Event read-out - “**How are human rights obligations in the arms trade reshaping risk for institutional investors?**”

This read-out draws on an expert discussion that took place on 28 May 2026 (online) and combined formal recorded panel interventions (passcode: 4j@P@TP4) with an unrecorded Q&A session held under the Chatham House Rule. Below is a **read-out of the session as a whole**, followed by a more **detailed summary of the Q&A**.

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The discussion was co-hosted by the Geneva Peacebuilding Platform, Heartland Initiative, Inc., Essex Business and Human Rights Project, and St. Mary's University.

Our discussion featured Dr. Tara Van Ho, Associate Professor of Law at St. Mary’s University (Texas), who presented her research on the human rights responsibilities of the arms industry, regulating States, and the investors that support them. You can read her latest research on this topic **here** and **here**.

Sam Jones, President of Heartland Initiative and Anil Yilmaz Vastardis, Senior Lecturer at Essex Law School and Human Rights Centre then provided critical responses to her work and drew on the UN Guiding Principles on Business & Human Rights (UNGPs) and the Arms Trade Treaty (ATT) to jointly explore:

- Legal and human rights risks in the global arms trade
- What these mean for investors and financial institutions
- Emerging expectations on due diligence and stewardship

Florence Foster, Special Advisor for the Platform moderated this timely and fascinating debate.

Summary Read-Out

The Q&A provided a space for candid exchange on legal risk, responsibility, and the practical challenges investors face when navigating high-risk sectors such as defence technology and dual-use hardware. A central theme emerging across both components of the discussion is the transition from “compliance as a floor” to a more rigorous, conduct-based analysis of risk and responsibility.

The starting point for this shift is a broadening understanding of what constitutes the arms trade. No longer confined to conventional weapons systems, the scope now encompasses a wider ecosystem that includes dual-use technologies such as semiconductors, artificial intelligence, and cloud infrastructure, as well as financial flows and industrial inputs that enable conflict-related activities. This reflects the reality that contemporary conflicts are sustained not only by weapons but by interconnected technological and financial systems. **For institutional investors, this expanded scope means that exposure to arms-related risks is no longer limited to traditional defence portfolios but may be embedded across a wide range of holdings.**

Within this context, the UNGPs establish that businesses, including **institutional investors, bear an independent responsibility** to respect human rights. **This responsibility is not contingent on state action and cannot be satisfied through regulatory compliance alone**. Instead, it requires the implementation of ongoing and iterative human rights due diligence. This involves identifying risks,

assessing their severity and likelihood, implementing mitigation measures, and providing remedy where harm occurs. Crucially, this process must be forward-looking. The emphasis is not only on whether harm *has* occurred, but on whether it is *reasonably foreseeable*.

The discussion highlighted that the arms trade, broadly understood, often operates within conflict-affected and high-risk areas. In such environments, the risk of misuse, diversion, or contribution to human rights violations is rarely hypothetical. Patterns of past conduct, structural inequalities, and political dynamics often provide strong indicators of future harm. As a result, investors and companies cannot rely on **narrow interpretations of compliance, such as adherence to export controls or sanctions regimes**. These measures **represent a minimum baseline** rather than a comprehensive framework for managing risk.

This point was reinforced by framing investor **responsibility as a spectrum that moves from being directly linked to harm**, to contributing to it, and in some cases to causing it. This spectrum is dynamic and depends on the actions taken by investors in response to known risks. Where investors are aware of severe risks and fail to act, they risk shifting from a position of linkage to one of contribution. This is particularly salient in contexts where human rights abuses are embedded in state policy. Examples discussed included forced labour practices, territorial conflicts, and longstanding patterns of sanctions evasion. In such cases, the **traditional concept of "leverage" becomes increasingly ineffective**. Individual investors or companies are unlikely to influence state behaviour, and continued engagement may instead accelerate their movement along the responsibility spectrum.

The question of **legal risk was addressed by distinguishing between international criminal liability and civil liability**. Criminal complicity requires a high threshold, often framed as the intentional provision of support for wrongdoing. This is a standard that institutional investors are unlikely to meet. However, the discussion emphasized that civil liability and human rights accountability operate on a lower threshold. Here, the focus is on foreseeability and failure to act on known risks. This creates a more immediate and tangible risk environment for investors, particularly as legal frameworks and litigation strategies continue to evolve.

The **implications for fiduciary duty were also explored in depth**. Contrary to the assumption that fiduciary obligations require the pursuit of short-term financial returns, participants emphasized that fiduciary duty is inherently long-term. Ignoring human rights risks in pursuit of immediate gains may undermine asset value over time, as demonstrated by high-profile cases involving companies operating in conflict-affected contexts. In this sense, **human rights due diligence** is not in tension with fiduciary duty but is an **integral component of prudent risk management**. The perceived divide between ethics and duty was reframed as a question of risk prioritization, with the defence and defence technology sectors representing the highest tier of exposure.

The discussion also addressed **the role of data in informing investor decisions**. While there is a common perception that data on dual-use technologies and defence-related activities is limited, participants challenged this view. Information on corporate involvement in harmful activities is often available through a combination of sources, including investigative journalism, academic research, civil society reporting, and corporate disclosures. **The issue is less one of data scarcity than of data selection and interpretation.** Investors were encouraged to broaden the scope of their analysis beyond standardized ESG metrics and to engage more critically with diverse sources of information. In many cases, evidence of harm is visible through relationship mapping, public statements by corporate leadership, and patterns of engagement with state actors.

This broader approach to data is particularly important in the context of dual-use technologies. Components such as semiconductors are not inherently harmful, but their diversion into military applications is a known and foreseeable risk in certain contexts. The discussion highlighted that companies often possess the technical capacity to trace and recall products for commercial purposes, raising questions about why similar mechanisms are not applied to human rights risks. **The absence of such measures may itself be indicative of inadequate due diligence.** Furthermore, the failure to incorporate mitigation mechanisms into contractual arrangements, such as penalties for diversion or provisions for reparations, could expose companies and investors to claims of negligence under civil law.

The issue of remediation presents additional challenges. In conflict settings, harm is frequently diffuse, collective, and ongoing, making it difficult to identify specific victims or establish clear causal links. Nevertheless, the responsibility to contribute to remedy remains. Where direct connections can be established, companies and investors are expected to provide compensation or other forms of redress.

Where connections are less clear, they may still support broader reparative processes, including transitional justice mechanisms and community-based initiatives. At a minimum, **businesses are expected not to obstruct access to remedy**, including through the use of legal strategies that hinder victims' ability to seek redress.

Finally, the discussion highlighted the growing divergence within the investment community. On one hand, geopolitical developments and increased defence spending are driving capital toward the defence sector, often framed as both a national security imperative and a source of financial return. On the other hand, a subset of investors is seeking to establish and maintain clear normative boundaries based on human rights considerations. This **divergence reflects deeper tensions between market incentives and evolving expectations of corporate responsibility**.

In conclusion, human rights obligations are fundamentally reshaping how risk in the arms trade is understood and managed. The transition from compliance-based approaches to conduct-based analysis requires investors to engage more deeply with the underlying drivers of conflict and harm. The scope of exposure is broader, the standards of responsibility are more demanding, and the consequences of inaction are increasingly visible. For institutional investors, this necessitates a shift from passive risk management to active, informed, and accountable decision-making in a rapidly changing landscape.

Key findings from the unrecorded Q&A

How real is the risk for investor complicity in these scenarios?

The conversation distinguished between the high bar of international criminal law and the more immediate risks of civil liability. While criminal complicity requires "supply with intention"—a threshold institutional investors rarely meet—legal and human rights frameworks are increasingly focusing on the anticipation of risk.

One contributor framed investor responsibility as a moving spectrum of cause, contribution, or linkage. If an investor has concerns that business partners are failing to mitigate severe risks, they risk moving into the "contributing" category. In scenarios where abuses are embedded in state policy—such as the Uyghur forced labor issue in China, the invasion of Ukraine by Russia, or historical U.S. policies toward Iran and Cuba—it was argued that relying on "leverage" is often disingenuous. Individual companies or investors are unlikely to change such embedded state practices. Consequently, supplying weapons or critical tech to such states moves an investor along the responsibility continuum quickly.

Furthermore, the panel asserted that fiduciary duty is long-term and not just immediate. Ignoring risks in favor of short-term gains can undermine investments over time, as seen in cases like Texas Instruments, Lundin, and LaFarge. To combat a lack of individual leverage, especially with Sovereign Wealth Funds, it was recommended that investors coordinate through collective shareholder proposals, voting in accordance with normative standards, and public engagement with C-suite leadership.

Given the lack of data on "dual-use" technology, how should investors bridge the information gap?

The panel challenged the notion that data on the defense tech/dual-use space is unavailable, citing Palantir as a case in point. Despite corporate human rights policies, evidence of harm is often visible through relationship tracking (e.g., ICE), investigative reporting, and public comments from C-suite executives.

Investors were urged to "broaden the aperture" of the data they consume. Rather than limiting themselves to "controversies" defined by standard ESG data providers, investors should look to journalists, academics, and civil society organizations. The consensus was that critical information is accessible if investors look beyond sanitized corporate disclosures to identify harms on the ground.

How can investors address human rights violations while still meeting fiduciary obligations? And which obligation takes precedence under international law?

The dialogue addressed the perceived tension between ethics and duty, concluding that they are fundamentally aligned through risk prioritization. It was argued that the defense and defense tech industries represent the highest possible risk tier (e.g., CAHRA filters), requiring a move from simple "product-based" exclusions to sophisticated "conduct-based" analysis. For example, if a drone system is consistently used for offensive purposes on the battlefield, investors must confront the company directly.

Regarding dual-use tech, the panel noted that while components like semiconductors are not weapons themselves, their diversion into military hardware is a known risk. It was noted that if a company has the technical capacity to recall a product for a commercial defect, it possesses the capability for "human rights tracing."

The experts argued that failing to build mitigatory measures into distributor contracts—such as financial penalties for diversion that could be turned into reparations for victims—could be framed as a negligence claim under tort law. Ultimately, "compliance" with Biden administration-style sanctions and trade controls should be viewed as the floor of an investor's obligations, not the ceiling. In international law, responsibilities and obligations take precedence over fairness; where there is a known risk, there is an active obligation to take steps to prevent it.