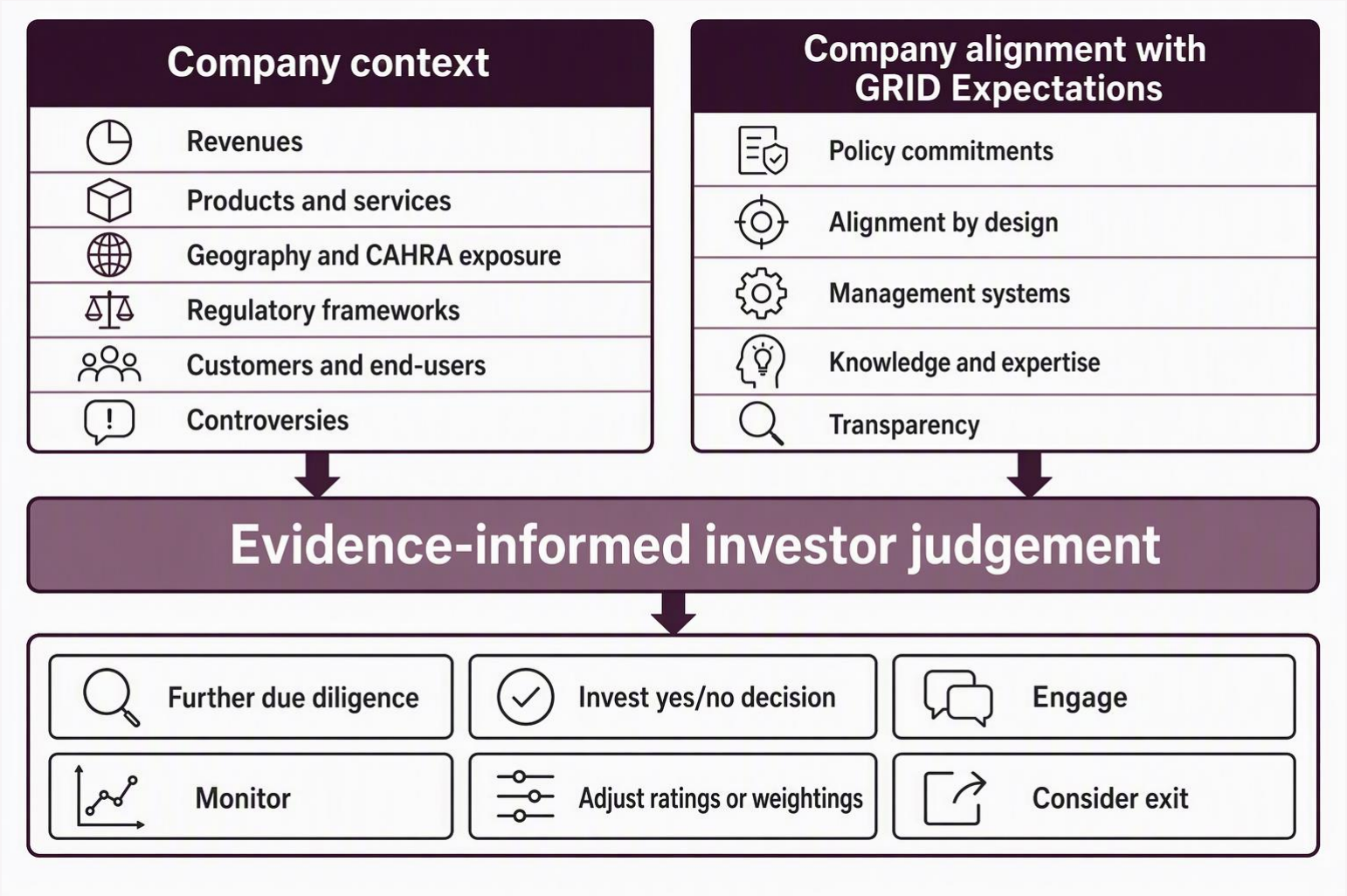
Guidance – Use Case	Asset Owner	Active Manager	Passive
Manager due diligence & engagement	Strong	Weak	Weak
Exclusionary screening	Strong	Strong	Moderate
Operationalising Expectations of companies	Strong	Strong	Strong
Communicating to clients and stakeholders	Moderate	Strong	Strong
Pre-investment due diligence	Weak	Strong	Weak
Portfolio due diligence prioritisation	Strong	Strong	Strong
Context review prior to company due diligence	Moderate	Strong	Strong
Company due diligence	Moderate	Strong	Strong
Integrating into fund management	Weak	Strong	Weak
Engagement with companies and ecosystem	Moderate	Strong	Strong
Navigating controversies	Moderate	Strong	Moderate
Understanding the role of ESG Data Providers	Strong	Strong	Strong

Context plus conduct informs investor action

The decision is qualitative and evidence-informed, not a mechanical score.

Key questions:

1. How inherently risky is the company's context?
2. How well does the company manage that context against the Expectations?



GRID

GUIDANCE FOR RESPONSIBLE INVESTMENT IN DEFENCE-RELATED COMPANIES

FINAL POINTS

- Launching on 02 December 2026 (London event). Webinars on 07, 08, 09 December.
- Expect to see a 150–200-page document with a lot of practical tools investors can adopt or adapt as needed.
- Opportunities to support and active fundraising ongoing.

Investor Responsibility / Weapons and Dual-Use Technology

Ashleigh Owens /
Director

ICCR briefing /
5 November 2026

Shift



Image: Trends Research and Advisory

WHO WE ARE

Get to know our team

OUR WAYS OF WORKING

Advocacy

We influence the rules that govern how business gets done

Advisory

Most of our work is with the private sector, in advisory roles – working hands-on with companies and financial institutions on the practical realities of implementation.

COLLEAGUES HAVE JOINED SHIFT FROM

- Consultancies
- International organisations
- Law firms and legal practice
- Business
- **Finance**
- Government, trade unions and civil society

Shift is headquartered in New York, with team members across the US, UK, Canada, Australia, the Netherlands, Spain, Italy and Germany

Shift

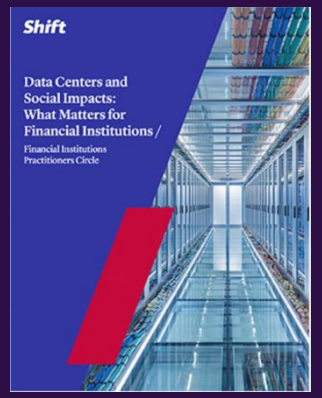
Source: Shift's Financial Institutions Practitioners Circle & Investor Exchange

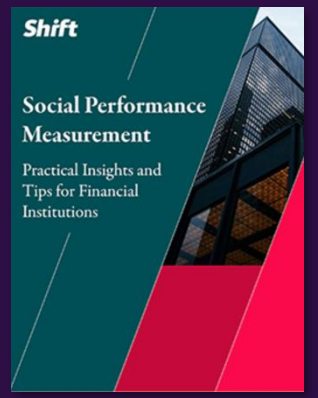
13 Banks and ECAs

The Financial Institutions Practitioners Circle (FIs Circle) is a network of practitioners from private banks and export credit agencies – led by Shift experts – to foster insightful conversations, co-create innovative approaches and ultimately advance leading practice across the financial sector.

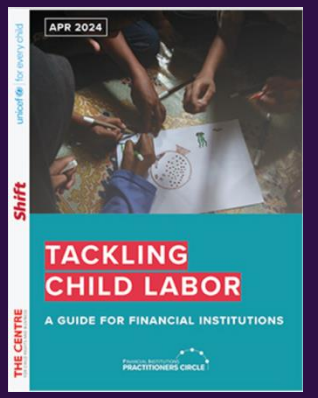












The challenges

1

Competing priorities

There can be a strategic tension between policy objectives and sustainability commitments

2

Technical capacity

HRDD on weapons and dual-use technologies can stretch the institution's technical capacity

3

Company engagement

Companies involved in weapons and dual-use tech can be difficult to engage

4

Due diligence weaknesses

The complexity of due diligence is amplified when it intersects with existing weaknesses in bank due diligence

Anchors: How to tackle these challenges? /

- In CAHRA contexts: heightened HRDD, which considers both Human rights Law & ***International Humanitarian Law***
- Severity of harms ***warrant prioritization***, as well as the ***time and resources*** to address them
- Narrow exclusions create ***blind spots***
- Connections to armed conflict may create ***legal exposure***



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But…what about scale?

Business Model Red Flags /

7 / Financial & Advisory Services to higher risk clients

Weapons and dual-use financing can enable human rights abuses.

9 / Harmful use

Weapons and dual-use products may enable abuses where customers are likely to use them harmfully.

10 / Harm by design

Dual-use technology can become part of weapons whose intended use causes human rights harm.

11 / Excessive speed

Rapid weapons or dual-use development can outpace assessment of human rights risks.

15 / Limited influence

Weapons and dual-use supply chains can limit visibility of end-use and influence over customers.

23 / Weak safeguards

Weapons and dual-use firms may lobby for rules below human rights standards.

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https://shiftproject.org/business-model-red-flags/



Additional approaches /

Assess impacts

Assess potential impacts on people across the full value chain and lifecycle of weapons systems, and consider the capacity of the company to manage these

Connection to harm

Determine whether your financing creates a connection to harm

Build leverage

Build and use leverage to influence portfolio company conduct

Divest or engage

Understand when to consider divestment and the consequences of staying engaged

Role of government

Understand that government involvement, including via financing initiatives and export control regimes, does not obviate an institution's human rights due diligence responsibilities

Institutional capacity

Maintain institutional capacity that is sufficient for effective defense-related due diligence

“Even wars have limits.”

— JEAN PICTET

“War does not determine who is right — only who is left.”

— BERTRAND RUSSELL

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Reference

SHIFT'S BUSINESS MODEL RED FLAGS

RELATED TO THE VALUE PROPOSITION

THE BUSINESS'S COMMERCIAL SUCCESS SUBSTANTIALLY DEPENDS UPON...

1. Lowest-cost goods and services
2. High-speed last-mile delivery
3. Timelines undermining community consultation
4. Privatized public goods
5. Algorithmic decisions affecting access
6. Digital platforms enabling harm
7. Services to high-risk clients
8. Harm from high use
9. Harm when misused
10. Harm when used as intended

RELATED TO THE VALUE CHAIN

THE BUSINESS'S COMMERCIAL SUCCESS SUBSTANTIALLY DEPENDS UPON...

11. Speed creating health and safety risks
12. Contested land use
13. Depleting or polluting resources
14. Commodities with unclear provenance
15. Limited influence in business relationships
16. Data use undermining rights
25. GHG-intensive activities and products

RELATED TO THE COST STRUCTURE & THE REVENUE MODEL

THE BUSINESS'S COMMERCIAL SUCCESS SUBSTANTIALLY DEPENDS UPON...

17. Gig or precarious labor
18. Low-paid labor providers
19. Commodity prices detached from income
20. Shifting inventory risk
21. Rapid digitalization affecting workers
22. Harmful sales or cost incentives
23. Regulations below human rights standards
24. Aggressive tax minimization

Climate Lens AI & Data Lens

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REFERNCE
SHIFT'S BUSINESS MODEL RED FLAGS

Business Model Red Flags /

Originally published February 2021

Human rights risks in business models:

Likely to be salient
They replicate across the whole business or portfolio.

Converge with business risk
A business model that erodes the licence to operate is material.

Escape scrutiny
Similar features span sectors, so sector-based analysis misses them.

Get at root causes
They point to the source, not just the operational symptoms.

Intended for the use of:

- Business leaders
- Lenders and investors
- Regulators, auditors, analysts and CSOs

Organized around the three core features of a business model

RELATED TO
THE VALUE PROPOSITION
What the company offers, and to whom

RELATED TO
THE VALUE CHAIN
How the company delivers value

RELATED TO
THE COST STRUCTURE AND REVENUE MODEL
How the business model is profitable

Shift

https://shiftproject.org/business-model-red-flags/

Six anchors that hold as contexts change /

1 / Severity sets priority

Even small exposures can warrant heightened due diligence.

2 / Narrow exclusions leave gaps

Prohibited-weapons lists alone miss other severe risks.

3 / IHL provides boundaries

International humanitarian law provides a neutral and widely recognised foundation for defense-related due diligence.

4 / The rules bind all parties

Self-defence and an opponent’s violations do not remove those limits.

5 / Emerging technology remains subject to IHL

Autonomy does not remove distinction, proportionality or precautions.

6 / Conflict links create exposure

Connections to armed conflict may create legal exposure for financial institutions and their decision-makers

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UNITED NATIONS
HUMAN RIGHTS
OFFICE OF THE HIGH COMMISSIONER

SPECIAL PROCEDURES
UNITED NATIONS
HUMAN RIGHTS COUNCIL

Information Note

UN Human Rights
UN Working Group on Business and Human Rights

Investors, the Arms Sector and the UN Guiding Principles on Business and Human Rights

SEPTEMBER 2026

