Sustainability

Controversial Weapons Research

Methodology & Research Process

July 2026

Version 1.0

PUBLIC DISCLOSURE ON THE METHODOLOGY MODELS, AND KEY RATING ASSUMPTIONS USED IN ESG RATING ACTIVITIES

ISS STOXX

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Regulation (EU) 2024/3005: Public Disclosure on the Methodology, Models, and Key Rating Assumptions Used in ESG Rating Activities

This disclosure is published to meet the relevant requirements of the EU ESG Ratings Regulation (EU2024/3005) and related regulatory technical standards. The following index cross-references to the relevant information are made available within the Controversial Weapons Research Methodology Document and on our website.

Within this disclosure, the Regulation (EU) 2024/3005 of the European Parliament and of the Council of 27 November 2024 on the transparency and integrity of Environmental, Social and Governance (ESG) rating activities is referred to as "**Regulation (EU) 2024/3005**".

Within this disclosure, the Commission Delegated Regulation (EU) of 21 04 2026 supplementing Regulation (EU) 2024/3005 of the European Parliament and of the Council with regard to regulatory technical standards specifying the elements of ESG rating products to be disclosed to the public and to users of ESG ratings, rated items and issuers of rated items is referred to as **"Delegated Regulation"**.

REGULATION (EU) 2024/3005	DELEGATED REGULATION	REQUIRED INFORMATION	ISS GERMANY AG DISCLOSURE
Rating Product Disclosures			
ANNEX III.1.f	Article 3(1)	ESG rating providers shall disclose information on the ESG rating's clearly defined objective and marking whether the rating is assessing risks, impacts, or both, according to the double materiality principle, or any other dimensions, and in the case of double materiality the proportion of the risk and impact materiality. ESG rating providers shall disclose at the level of each ESG rating product: a) a description of the risks covered, where the ESG rating is assessing risks; b) a description of the impacts covered, where the ESG rating is assessing impacts; c) information on how the risk and impact materiality are taken into account according to the double materiality principle, where applicable; d) where the ESG rating is based on other materiality dimensions, a description of those dimensions.	Please refer to: • Introduction • The aspect of assessed risks, impacts, and double materiality is not relevant for Controversial Weapons Research, as the solution assesses corporate involvement in controversial weapons.
ANNEX III.1.g	Article 3(2)	ESG rating providers shall disclose the ESG rating's scope, namely, whether it covers an individual E, S, or G factor or whether it is an aggregated rating aggregating E, S and G factors, or whether it covers specific issues such as transition risks. ESG rating providers shall disclose at the level of each ESG rating product: a) a description of what is covered under the E, S or G factors and which factors are aggregated, where applicable; b) a description of the specific issues that the ESG rating covers.	Please refer to: • Introduction • Screening Criteria and Definitions • Appendix B: Controversial Weapons Definitions
ANNEX III.1.h	N/A	ESG rating providers shall disclose in the case of an aggregated ESG rating, the weighting of the three overarching E, S and G categories of factors (for example 33 % for the E factor, 33 % for the S factor, 33 % for the G factor), and the explanation of the weighting method, including weight per individual E, S and G category.	Please refer to: • This requirement is not applicable to the Controversial Weapons

REGULATION (EU) 2024/3005	DELEGATED REGULATION	REQUIRED INFORMATION	ISS GERMANY AG DISCLOSURE
			Research solution as it is not an aggregated rating.
ANNEX III.1.i	N/A	ESG rating providers shall disclose within the E, S or G factors, specification of the topics covered by the ESG rating, and whether they correspond to the topics from the sustainability reporting standards developed pursuant to Article 29b of Directive 2013/34/EU.	Please refer to: • Introduction
ANNEX III.1.j	N/A	ESG rating providers shall disclose information on whether the rating is expressed in absolute or relative value.	Please refer to: • Research Results & Customization
ANNEX III.1.o	Article 3(3)	ESG rating providers shall disclose if an ESG rating of a rated item covers the E factor, information on whether that rating takes into account the targets and objectives of the Paris Agreement or any other relevant international agreements. ESG rating providers shall disclose if an ESG rating of a rated item covers the S and G factors, information on whether that rating takes into account any relevant international agreements.	Please refer to: • Methodological Foundation: International Norms & Frameworks
ANNEX III.1.p	Article 3(4)	ESG rating providers shall at the level of each ESG rating product: a) include an indication of whether the ESG rating takes into account the targets and objectives of the Paris Agreement and which other international agreements are considered, with reference to basic identifying information on these agreements together with an explanation of their relevance to the ESG rating; b) specify whether the ESG rating is assessing alignment of commitments against the objectives of the agreements referred to in point (a).	

REGULATION (EU) 2024/3005	DELEGATED REGULATION	REQUIRED INFORMATION	ISS GERMANY AG DISCLOSURE
Basic Methodological Disclosures			
ANNEX III.1.a	Article 4(1)	ESG rating providers shall disclose an overview of the rating methodologies used and changes thereto, including whether analysis is backward-looking or forward-looking and the time horizon covered. ESG rating providers shall disclose: a) the title of the rating methodology used; b) a description of the types of rated items in relation to which the methodology referred to in point (a) applies; c) the time horizon over which the ESG rating is considered valid, where applicable d) a list and overview of the relevant supporting models and key rating assumptions, where applicable; information on measures and procedures to ensure the quality and reliability of data used; e) a description of the defined ranking system of rating categories used, with reference to: i. the meaning of each rating category for absolute and relative values and how the ranking system should be interpreted; ii. in the case of relative values, an explanation as to whether they are relative to a specific industry, geographical area, peer groups or other comparative references and their respective description. f) the dates of the most recent update of the methodology and a description of the changes introduced to the previous version.	Please refer to: Points a) and f) • Appendix E – Version Control Points b) to e) • b): Screening Criteria and Definitions • c) Assessment Criteria and Analyses, Research Process • d) Research Process • e) Research Results, Deliverables & Customization, Appendix A: Red/Amber Assessment Background
ANNEX III.1.b	Article 4(2)	ESG rating providers shall disclose the industry classification used. ESG rating providers shall provide: a) the name of the issuing body of the industry classification used; b) the name and version of the industry classification used;	Please refer to: • This requirement is not applicable as industry classification is not used

REGULATION (EU) 2024/3005	DELEGATED REGULATION	REQUIRED INFORMATION	ISS GERMANY AG DISCLOSURE
		c) any publicly available link to the official documentation of the industry classification system.	in the Controversial Weapons Research solution.
ANNEX III.1.c	Article 4(3)	ESG rating providers shall disclose an overview of data sources, including whether data is sourced from sustainability statements required under Directive 2013/34/EU or from information disclosed under Regulation (EU) 2019/2088 and whether sources are public or non-public, and an overview of data processes, estimation of input data in case of unavailability and frequency of data updates. ESG rating providers shall include a description of the engagement process with rated items or issuers of rated items, including how the input from such engagement is taken into account.	Please refer to: • Data Sources: Data Collection: Review of Sources and Company Dialogue • Data Processes: Research Process • Estimation of Input Data: Use of Estimated Data • Frequency of Updates: Research Updates • Engagement Processes: Research & Dialogue, Company Verification
ANNEX III.1.e	Article 4(4)	ESG rating providers shall disclose information on whether and how the rating methodologies are based on scientific evidence. ESG rating providers shall where applicable, describe the process for identifying relevant scientific evidence.	• This requirement is not applicable to the methodology of the Controversial Weapons Research solution.
ANNEX III.1.k	N/A	ESG rating providers shall disclose where applicable, reference to the use of artificial intelligence in the data collection or rating process including information about current limitations and risks of using artificial intelligence.	• This requirement is not applicable to the Controversial Weapons Research solution

REGULATION (EU) 2024/3005	DELEGATED REGULATION	REQUIRED INFORMATION	ISS GERMANY AG DISCLOSURE
Limitations in data sources, methodologies and information			
ANNEX III.1.m	Article 5	ESG rating providers shall disclose any limitation in data sources and methodologies used for the construction of ESG ratings. ESG rating providers shall disclose any limitation on the information available to ESG rating providers.	Please refer to: • Limitations • Limitations to Methodologies & Data
ANNEX III.1.q	Article 5	ESG rating providers shall explain any limitations in respect of the following: a) the availability or consistency of data used in the rating process; b) the completeness, timeliness and accuracy of information; c) the use of assumptions, proxy reference points and data estimation.	
Organisational Disclosures			
ANNEX III.1.d	Article 6(2)	ESG rating providers shall disclose the ownership structure of the ESG rating provider. ESG rating providers shall disclose: a) a chart illustrating their ownership links with any parent undertaking and subsidiaries. The chart shall indicate, where applicable, whether any of those entities perform any of the activities listed in Article 16 (1) or services referred to in Article 16(6) of Regulation (EU) 2024/3005.	Please refer to: • Ownership Structure
ANNEX III.1.l	Article 6(3)	ESG rating providers shall disclose general information on criteria used for establishing fees charged to clients, specifying the various elements taken into consideration, and general information on the business/payment model. ESG rating providers shall disclose the following: a) how the criteria they apply for establishing fees ensure that fees are fair, reasonable, transparent and non-discriminatory in accordance with Article 27 of Regulation (EU) 2024/3005;	Please refer to: • Pricing Policy

REGULATION (EU) 2024/3005	DELEGATED REGULATION	REQUIRED INFORMATION	ISS GERMANY AG DISCLOSURE
		b) whether the ESG rating provider operates a subscription-paid model, an issuer-paid model, a combination of those models, or another model; c) a description of the relevant business model, and the proportion of total annual revenue derived from each model; d) where applicable, the impact of fees charged for services other than ESG rating activities on the determination of fees for ESG ratings, together with a description of those other services.	
ANNEX III.1.n	Article 6(1)	ESG rating providers shall disclose the main risks of conflicts of interest and the steps take to mitigate them. ESG rating providers shall indicate the areas of the ESG rating provider's activities, services or organisational structure from which the main risks of conflicts of interest may arise.	Please refer to: • Conflict of Interest Policy

Introduction

Controversial Weapons Research Objective

Controversial Weapons Research (CWR) is an analysis methodology designed to assess corporate involvement in weapons that are deemed particularly controversial because of their indiscriminate effects and the disproportionate harm, superfluous injury or unnecessary suffering they cause. International humanitarian law and specific arms control instruments constitute the basis for this research. Financial institutions, including investors, insurance providers and commercial banks may be required to be aware of companies that are involved in such controversial weapons for compliance or policy reasons. The **objective** of the CWR dataset is to support financial institutions by providing a **record of information documenting corporate involvement** in controversial weapons based on a **standardized research methodology.**

CWR analysis results are an opinion and therefore are not to be interpreted as a recommendation by ISS STOXX or as an authoritative perspective on individual companies' business activities.

Corporate involvement in certain types of controversial weapons covered by CWR may constitute a disclosure requirement under European Sustainability Reporting Standards' sections on business conduct and affected communities. Hence, the content of the topics covered by CWR correspond to the S3 Affected communities and G1 Business conduct topics from the sustainability reporting standards developed pursuant to Article 29b of Directive 2013/34/EU.

The scope of the CWR covers the issue of corporate involvement across various defined weapon categories and weapons programmes. CWR subscriptions and data feeds can be **customized** for a financial institution's individual requirements according to these weapon categories:

WEAPON CATEGORY	RELEVANT NORM(S)
Anti-personnel mines	Mine Ban Treaty
Biological weapons	Biological Weapons Convention
Blinding laser weapons*	Convention on Certain Conventional Weapons, Protocol IV
Chemical weapons	Chemical Weapons Convention
Cluster munitions	Convention on Cluster Munitions
Depleted uranium ammunition and armour	N/A
Incendiary weapons	Convention on Certain Conventional Weapons, Protocol III

WEAPON CATEGORY	RELEVANT NORM(S)
Nuclear weapons inside the NPT Nuclear weapons outside the NPT	Treaty on the Non-Proliferation of Nuclear Weapons (NPT); Treaty on the Prohibition of Nuclear Weapons; ICJ Opinion on the Legality of the Threat or Use of Nuclear Weapons
Non-detectable fragment weapons*	Convention on Certain Conventional Weapons, Protocol I
White phosphorus weapons	N/A

**Planned expansion of coverage in 2026.*

The CWR dataset '**Nuclear Weapons Inside the NPT**' covers involvement in the five NPT-recognized nuclear weapon states' nuclear weapon programmes, i.e. China, France, Russia, United Kingdom, and Unites States. The CWR dataset '**Nuclear Weapons Outside the NPT**' covers involvement in nuclear weapon programmes of countries that are not NPT-recognized nuclear weapon states, e.g. India, Pakistan, North Korea. A company's **domicile is not the defining factor** for assigning an assessment for nuclear weapons inside or outside the NPT, but the defining factor is the country whose nuclear weapon programme is the subject of the assessment.

Technical definitions of controversial weapons, as well as formal names of the relevant norms are available in Appendix B. The above overview is not to be interpreted as a complete list of what categories of weapons can be classified as controversial.

Screening Criteria and Definitions

Methodological Foundation: International Norms & Frameworks

CWR assesses corporate involvement in controversial weapons using criteria set out in the relevant international norms, such as the Mine Ban Treaty (MBT) and the Convention on Cluster Munitions (CCM), the key **international arms control instruments** concerning anti-personnel mines and cluster munitions. These conventions serve as the primary normative framework regarding anti-personnel mines and cluster munitions for many investors and they provide a solid basis for defining screening criteria for corporate involvement in controversial weapons more generally.

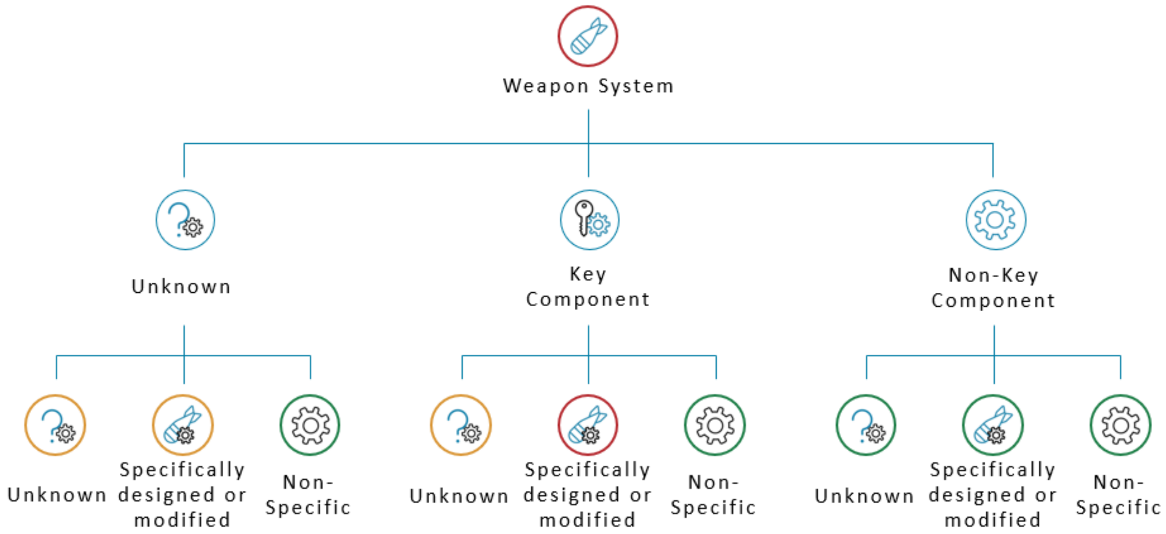
For instance, according to the CCM, it is prohibited to 'Develop, produce, otherwise acquire, stockpile, retain or transfer to anyone, directly or indirectly, cluster munitions' and to 'Assist, encourage or induce anyone to engage in any [such] activity'. The MBT contains nearly identical prohibitions regarding anti-personnel mines. This broad scope of prohibited activities defines the requirement for investors seeking to align their investment decisions with the CCM and/or the MBT. Hence, a similarly **broad scope of activities**, ranging from the development of controversial weapons to the production of components for these weapons to stockpile support services and the provision of launch capabilities, is covered in CWR screening criteria.

Note, while CWR is informed by these international norms, it does not assess alignment of commitments against the objectives of the agreements. Similarly, while the production, testing, use, etc. of controversial weapons can have severe negative impacts on the environment, CWR does not analyse such impact nor take into account the targets and objectives of international treaties and conventions on environmental protection, such as the Paris Agreement.

Assessment Criteria: Technical Definitions

Definitions applied in CWR are based on the above-mentioned norms and frameworks as well as extensive dialogue with experts and re-evaluated on a regular basis to reflect and incorporate new investor requirements and stakeholder expectations.

Figure 1: Simplified illustration of CWR technical definitions



Weapon programmes of relevance in CWR typically include the following military equipment:

- Controversial munitions (artillery rounds, rockets, missiles, bombs, mines, etc.)
- Armoured vehicles using depleted uranium armour
- Launch systems for controversial munitions (howitzers, rocket launch systems, submarines, etc.).

However, **launch systems** are only considered to be relevant if they are:

- Dedicated to launching a controversial type of munition (e.g. ballistic missile submarines, the primary purpose of which is to launch nuclear missiles) – can be RED assessment
- Advertised/marketed as launch systems for controversial munitions – can be RED assessment
- Designed or modified to launch a controversial type of munition, even if other non-controversial types of munitions can be launched (e.g. multiple launch rocket systems that have specific technical features enabling the launch of cluster munitions or were originally designed to launch cluster munitions and are still used for this purpose) – cannot be RED assessment (classified as enabling equipment, see Appendix A for more details)

A key distinction is whether a company is involved in a complete weapon system or in a component of a weapon system. Prime contractors (or system integrators) are typically responsible for the development, production, etc. of a complete weapon system and therefore covered as relevant involvement in CWR. However, involvement in components is only considered to be relevant if:

- The component plays an essential role in the functionality of the weapon system and thus constitutes a **key component and**
- The key component is **specifically designed or modified** for controversial weapons.

The essential role a component plays and the instrumental function it performs as part of a weapon system are described in detail in CWR assessments containing analysis of corporate involvement in key components of controversial weapons. Key components can be part of larger weapon subsystems, which themselves also qualify as key components. For instance, the igniter of a missile propulsion system as well as the propulsion system itself both constitute key components of the missile.

The ‘specifically designed or modified’ criterion is intended to ensure differentiation between companies supplying standard **off-the-shelf products** that qualify as key components and companies designing or modifying such components specifically for use in controversial weapons.

For a key component to qualify as specifically designed or modified, the specificity of the design or modification is not required to:

- Meet a certain degree of significance regarding an alteration of the product’s characteristics or functionality as part of the weapon system
- Be exclusive to a controversial weapon system, meaning that it is sufficient to have at least one controversial weapon system among the applications this component is specifically designed or modified for

Assessment Criteria: Analysis of Corporate Activities

In addition to applying these technical assessment criteria, CWR conducts detailed analysis of a company’s **activities** to assess their **contribution and specificity** to controversial weapon programmes. While the assessment of early lifecycle activities such as development and production of a controversial weapon system and its components is typically based on the above technical definitions, later lifecycle activities such as maintenance and repair services may require the evaluation of further information in the specific context of a weapon programme. For instance, the repair of a key component that was not specifically designed or modified for a controversial weapon system is assessed to be an instrumental contribution that is specific to this controversial weapon system if performed in the direct context of this weapon system – e.g., repairing the key component while it is integrated with the weapon system. Various services related to controversial weapons such as flight test support or transportation are by nature specific, especially when performed in support of complete weapon systems.

However, there are various end of lifecycle **activities that do not constitute instrumental contributions** to a controversial weapon programme such as demilitarization, decommissioning, or the conversion to a non-controversial weapon. Furthermore, services that do not directly support activities covered by CWR, do not constitute an instrumental contribution to a controversial weapon programme. Examples of these activities are generic facility management services such as floor cleaning and food catering.

Generally, assessment criteria need to be confirmed by **verifying sources** such as the company itself or government sources. However, for countries in which only limited public information on government defence procurement and corporate activities is available, authoritative expert sources can serve as verifying sources.

CWR analyses can be considered both forward-looking and backward-looking. While CWR focuses on **current as well as imminent involvement** in controversial weapons, it also covers 'past involvement' assessments to provide clarification of a company's previous business activities related to controversial weapons. However, depending on a company's business activities in and the context of a weapon programme, various other factors are considered in the identification and analysis of corporate involvement in controversial weapons. These factors include, but are not limited to, sole source supplier status, contractual obligations to resume involvement under warranties, the maintenance of production capabilities or a company's confirmed intent to engage in or resume controversial weapons-related business activities.

Determination of Direct and Indirect Corporate Involvement

CWR assessments are assigned throughout the entire **corporate structure**, regardless of the number of tiers of this structure. Corporate ownership, management control and responsibility are accounted for as follows:

- Companies with indications of involvement in controversial weapons are the subject of analysis.
- **Majority shareholders** (≥50% ownership stake) and **controlling shareholders** (even if the ownership stake is <50%) inherit their subsidiaries' assessments.
- **Bond issuers** inherit the assessments of the entities on behalf of which they issue bonds.
- **Minority shareholders** (20%-<50% ownership stake) inherit their affiliates' assessments, albeit with adjusted scores and colour signals (see Appendix A).
- In addition, partners in a **joint venture** are assigned CWR assessments based on the joint venture's business activities regardless of the size of the partners' stake in the joint venture. The same approach applies to members of a consortium and to teaming subcontractors that join together for a dedicated project or contract regardless of the activities each individual member subsequently performs in support of this project or contract.

Sister companies of companies that are the subject of analysis in CWR are not assigned the subject of analysis' assessments. This also applies to subsidiaries, except for bond issuers (as described above). In addition to company ownership, CWR assesses companies created to offer an alternative way of investing in an assessed company in the same way as the assessed company itself. Furthermore, CWR covers advisory and management services for **private equity funds** (PEF), typically provided by a fund's General Partner (GP). When the subject of analysis is owned by a PEF the fund's GP/advisor/manager is assessed in the same way as a parent company of the subject of analysis. The above ownership rules are applied for both PEF owners and the fund's GP/advisors/managers. Accordingly, their respective parent companies, bond issuers, and other related entities are also subject to assessment.

Research Process

The CWR research process can be summarized in the following four process steps:

1. Data Collection: Review of Sources and Company Dialogue

CWR research has two primary functions: In a first step it seeks to determine whether a company has any involvement in controversial weapons, and in a second step it seeks to determine whether a company's activities meet the various screening criteria for corporate involvement in controversial weapons.

Identifying companies involved in weapon programmes that fall within the scope of CWR follows two separate research paths:

- Analysis of risk countries and relevant weapon programmes
- Systematic screening of companies in major investment indices, risk industry sectors, etc.

While these two paths are complementary in the sense that they lead to a juncture from which the following steps in the research process are identical, the starting point is crucial for a comprehensive approach to a global screening coverage for corporate involvement in controversial weapons. By first identifying specific weapon programmes globally and then identifying the companies involved in such programmes, information indicating corporate involvement in controversial weapons is captured systematically, where possible, based on available information.

A **broad range of public sources** is reviewed and analysed in CWR's fact-finding process, including government sources (such as public procurement databases and defence budget documentation), corporate publications and filings (such as annual or sustainability reports, press releases, product brochures and websites), general media sources as well as specialized military & defence publications, NGO reports, in-person visits to aerospace and defence exhibitions, and subscription-accessible databases. All sources used are cross-referenced and information is evaluated for veracity and currency. In addition, sources are cross-checked against information resulting from fact-finding dialogue with the assessed companies.

Extensive dialogue with analysed companies is an integral part of the CWR research process and constitutes the part of the fact-finding process. Engaging companies for clarification of the scope and status of their involvement in controversial weapons programmes provides an opportunity to complement open-source information with first-hand details and serves as a reliable external fact-checking mechanism. If required, fact-finding dialogue is also conducted with relevant, credible and authoritative third parties such as government agencies.

2. Assessment Drafting: Analysis and Quality Assurance

Analyses are drafted by thematic experts applying the CWR methodology and assessments are subject to comprehensive **quality controls** through peer review in the CWR analyst team, covering all aspects of the assessment criteria and the interpretation of sources. If necessary following quality controls, assessments are revised and additional context, sources, or conclusions are integrated.

Upon finalization of the assessment, relevant information is summarized in descriptive text, including all relevant sources, and aggregated in a draft assessment expressed by a colour signal, a score and a title. For recordkeeping purposes, all relevant sources, including company responses from fact-finding dialogues, are archived.

3. Company Verification

In addition to the opportunity to provide information during the initial research phase, companies also receive CWR draft reports for Amber and Red signals prior to publication and are offered an **opportunity to review**, confirm, and supplement the facts presented.

While companies' review of draft reports is intended to give them an opportunity to provide final clarifications, corrections and comments on relevant business activities, a company's disapproval of conclusions presented in the analysis may be considered or dismissed in the final report, depending on the veracity and relevance of the underlying facts.

Following completion of this final process step, CWR assessments are made available to ISS STOXX clients and a copy of the CWR report is shared with the assessed issuer in the same PDF format accessible to ISS STOXX clients.

4. Research Updates

Assessments are updated when information on significant developments is obtained through the systematic monitoring of sources, or through dialogue with the company and stakeholders. Additionally, ISS STOXX aims to review and update assessments annually.

Use of Estimated Data

CWR uses assumptions or proxy reference points as described under 'Limitations' below, but it does not use data estimations. While ISS STOXX has dedicated research methodologies for estimating e.g., a company's share of annual revenue derived from weapons-related activities, these methodologies are independent and not part of CWR.

Limitations

The CWR's methodology and data may be subject to certain limitations. The below outlines such limitations as well as the action taken to address these:

Limitations in Availability or Consistency of Data Sources

- CWR analyses largely depend on the **availability of information** in public sources. However, given that these analyses focus on a very narrow segment of the analyzed companies' business activities – namely involvement in controversial weapons as opposed to involvement in a broader scope of military equipment – and considering that CWR analyses require deep investigation into highly specialized and partially confidential supply chains, a certain degree of incomplete, time-lagged, and/or partially-accurate information is to be expected. CWR methodology accounts for this limitation by complementing public information with information resulting from fact-finding dialogues and by reflecting the availability of information in its standardized research results (indications of involvement vs. verified involvement).

- Furthermore, to account for changes in the availability of information over time, such as companies removing marketing material for controversial weapons from their websites, and to meet investors' requirements for a robust dataset, 'Verified involvement' CWR assessments can be maintained for up to three years after a source has disappeared or a contract has ended. However, this 3-year rule can only be applied if the assessed company's statements provided in the fact-finding dialogue as well as relevant context information about the respective weapon programme do not contradict the conclusion that the company remains involved in the weapon programme.

Limitations in the Completeness, Timeliness, and Accuracy of Information

- Despite systematic information gathering through e.g., daily news screening, government procurement tracking, and M&A/corporate data analysis, there are scenarios in which ISS STOXX may not be able to identify a relevant change in available information immediately. To mitigate this risk of missing information that could potentially lead to an ad hoc update of an assessment, in its dialogue with assessed companies ISS STOXX explicitly invites companies to share updates concerning the business activities that are subject of CWR analyses at any time, not only as part of the annual assessment updating process.

Limitations in the use of Assumptions, Proxy Reference Points, and Data Estimation

- Given limitations in the availability or consistency of data sources as well as limitations in the completeness, timeliness, and accuracy of information as described above, CWR uses assumptions or proxy reference points. For example, if a company announced that it was awarded a contract by a government to produce controversial weapons during a defined period of performance in the future, CWR may immediately assess the company for involvement in controversial weapons, assuming that the company will begin production according to the contract announcement. The above-mentioned 3-year rule is another example of an assumption used in CWR analyses.

Research Results & Customization

ISS STOXX's analyses result in standardized assessments of corporate involvement in **individual weapon programmes**, expressed in absolute values i.e., companies are not assessed relative to each other or to peer industries, but assessments are solely based on the criteria described above and are largely dependent on the quality of information available to evaluate business activities. Assessments consist of a traffic light signal in combination with a score and a title as illustrated in the below overview and are considered valid until the next update of the underlying analysis is completed.

Involvement in controversial weapons and involvement in equipment enabling the use of controversial weapons, e.g. non-dedicated or multi-purpose launch systems that are specifically designed or modified for controversial weapons, are classified separately with assessments for involvement in enabling equipment generally being assigned one score lower than assessments for involvement in controversial weapons (see Appendix A for more details).

The following is an exhaustive list of CWR assessment classifications:

Table 1: CWR Assessment Classification

COLOUR SIGNAL	SCORE	TITLE (expressing type of involvement and level of verification)
RED	10	Verified involvement in controversial weapons
AMBER	9	Verified involvement in enabling equipment
AMBER	9	Owner - Verified involvement in controversial weapons
AMBER	9	Imminent involvement in controversial weapons
AMBER	8	Strong indications involvement in controversial weapons
AMBER	8	Owner - Verified involvement in enabling equipment
AMBER	8	Imminent involvement in enabling equipment
AMBER	7	Strong indications involvement in enabling equipment
AMBER	7	Fragmentary information about involvement
AMBER	6	Owner - Strong indications involvement in controversial weapons
AMBER	6	Owner - Strong indications involvement in enabling equipment
AMBER	6	Owner - Fragmentary information about involvement in controversial weapons
AMBER	6	Owner - Fragmentary information about involvement in enabling equipment
AMBER	6	Fragmentary information about involvement in enabling equipment
GREEN	5	Involvement beyond scope in controversial weapons
GREEN	4	Involvement beyond scope in enabling equipment
GREEN	3	Past involvement in controversial weapons
GREEN	2	Past owner (various assessment titles possible)
GREEN	2	Past involvement in enabling equipment
GREEN	2	Owner - Past involvement in controversial weapons
GREEN	2	Owner - Past involvement in enabling equipment
GREEN	1	Past involvement beyond scope in controversial weapons
GREEN	1	Past involvement beyond scope in enabling equipment
GREEN	1	No involvement in controversial weapons
GREEN	1	No involvement in enabling equipment

For companies with multiple assessments per weapon category the weapon programme level assessment with the highest score determines the **overall assessment per weapon category**. For instance, when a company has a score 6 AMBER assessment for cluster munition programme A and a score 10 RED assessment for cluster munition programme B the company's overall assessment for cluster munitions will be a score 10 RED assessment (see 'Example of CWR company report' below). Similarly, when a company has a score 6 AMBER assessment for cluster munition programme A and a score 9 AMBER assessment for cluster munition programme B the company's overall assessment for cluster munitions will be a score 9 AMBER assessment. When a company's assessment for a weapon programme is based on multiple involvements the same principle applies, i.e. the involvement leading to the highest score determines the company's assessment for this weapon programme.

There is a specific type of 'Strong indications' AMBER assessment with the Case Tag 'Strong indications of involvement (early warning AMBER assessment)' added. These **early warning AMBER** assessments are assigned when a company has received a 'Verified involvement' draft assessment from ISS STOXX for review. They typically have a short duration and are assigned only for the period in which the company reviews the draft assessment, i.e. before the final assessment including the company's comments is assigned to the company.

The granularity of the above assessment classification enables ISS STOXX clients to **customize CWR research results** depending on their respective requirements. On DataDesk further options for the customization of CWR data are available through five categories of **numbered Case Tags**, which are linked to each assessment, as follows:

1: type of involvement (e.g. munition or launch system)
2: assessment (e.g. verified involvement or past involvement)
3: type of equipment (e.g. key components or non-key components)
4: activity (e.g. development or production)
5: ownership relation (e.g. operating company or parent / holding company)

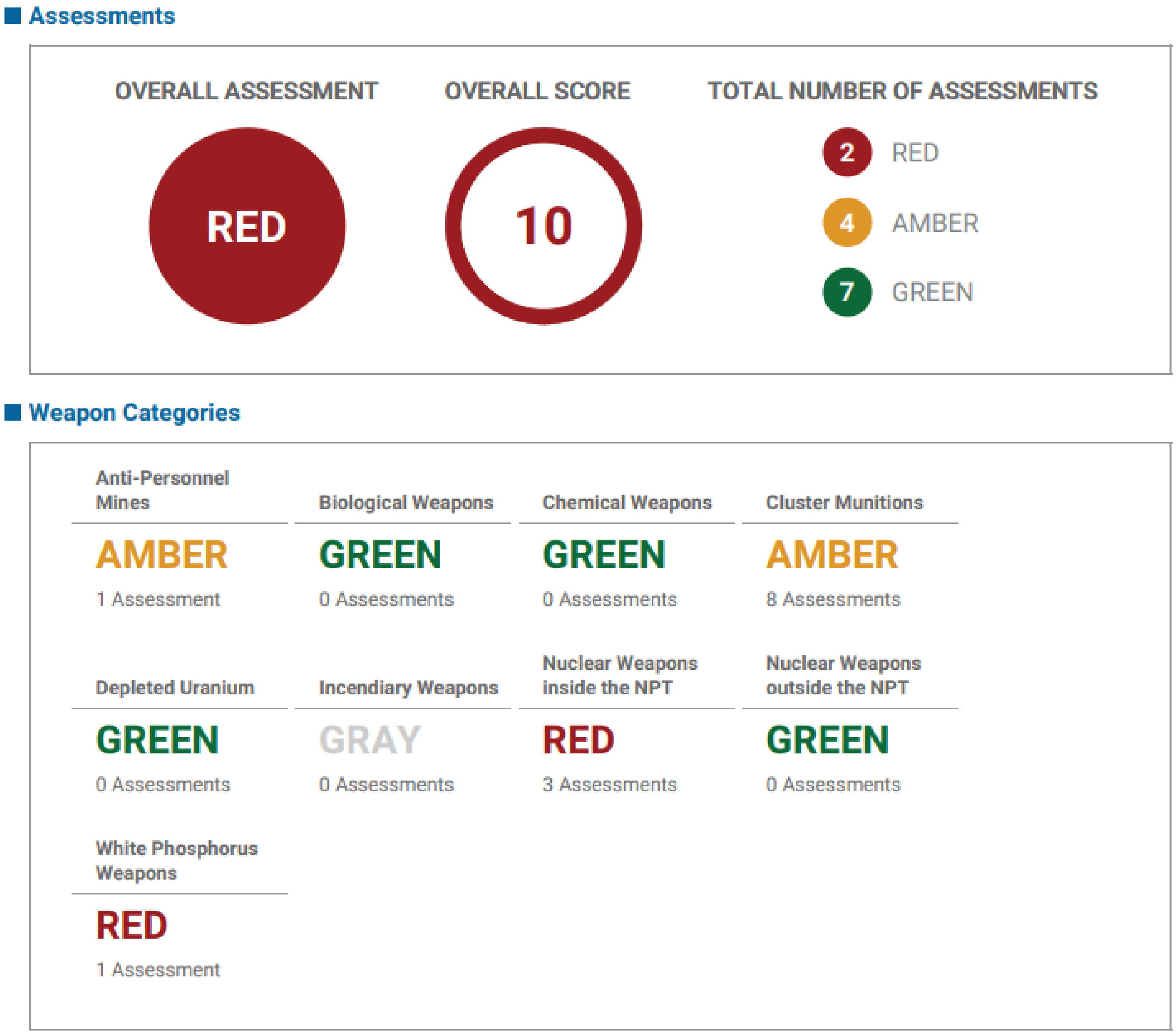
A complete list of Case Tags can be found in Appendix C.

Compared to corporate involvement in other types of military equipment, corporate involvement in controversial weapons is regarded as generally problematic because anti-personnel mines, cluster munitions, weapons of mass destruction, etc. are deemed particularly controversial due to their inherent indiscriminate effects and the disproportionate harm, superfluous injury or unnecessary suffering they cause. Hence, CWR follows a **zero-tolerance approach** and customization based on revenue thresholds, such as 5% or 10% of total annual revenue derived from involvement in controversial weapons, is not supported.

CWR analysis results are presented in **individual company reports**, which provide detailed accounts of a company's involvement in controversial weapons, according to an ISS STOXX client's subscription to the weapon categories covered in CWR. The reports, in PDF format, include the following information:

- Overview of corporate data such as country of incorporation, industry sector, business profile, etc.
- Summary of overall assessment for controversial weapons, including overall assessments for each subscribed weapon category, and an overview of underlying weapon programme assessments
- Complete analysis reports for all weapon programme assessments, including detailed assessment text, relevant sources, as well as comprehensive summaries of fact-finding dialogue

Figure 2: Example of CWR company report – assessment summary section



('Gray' means the company has not yet been screened for the respective weapon category)

Appendix

Appendix A: Red/Amber Assessment Background

ASSESSMENT	ACTIVITIES AND NORMATIVE BACKGROUND	COVERAGE
10 - Verified involvement in controversial weapons	Development, production, acquisition, stockpiling, retention, or transfer of controversial weapons; as well as assistance in any of these activities (Convention on Cluster Munitions + Mine Ban Treaty Article 1.1.b + 1.1.c)	Covers companies that are verifiably involved in controversial weapons through its own operations, through a subsidiary (majority ownership / controlling shareholder), through a joint venture (regardless of ownership stake) or as a bond issuer issuing debt for a company that is verifiably involved in controversial weapons; Covers controversial weapons and key components thereof
9 - Verified involvement in equipment enabling the use of controversial weapons	Assistance in the use of controversial weapons (Convention on Cluster Munitions + Mine Ban Treaty Article 1.1.a + 1.1.c)	Covers companies that are verifiably involved in equipment enabling the use of controversial weapons through its own operations, through a subsidiary (majority ownership / controlling shareholder), through a joint venture (regardless of ownership stake) or as a bond issuer issuing debt for a company that is verifiably involved in equipment enabling the use of controversial weapons; Covers equipment that is specifically designed or modified to enable the use of controversial weapons, as well as services enabling the use of controversial weapons
9 - Owner - Verified involvement in controversial weapons	Development, production, acquisition, stockpiling, retention, or transfer of controversial weapons; as well as assistance in any of these activities (Convention on Cluster Munitions + Mine Ban Treaty Article 1.1.b + 1.1.c)	Minority ownership of 20% - <50% (not a controlling shareholder) of a company that is verifiably involved in controversial weapons; Covers controversial weapons and key components thereof
9 - Imminent involvement in controversial weapons	Development, production, acquisition, stockpiling, retention, or transfer of controversial weapons; as well as assistance in any of these activities (Convention on Cluster Munitions + Mine Ban Treaty Article 1.1.b + 1.1.c)	Pending project or M&A agreement under which a company may become verifiably involved in controversial weapons; also used to flag risk of shareholders becoming invested in companies involved in controversial weapons through M&A-related stock swap transactions; Covers controversial weapons and key components thereof

ASSESSMENT	ACTIVITIES AND NORMATIVE BACKGROUND	COVERAGE
8 - Strong indications of involvement in controversial weapons	Development, production, acquisition, stockpiling, retention, or transfer of controversial weapons; as well as assistance in any of these activities (Convention on Cluster Munitions + Mine Ban Treaty Article 1.1.b + 1.1.c)	Not a verified involvement because one assessment criterion is not confirmed; Covers controversial weapons and key components thereof
8 - Owner - Verified involvement in equipment enabling the use of controversial weapons	Assistance in the use of controversial weapons (Convention on Cluster Munitions + Mine Ban Treaty Article 1.1.a + 1.1.c)	Minority ownership of 20% - <50% (not a controlling shareholder) of a company that is verifiably involved in equipment enabling the use of controversial weapons; Covers equipment that is specifically designed or modified to enable the use of controversial weapons, as well as services enabling the use of controversial weapons
8 - Imminent involvement in equipment enabling the use of controversial weapons	Assistance in the use of controversial weapons (Convention on Cluster Munitions + Mine Ban Treaty Article 1.1.a + 1.1.c)	Pending project or M&A agreement under which a company may become verifiably involved in controversial weapons; also used to flag risk of shareholders becoming invested in companies involved in controversial weapons through M&A-related stock swap transactions; Covers equipment that is specifically designed or modified to enable the use of controversial weapons, as well as services enabling the use of controversial weapons
7 - Fragmentary information about involvement in controversial weapons	Development, production, acquisition, stockpiling, retention, or transfer of controversial weapons; as well as assistance in any of these activities (Convention on Cluster Munitions + Mine Ban Treaty Article 1.1.b + 1.1.c)	Not a verified involvement because more than one assessment criteria are not confirmed; Covers controversial weapons and key components thereof
7 - Strong indications of involvement in equipment enabling the use of controversial weapons	Assistance in the use of controversial weapons (Convention on Cluster Munitions + Mine Ban Treaty Article 1.1.a + 1.1.c)	Not a verified involvement because one assessment criterion is not confirmed; Covers equipment that is specifically designed or modified to enable the use of controversial weapons, as well as services enabling the use of controversial weapons
6 - Fragmentary information about involvement in equipment enabling the use of controversial weapons	Assistance in the use of controversial weapons (Convention on Cluster Munitions + Mine Ban Treaty Article 1.1.a + 1.1.c)	Not a verified involvement because more than one assessment criteria are not confirmed; Covers equipment that is specifically designed or modified to enable the use of controversial weapons, as well as services enabling the use of controversial weapons

Appendix B: Controversial Weapons Definitions

WEAPON CATEGORY	DEFINITION
Anti-personnel mines Defined by Convention on the Prohibition of the Use, Stockpiling, Production and Transfer of Anti-Personnel Mines and on Their Destruction	"Anti-personnel mine" means a mine designed to be exploded by the presence, proximity or contact of a person and that will incapacitate, injure or kill one or more persons. Mines designed to be detonated by the presence, proximity or contact of a vehicle as opposed to a person, that are equipped with anti-handling devices, are not considered anti-personnel mines as a result of being so equipped. 2. "Mine" means a munition designed to be placed under, on or near the ground or other surface area and to be exploded by the presence, proximity or contact of a person or a vehicle. 3. "Anti-handling device" means a device intended to protect a mine and which is part of, linked to, attached to or placed under the mine and which activates when an attempt is made to tamper with or otherwise intentionally disturb the mine.
Biological weapons Defined by Convention on the Prohibition of the Development, Production and Stockpiling of Bacteriological (Biological) and Toxin Weapons and on their Destruction	(1) microbial or other biological agents, or toxins whatever their origin or method of production, of types and in quantities that have no justification for prophylactic, protective or other peaceful purposes; (2) weapons, equipment or means of delivery designed to use such agents or toxins for hostile purposes or in armed conflict
Blinding laser weapons Defined by Convention on Prohibitions or Restrictions on the Use of Certain Conventional Weapons which may be Deemed to be Excessively Injurious or to have Indiscriminate Effects, Protocol on Blinding Laser Weapons, Protocol IV	Laser weapons specifically designed, as their sole combat function or as one of their combat functions, to cause permanent blindness to unenhanced vision, that is to the naked eye or to the eye with corrective eyesight devices. For the purpose of this protocol "permanent blindness" means irreversible and uncorrectable loss of vision which is seriously disabling with no prospect of recovery. Serious disability is equivalent to visual acuity of less than 20/200 Snellen measured using both eyes.
Chemical weapons Defined by Convention on the Prohibition of the Development, Production, Stockpiling and Use of Chemical Weapons and on their Destruction	“Chemical Weapons” means the following, together or separately: Toxic chemicals and their precursors, except where intended for purposes not prohibited under this Convention, as long as the types and quantities are consistent with such purposes; Munitions and devices, specifically designed to cause death or other harm through the toxic properties of those toxic chemicals specified in subparagraph (a), which would be released as a result of the employment of such munitions and devices; Any equipment specifically designed for use directly in connection with the employment of munitions and devices specified in subparagraph (b).

WEAPON CATEGORY	DEFINITION
Cluster munitions Defined by Convention on Cluster Munitions	"Cluster munition" means a conventional munition that is designed to disperse or release explosive submunitions each weighing less than 20 kilograms, and includes those explosive submunitions. It does not mean the following: (a) A munition or submunition designed to dispense flares, smoke, pyrotechnics or chaff; or a munition designed exclusively for an air defence role; (b) A munition or submunition designed to produce electrical or electronic effects; (c) A munition that, in order to avoid indiscriminate area effects and the risks posed by unexploded submunitions, has all of the following characteristics: (i) Each munition contains fewer than ten explosive submunitions; (ii) Each explosive submunition weighs more than four kilograms; (iii) Each explosive submunition is designed to detect and engage a single target object; (iv) Each explosive submunition is equipped with an electronic selfdestruction mechanism; (v) Each explosive submunition is equipped with an electronic selfdeactivating feature; 3. "Explosive submunition" means a conventional munition that in order to perform its task is dispersed or released by a cluster munition and is designed to function by detonating an explosive charge prior to, on or after impact
Depleted uranium Defined by ISS STOXX	Munitions made with depleted uranium because of its high density and armour-piercing capabilities. Depleted uranium can also be used in tank armour and landmines.
Incendiary weapons Defined by Convention on Prohibitions or Restrictions on the Use of Certain Conventional Weapons which may be Deemed to be Excessively Injurious or to have Indiscriminate Effects, Protocol on Prohibitions or Restrictions on the Use of Incendiary Weapons, Protocol III	"Incendiary weapon" means any weapon or munition which is primarily designed to set fire to objects or to cause burn injury to persons through the action of flame, heat, or combination thereof, produced by a chemical reaction of a substance delivered on the target. (a) Incendiary weapons can take the form of, for example, flame throwers, fougasses, shells, rockets, grenades, mines, bombs and other containers of incendiary substances. (b) Incendiary weapons do not include: (i) Munitions which may have incidental incendiary effects, such as illuminants, tracers, smoke or signalling systems; (ii) Munitions designed to combine penetration, blast or fragmentation effects with an additional incendiary effect, such as armour-piercing projectiles, fragmentation shells, explosive bombs and similar combined-effects munitions in which the incendiary effect is not specifically designed to cause burn injury to persons, but to be used against military objectives, such as armoured vehicles, aircraft and installations or facilities.

WEAPON CATEGORY	DEFINITION
Non-detectable fragment weapons Defined by Convention on Prohibitions or Restrictions on the Use of Certain Conventional Weapons which may be Deemed to be Excessively Injurious or to have Indiscriminate Effects, Protocol on Non-Detectable Fragments, Protocol I	Any weapon the primary effect of which is to injure by fragments which in the human body escape detection by X-rays.
Nuclear weapons inside and outside the NPT Defined by ISS STOXX	a) a device that releases energy in an explosive manner as the result of nuclear chain reactions involving the fission or fusion or both, of atomic nuclei; b) weapons, equipment or means of delivery designed to use devices falling under (a) above. In particular this encompasses nuclear warheads and their delivery systems (such as missiles) as well as dedicated launch platforms (such as ballistic missile submarines)
White phosphorus weapons Defined by ISS STOXX	Munitions that use white phosphorus to create their effects – including but not limited to smoke, illumination, incendiary – and have an inherent incendiary effect, regardless of whether the incendiary effect is intended or incidental. The substance white phosphorus is covered as a key component for which specific design or modification does not need to be confirmed, in so far as it is knowingly provided for use in white phosphorus weapons.

Appendix C: Controversial Weapons Case Tags

TYPE OF INVOLVEMENT	ASSESSMENT	TYPE OF EQUIPMENT	ACTIVITY	OWNERSHIP RELATION
1: Depleted uranium armour	2: Fragmentary information about involvement	3: Delivery vehicle	4: Aircraft integration	5: Bond issuer
1: Involvement launch system	2: Imminent involvement	3: Fuze	4: Development	5: Joint venture partner
1: Involvement munitions	2: Involvement beyond scope	3: Involvement unclear	4: Maintenance	5: Operating company
	2: Involvement in enabling equipment	3: Key component	4: Marketing/ Sale/ Brokering	5: Parent company/ Holding company
	2: No involvement	3: Key facility	4: Operation	5: Private equity advisor/manager
	2: Owner - Fragmentary information about involvement	3: Launch system	4: Production	5: Shareholder/Owner
	2: Owner - Past involvement	3: Non-key component	4: Stockpiling	5: Teaming/integrated subcontractor
	2: Owner - Strong indications of involvement	3: Simulator	4: System integration/ Prime contractor	
	2: Owner - Verified involvement	3: Submunition	4: Testing	
	2: Past involvement	3: System	4: Training	
	2: Past owner - Past involvement	3: Warhead	4: Transfer/ Transport	
	2: Past owner - Strong indications of involvement		4: Upgrade	
	2: Past owner - Verified involvement			
	2: Strong indications of involvement			
	2: Strong indications of involvement (early warning AMBER assessment)			
	2: Verified involvement			

Appendix D: National Financing Restrictions

While the below information is compiled directly from government sources, ISS STOXX is not a legal advisor and therefore recommends its clients to review referenced legislation and consult their professional legal advisors concerning the identification of requirements to update compliance processes relating to business activities in respective jurisdictions.

APM = anti-personnel mines

CM = cluster munitions

L = explicit **legislation** restricting the financing of companies involved in controversial weapons

S = official **statement** confirming implicit restriction of the financing of companies involved in controversial weapons based on government interpretation of applicable arms control instruments

COUNTRY	APM	CM	OTHER WEAPONS (L)	STATUS / SOURCE
Australia		S		Statement in 2011
Belgium	L	L	Depleted uranium ammunition and armour	In force since 2007 / 2009
Canada		S (+ L)		Statement in 2014 (Legislation proposed 2022)
France		S	Biological and chemical weapons	Statement in 2010 Legislation in force since 2011
Ireland	L	L		In force since 2010
Italy	L	L		In force since 2022 (replaced 2011 legislation)
Liechtenstein	L	L	Biological, chemical and nuclear weapons	In force since 2013
Luxembourg		L		In force since 2010
Netherlands		L		In force since 2013
New Zealand		L		In force since 2010
Norway	S	S		Statements in 2002 and 2008/2009
Saint Kitts & Nevis		L		In force since 2014
Samoa		L		In force since 2012
Spain	L	L	Blinding laser and incendiary weapons, non-detectable fragment weapons	In force since 2015
Switzerland	L	L	Biological, chemical and nuclear weapons	In force since 2013
United Kingdom		S		Statement in 2009

(In addition to the above, various other countries have issued less specific interpretative statements regarding the implicit restriction of the financing of companies involved in controversial weapons based on government interpretation of applicable arms control instruments.)

Appendix E: Version Control

Name of Methodology: Controversial Weapons Research

VERSION	DATE	DETAILS
1.0	July 2026	Publication of Controversial Weapons Research Methodology and Research Process document. Inclusion of the Public Disclosure on the Methodology, Models, and Key Rating Assumptions Used in ESG Rating Activities (as defined by the Regulation (EU) 2024/3005)

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ISS STOXX delivers world-class research, data, and technology solutions that empower capital market participants to pursue their visions with confidence. Our expertise spans indices, corporate governance, sustainability, cyber risk, and fund intelligence, giving clients the tools they need to uncover opportunities, manage risks, and navigate evolving regulations. We are made up of 4,000 professionals operating across 20 countries and serving approximately 5,000 clients, including many of the world's leading institutional investors. Our scale and reach give us deep market knowledge, while our innovative methodologies allow us to offer our clients tailored insights that drive impact and success.

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