



FIGHTING GLOBAL POVERTY

Deadly investments

**UK bank complicity in Israel's crimes
against the Palestinian people**



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- working in partnership with grassroots social movements, trade unions and workers' organisations to empower people to fight for their rights
- running hard-hitting popular campaigns against the root causes of poverty and human rights violation
- mobilising support and building alliances for political action in support of human rights, especially workers' rights
- raising public awareness of the root causes of poverty, inequality and injustice, and empowering people to take action for change

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2017 marks 50 years of Israel's military occupation of the West Bank, Gaza Strip and Golan Heights, and a decade since Israel cemented its blockade on the Gaza Strip. The impacts of the occupation and siege on Palestinians have been devastating, an ever-intensifying system of human rights abuse and imposed poverty on millions of Palestinians.

Israel's militarised repression of the Palestinian people extends beyond the scenes of checkpoints and bombings we have unfortunately become accustomed to. The Israeli military, security services and police maintain an intense regime of surveillance, physical violence on people, and destruction of Palestinian homes and properties in all of the areas under Israeli control, including against Palestinian citizens of Israel.

This violence and destruction is made possible by Israel's trade in arms with dozens of countries, including the UK. On paper, the UK has strict rules and regulations about trading arms with regimes that systematically abuse human rights. In reality, legal loopholes and a lack of scrutiny enable the regular export of military technology and weaponry from the UK to repressive regimes around the world, making the UK government complicit in the abuses and war crimes committed by states such as Bahrain, Saudi Arabia, and our focus for this report, Israel.

The deadly trade of arms is facilitated not only by the UK government; UK banks and financial institutions participate in Israel's militarised repression by holding shares in companies that sell military technology and weapons to Israel, and by providing and facilitating loans to companies producing such military technology and weapons.

War on Want's 2008 report 'Banking on Bloodshed' exposed UK high street banks' complicity in the arms trade. At that time we called for regulations to ensure that banks do not facilitate and profit from the war crimes and human rights abuses caused by the arms trade.

Nearly a decade later, many banks remain complicit, making our campaign that much more important. New forms of high-tech warfare make the arms trade not only more lucrative than ever, but also allow for companies that are not strictly producing weaponry to evade much of the regulation and scrutiny. The result is a picture of overwhelming complicity of UK high street banks in Israel's militarised repression of Palestinians.

Banks are often thought of as unshakable giants, but they can be influenced by complaints from the public, and especially when their reputations as 'socially responsible' institutions are at stake. It's up to the British people to hold UK high street banks accountable for their complicity in Israel's crimes against the Palestinian people.

In 2011, Palestinian civil society called on people of conscience around the world to campaign for a military embargo on Israel in light of its systematic violations of international law. One key component of our larger Stop Arming Israel campaign is to put pressure on the companies that facilitate the arms trade with Israel. Starting with your local high street bank is the first step in breaking the chain of complicity in Israel's crimes, and towards a just and peaceful world.



Asad Rehman
Executive Director

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UK banks and financial institutions examined in this report hold shares worth over £10.8 billion in companies that sell weapons, military equipment and technology to Israel and used to oppress Palestinians. Additionally, some of them facilitate loans to these companies.

This report reveals business dealings between some of the UK's best known banks and financial institutions, and 19 companies known to supply the Israeli military and the Israeli government with weapons and technology used in the militarised repression of Palestinians, including war crimes. Our findings show that **UK banks and other financial actors facilitate and profit from Israel's militarism, making them complicit in Israel's crimes against the Palestinian people.**

Banks like HSBC, with high street branches across the UK, are key players in the UK-Israel arms trade by providing financial services to companies that allow for these

deadly arms sales. Far from being the removed outsiders that they claim to be, UK high street banks are profiting from the UK-Israel arms trade.

In June 2017, the Office of the United Nations High Commissioner for Human Rights (OHCHR) published guidance to the banking sector clarifying that banks and financial institutions have responsibilities under the UN Guiding Principles on Business and Human Rights to “avoid causing or contributing to adverse human rights impacts” and “to prevent or mitigate adverse human rights impacts that are directly linked to their operations, products or services by their business relationships”.¹

UK government and corporate complicity in Israel's war crimes and oppression must end. War on Want is calling for banks to divest from and stop facilitating loans to companies that sell weapons and security services to Israel. War on Want also reiterates our call for the UK government to implement a two-way arms embargo on Israel.



2 Israel's Apartheid regime of control

04

Deadly investments: UK bank complicity in Israel's crimes against the Palestinian people

Palestinians constitute nearly half of the total population living under Israeli control,² but under Israeli law and in practice, Jewish Israelis and Palestinians are treated differently in almost every aspect of life.

The 6.4 million Palestinians living under direct Israeli control (inside Israel and in the occupied Palestinian territory) suffer from systematic and institutionalised discrimination affecting every aspect of life including housing, education, health, employment, family life, residence and freedom of movement. There is overwhelming evidence that this system of discrimination instituted by the Israeli government against the Palestinian people meets the United Nations (UN) definition of Apartheid.³

Some 1.5 million Palestinians are citizens of Israel, and while they formally enjoy some rights, such as the right to vote, they are treated as second-class citizens in a state which defines itself as accountable to the Jewish people rather than its citizens.⁴ More than 50 Israeli laws institutionalise discrimination against Palestinian citizens of Israel, resulting in an overall picture of severe disenfranchisement and high levels of poverty.⁵ Over half of the Palestinian citizens of Israel lived below the poverty line in 2014, compared to 13.6% of Jewish citizens.⁶

The majority of Palestinians living under direct Israeli control, 4.9 million in the West Bank and Gaza Strip, are denied their basic human rights under Israeli military occupation. All aspects of their lives are

Israel's illegal Apartheid Wall



Apartheid

Apartheid is the Afrikaans word for 'apartness', originally used to describe the system of racial discrimination that existed in South Africa until 1994. The term apartheid is not only a reference to South Africa's former regime; it is used in international law to describe a category of rule defined in the UN International Convention on the Suppression and Punishment of the Crime of Apartheid (1973), to which more than 100 states are a party. The definition was refined in Article 7 of the Rome Statute of the International Criminal Court (2002).

The Rome Statute defines the Crime of Apartheid as: "inhumane acts...committed in the context of an institutionalised regime of systematic oppression and domination by one racial group over any other racial group or groups and committed with the intention of maintaining that regime."

Israel carries out various acts that are prohibited by the Apartheid Convention and Rome Statute including:

- Forcible transfer of Palestinians to make way for illegal Israeli settlements.
- Preventing Palestinians from returning to their homes and lands.
- Systematic and severe deprivation of fundamental human rights of Palestinians based on their identity.
- Denying Palestinians their right to freedom of movement and residence.
- Murder, torture, unlawful imprisonment and other severe deprivation of physical liberty, especially of Palestinians living in Gaza.
- Persecution of Palestinians because of their opposition to Apartheid.⁷

regulated by Israeli military rule, made up of thousands of military orders which restrict freedom of speech and assembly, freedom of movement, freedom from arbitrary arrest and a range of other rights that are guaranteed under international law.

Israel imposes segregation on ethnic/national/religious grounds by implementing separate legal systems for Jewish Israelis and Palestinians living in the same area. Jewish Israeli settlers living in the illegal settlements in the occupied West Bank are governed by Israeli civil law, while Palestinians also living in the occupied West Bank are governed by Israeli military law.

This legally enforced segregation is also applied in policy and practice inside Israel

against Palestinian citizens of Israel. Palestinian citizens of Israel are systematically discriminated against in matters of land and planning rights. Over 1,000 new Jewish communities have been established in Israel since 1950, but not a single Palestinian settlement has been authorised by the state.⁸ Palestinian homes and structures are sometimes destroyed to make way for new Jewish settlements, as is happening in the Naqab region in the south of Israel.

Aside from those Palestinians living under direct Israeli rule, millions of Palestinian refugees living in exile are also subject to Israeli control. They are prevented from returning to their lands from which they were displaced during the Nakba, while Jewish people from around the world are invited by the Israeli government to settle on those

confiscated properties and extended the automatic right to citizenship.

Armed violence and repression lies at the heart of Israel's system of oppression over the Palestinian people. Israel's ability to use violence against Palestinians, with impunity, relies on the relationships it maintains with

supportive governments and with companies around the world that profit from the oppression of Palestinians. The UK government and UK-based military and technology companies maintain deep and ever-expanding relationships with Israel that are also key to Israel's militarised repression of the Palestinian people.

The UK-Israel military relationship

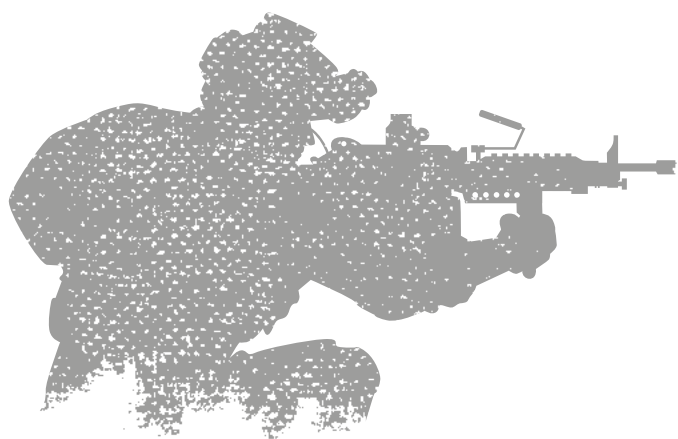
Israel's brutal military repression is only made possible through the continued financial, military and diplomatic support it receives from the UK. Importing arms from and selling arms to Israel makes the UK complicit in Israel's continuing violations of Palestinian human rights and international law.

UK exports to Israel

More than 100 companies supplying military and security equipment and services to Israel have offices or factories in the UK. These include Elbit Systems, G4S, BAE Systems, Boeing and Lockheed Martin. Despite Whitehall's official controls on arms exports, UK-made arms and military technologies continue to be sold to and used by the occupying Israeli forces. The UK government approved export licences worth over £100 million for weapons and weapons technology exports to Israel in 2016 alone.⁹

UK imports from Israel

The UK government imports weapons and weapons technology from Israel, and awards contracts to Israeli companies to develop weapons for UK military use. The UK's Watchkeeper surveillance drone, used by the UK military in Afghanistan, was developed under a joint venture contract awarded by the MoD to Thales UK and Israel's Elbit Systems. Israeli military and industry sources openly attribute the success of Israeli exports to the weapons being 'combat proven' in operations against Palestinians.¹⁰



3 UK banks facilitate Israel's crimes

07



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In our 2015 report 'Arming Apartheid', we highlighted one element of UK complicity in Israel's militarised repression: the UK government's approval of millions of pounds worth of export licences to companies selling arms to Israel. These sales were approved despite full knowledge of the human rights risks involved.

But the arms companies selling weapons to Israel have another set of key partners: **UK high street banks and other private financial institutions finance and facilitate the operations of companies that sell weapons and technology to the**

Israeli military. This makes them complicit in the militarised repression of Palestinians.

Using evidence gathered from two financial databases, Orbis and Thomson Reuters Dealscan, we investigated the relationship between some of the UK's best known banks and financial institutions and a sample of 19 companies known to supply the Israeli military and the Israeli government with weapons and technology used in the oppression of Palestinians. We looked specifically at two main ways that UK banks and financial institutions support these companies: 1) by holding shares in the companies and 2) by providing loans to them.

Holding shares in companies providing Israel with weapons and military technology

Shareholders in a company are entitled to a proportion of the firm's earnings and assets. For example, if you own 5% of a company's total shares, you have claim to 5% of its assets. Shareholders profit from dividend payments and from selling their shares at a higher price than at which they purchased them.

Banks that hold shares in arms companies profit from the arms trade and lend legitimacy to the arms trade as a whole. By holding shares in companies that profit from Israel's war crimes against the Palestinian people, UK banks and financial institutions are materially benefitting from those crimes and providing them with legitimacy.

Banks and financial institutions can use their own money to buy shares and then make income from the dividend or by selling them at a higher price than they purchased them. Alternatively, they can invest other people's money through funds and services they own and provide. The statistics here feature both.

Table 1 shows the shareholdings of major UK banks and financial institutions in military and technology companies included in our sample. A detailed breakdown of the shares held by each institution is available on page 30.

In total, the UK financial institutions examined in this report invest £10.8 billion in companies that sell weapons, military equipment and technology to Israel.

The six biggest banks in the UK that provide services to consumers are Barclays, Lloyds

Table 1: investments held in companies known to provide equipment to the Israeli military*

Investor	Total value of shareholdings
Aviva	£801.2 million
Barclays	£1,167.6 million
HSBC	£831.5 million
Investec	£389.4 million
Legal & General	£4,520.9 million
Prudential	£915.6 million
Schroders	£917.6 million
Standard Life	£1,304.2 million
Total	£10.8 billion



*Share values based on percentages available in the database, calculated against the total value.

Banking Group, Royal Bank of Scotland, HSBC, Standard Chartered and the Co-operative Bank. Of those, Barclays and HSBC both have significant shareholdings in companies profiting from Israeli militarism.

Barclays and HSBC both own shares in BAE Systems, Boeing, Rolls Royce and Babcock. All four companies profit significantly from Israel's oppression of Palestinians. Barclays

and HSBC also have extensive investments in other military companies involved in arming Israel, as shown in Table 2.

Standard Chartered, Lloyds Banking Group or RBS, which also owns NatWest, did not appear as shareholders in any of the companies in our sample. However, all three companies provide significant loans and finance to the companies, as discussed further below.

Table 2: Barclays and HSBC shareholdings in arms and technology companies that equip the Israeli military*

	Barclays	HSBC
Babcock	£30.1 million	£27.3 million
BAE Systems	£825.4 million	£180.9 million
Boeing	£195.5 million	£102 million
Caterpillar	—	£99.5 million
Cobham	£4.4 million	£17.5 million
Elbit Systems	—	£3.6 million
General Dynamics	—	£94.7 million
GKN PLC	£33.2 million	£30.6 million
HP Enterprise	—	£50.7 million
Meggitt	£8.6 million	£15.1 million
Qinetiq	£5 million	£9.9 million
Raytheon	—	£69.9 million
Rolls Royce	£62.6 million	£52.9 million
Ultra Electronics	£2.8 million	£5.1 million
United Technologies	—	£71.8 million
Total	£1.2 billion	£831.5 million

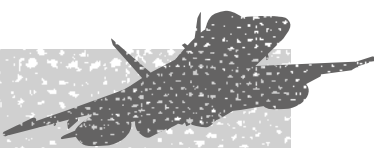
*Share values based on percentages available in the database, calculated against the total value.

The Co-operative Bank has a comprehensive ethical investment policy and does not appear to invest in or provide financial services to any of the companies included in our sample.

Major insurance financial services retailers are also supporting the arms trade with Israel. According to our research, Legal & General

owns shares in all but one of the 19 companies in our sample and invests an eye-watering £4.5 billion in companies involved in Israeli militarism. As Table 1 shows, Schroders, Prudential, Aviva and Standard Life all have significant holdings in companies that profit from Israel's oppression of Palestinians.

Table 3: Syndicated loans to companies in our sample since January 2012¹⁴



Lender	Number of syndicated loans participated in	Total value of syndicated loans in which each bank was involved	Participated in loans to companies
Barclays	29	£41.1 billion	Babcock, BAE Systems, Boeing, Caterpillar, GKN, Lockheed Martin, Meggitt, Northrop Grumman, Qinetiq, Raytheon, Rolls Royce, Ultra Electronics, United Technologies
HSBC	15	£19.3 billion	Babcock, Caterpillar, GKN, Meggitt, QinetiQ, Rolls Royce, United Technologies
Lloyds	28	£43.2 billion	Babcock, BAE Systems, Boeing, Caterpillar, General Dynamics, Lockheed Martin, Meggitt, Northrop Grumman, Rolls Royce, Ultra Electronics
RBS	18	£16.6 billion	Babcock, BAE Systems, Boeing, Cobham, General Dynamics, GKN, Lockheed Martin, Northrop Grumman, Qinetiq, Rolls Royce, Ultra Electronics
Standard Chartered	10	£18.9 billion	Boeing, Rolls Royce, United Technologies

Providing loans to companies that arm Israel

Another key form of financial support for the arms trade is through direct lending and through the arrangement of loans. By providing loans to the companies we sampled, UK banks and financial institutions are profiting from the arms trade in general and the sale of weapons to Israel specifically and are lending legitimacy to their activities.

Syndicated loans are a type of loan provided to a single borrower by a group of lenders. Banks and financial institutions can act as the manager of the syndicate, a lending member

of the syndicate, or both. It is not possible to determine the share of a total syndicated loan that a specific bank or financial institution lent, so the figures in Table 3 refer to the total value of the syndicated loan each lender participated in. Some of the loans we examined involved more than one UK lender.

While they do not appear to hold shares in the companies examined in this report, Lloyds and RBS have been involved in providing loans worth £43.2 billion and £16.6 billion respectively.

Many of the loans were provided to companies that are among the world's biggest arms dealers such as Lockheed Martin, Northrop Grumman and BAE Systems.

Business complicity

Under international criminal law, those involved in the commission of a criminal offence can be held responsible as principal perpetrators or as accomplices.¹¹ This can include corporations. Complicity is a type of criminal liability by which corporations can be found responsible for a crime without directly committing the crime.¹² A company that facilitates the violation of international law by, for example, providing weapons to a government that uses them to carry out war crimes, may be criminally complicit with that crime.

The UN Human Rights Council has repeatedly stated that companies must terminate all business involvement in Israel's illegal settlement activity and voted in 2016 to create a database of companies that are involved in supporting and facilitating settlement activity. The Russell Tribunal on Palestine, a citizen-led legal tribunal supported by leading international law scholars, has issued a legal opinion stating that corporations including military and technology companies can and should be held legally accountable for their complicity in Israel's attacks on Palestinian civilians in Gaza.¹³

CASE STUDY

HSBC

Between its direct shareholdings in key firms and its provision of financial services to weapons companies, HSBC is directly profiting from Israel's oppression of Palestinians and failing to take action to end its complicity with Israel's war crimes and other violations of international law.

HSBC is a British multinational bank and financial services company headquartered in London. According to its website, HSBC operates 4,000 offices across 70 countries and has 37 million customers.

HSBC owns shares in companies that sell weapons and equipment to Israel worth £831 million, including:

- £180 million of shares in **BAE Systems**, a key company involved in manufacturing components for the F-16 fighter jets used by Israel to attack Palestinians in Gaza.
- £102 million of shares in **Boeing**, the company that provides Israel with Apache helicopters and Hellfire missiles.
- £99 million of shares in **Caterpillar**, whose specially modified bulldozers are used to demolish Palestinian homes and have been used as a weapon of war against Palestinians in Gaza.
- £69 million of shares in **Raytheon**, whose "bunker buster" bombs were used by Israel to target civilian homes during its 2014 assault on Gaza.

HSBC's response

In response to our request for further information, HSBC avoided answering questions about its investments and loans, instead referring us to its Defence Equipment Sector Policy.¹⁵ The policy states that HSBC does not provide financial services to weapons companies. However, HSBC narrowly defines weapons companies as firms that "solely or primarily manufacture...weapons". This is a gaping loophole whereby HSBC can invest in and provide services to a company that is clearly part of the arms and military industry so long as the company also has non-military clients and products, as most modern companies involved in the sector do.

HSBC responded to our queries about its investments stating that usually the shares it holds in arms companies are held on behalf of clients. However, HSBC has refused to categorically state which of the investments we uncovered are held directly and which are held on behalf of its clients, suggesting that it does hold shares in arms companies directly. Even in cases where it is holding shares on behalf of clients, HSBC still generates revenue through the activities of those arms companies. By facilitating investment in arms companies, HSBC is directly contributing to human rights abuses according to the UN Guiding Principles on Business and Human Rights.

Furthermore, providing loans to companies such as Babcock, Meggitt, QinetiQ and United Technologies shows that its actions are completely at odds with its claims that it does not provide financial services to the arms industry.

HSBC's Defence Policy contains serious loopholes and is not accompanied by due diligence, reporting and enforcing mechanisms to ensure that it is applied in a way that actually prevents the bank from profiting from violations of international law. In a review of 45 banks conducted in 2016, BankTrack identified HSBC as a "laggard" when it comes to these standards, falling into the lowest category of all the banks reviewed.¹⁶ As long as HSBC continues to hold shares in and facilitate loans to companies arming Israel, its role in the oppression of Palestinians will continue to raise alarm and generate protest.

CASE STUDY LEGAL & GENERAL

According to data we collected, no other UK investor owns as many shares in companies that are profiting from Israeli violence and war crimes against Palestinians than Legal & General. The company is deeply complicit with Israel's oppression of Palestinians.

Legal & General is a multinational financial services company headquartered in London. Its products include pensions, insurance and investments across the UK and the seven other countries it operates in.

Legal & General owns shares in military and technology companies that sell military equipment, technology and weapons to Israel worth £4.5 billion. This includes:

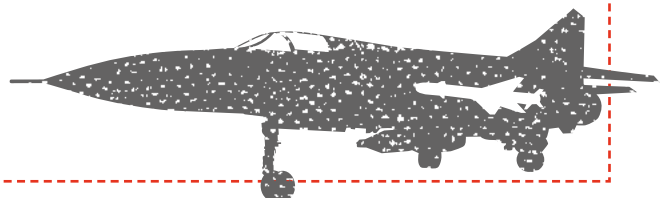
- £978 million of shares in **General Electric**, whose engines are used in the helicopters and fighter jets that Israel uses to attack Palestinian civilians.
- £283 million of shares in **Lockheed Martin**, that sells Israel key parts of its military arsenal including F-16 and F-35 fighter jets and Hellfire missiles.
- £3 million of shares in **Elbit Systems**, an Israeli military company that provides security equipment used on Israel's illegal Apartheid Wall and manufactures the aerial drones Israel uses to attack Palestinian civilians in Gaza.
- £174 million of shares in **HP Enterprise**, that provides technology that helps Israel to maintain a population database and ID card system that enables the allocation of different rights to different categories of people according to their race, religion and place of residence.

Legal & General's response

In response to our letter asking for further clarification, Legal & General confirmed that it does own shares in the companies mentioned. It further stated that while it does exclude companies from its investment portfolio if they manufacture cluster munitions, landmines or chemical or biological weapons, it does not currently have any policy to exclude weapons manufacturers or other military suppliers from its investment portfolios.

Legal & General has confirmed that it directly invests in arms companies examined in this report. The company also says it holds shares in arms companies on behalf of clients in funds that it controls and manages on behalf of its customers.

The combination of Legal & General's direct investments and client fund holdings make clear its complicity in violations of Palestinian human rights. The company is profiting from the dividends distributed by the arms companies and the purchase and sale of the shares and lending its support and legitimacy to companies that are deeply implicated in Israel's human rights abuses. It would be very straightforward for Legal & General to end its support for Israeli militarism by excluding any company that supplies military equipment and technology to Israel from its investment portfolio and the portfolios it creates for its clients.



4 Key companies that arm Israel

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Deadly investments: UK bank complicity in Israel's crimes against the Palestinian people

BAE Systems



BAE Systems is the UK's largest arms and military company and the third largest arms company in the world.¹⁷ It most recently applied to the UK government for licences to export weapons to Israel in 2011.¹⁸ In cooperation with Israeli arms company Rafael, BAE Systems worked to produce and market the Protector naval drone, which Israel uses to maintain the siege on Gaza.¹⁹ BAE's Israeli subsidiary, Rokar, supplies dispensing systems to the Israeli Air Force.²⁰ BAE also provides Head Up Display systems (HUDS) for target selection in F-16 jets and is providing helmet display and other systems for new F-35 jets.²¹ Israel uses military aircraft such as the F-16 as part of its regular assaults on Gaza.

Caterpillar



Caterpillar bulldozers and other products are used in the demolition of Palestinian homes, schools, orchards, olive groves and crops and the construction of Israel's illegal Apartheid wall that runs through the occupied Palestinian West Bank.²⁵ Caterpillar D9 bulldozers have been used as a weapon of war in Gaza and a specially developed unmanned remote controlled bulldozer was used to destroy Palestinian homes during Israel's 2009 assault on Gaza.²⁶ In 2003, US activist Rachel Corrie was killed beneath a Caterpillar D9 weaponised bulldozer as she tried to protect the home of a Palestinian family. Caterpillar military wheel loaders are also used as a crowd control weapon against unarmed Palestinians in Kufr Qaddum protesting against illegal settlements.

Boeing



US-headquartered Boeing Company is the world's second largest arms company and has provided Israel with Hellfire missiles, F-15 Eagle fighter jets, MK84 2000-lb bombs and Apache helicopters.²² Defence for Children International-Palestine have documented how at least 13 children were killed by missiles fired from Apache helicopters during Israel's 2014 attack on Gaza.²³ Boeing also produces Dense Inert Metal Explosive munitions, a type of bomb that "causes the tissue to be torn from the flesh" and has been reported by medical staff as having been used in Israel's 2009 and 2014 attacks on Gaza.²⁴

Elbit



Israel's largest military company, Elbit Systems, supplies specially designed sensor and surveillance technologies used in Israel's illegal Apartheid Wall in the occupied West Bank.²⁷ Elbit Systems also provides a wide range of weaponry and technology to the Israeli military including the Hermes 450 and 900 aerial drones. Weapons supplied by Elbit Systems were used during Israel's 2009²⁸ and 2014 assaults on Gaza, including aerial drones, armed ground robots, aerial platforms, smart helmets and tank visualisation systems. Elbit has produced white phosphorous²⁹, a chemical weapon which under international law, is prohibited for use in a civilian area. Israel has been criticised for its use of white phosphorus during attacks on Palestinians.

Lockheed Martin



US firm Lockheed Martin is the world's largest weapons manufacturer. Lockheed Martin has sold Israel key parts of its military arsenal including F-16 fighter jets and Hellfire missiles.³⁰ According to a UN fact-finding mission, Hellfire missiles were used against civilians during Israel's 2008-09 assault on Gaza.³¹ In 2017, Lockheed Martin opened an office in Israel to "demonstrate[s] the Corporation's commitment to supporting the Israeli Defense Force".³² In December 2016, Lockheed Martin delivered the first two of fifty F-35 jets that Israel has ordered.³³

Northrop Grumman



Northrop Grumman is a US arms company that manufactures missiles, drones and military aircraft. It provides Israel with the Longbow missile system for its Apache helicopters that are used to attack Palestinian civilians. It also provides Israel with weapons navigation systems, engineering and technical support for its F-15 and F-16 fighter jets. Northrop Grumman has also provided the Israeli navy with three Sa'ar V missile ships, which help to enforce the illegal siege on Gaza.³⁵

Motorola Solutions



Motorola Solutions is a US technology company. Its fully owned subsidiary, Motorola Israel, provides surveillance systems to Israeli settlements and checkpoints on Israel's illegal Apartheid Wall, as well as the wall around Gaza. The company provides continuous service to these systems. In addition, Motorola Israel has developed advanced communications systems for the Israeli military and has signed contracts to provide encrypted mobile phones to the Israeli military and to the Israeli police. Motorola Israel also provides services to the Israeli prisons at which Palestinian political prisoners are held.³⁴

Raytheon



Raytheon is the world's fourth largest arms company and the largest producer of guided missiles. According to data compiled by the American Friends Service Committee, an NGO of the Quaker church in the US, Raytheon has participated in contracts worth over \$4bn in the last decade. Raytheon has provided Israel with "bunker buster" bombs, guns for navy ships and air-to-surface missiles. Raytheon also provides missiles and electronic systems and radars for Israel's F-16s. Raytheon has based one of its main facilities in Israel and collaborates with a number of Israeli weapons companies.³⁶



5 Israel's militarised repression

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Deadly investments: UK bank complicity in Israel's crimes against the Palestinian people

UK and international military and weapons companies provide Israel with much of the weaponry and technology that it needs to maintain its violent oppression of Palestinians. Examples of the types of export licences approved by the UK government in recent years shows the range of violence that UK companies enable through exports to Israel.

Surveillance and armed drones

Israel uses unmanned aerial vehicles, also known as drones, as a key part of its oppression of Palestinians. Drones are used both for surveillance and also for armed attacks in Gaza and the West Bank. Export licences for drone components are approved on an almost annual basis by the UK government, and Israeli drones maker Elbit Systems has four factories in the UK.³⁷

Human Rights Watch has documented drones manufactured by Elbit Systems and Israel Aerospace Industries used in attacks on Palestinian civilians.³⁸ According to Al Mezan Center for Human Rights, a Gaza-based human rights organization, more than 2,000 Palestinians in Gaza were killed by armed drones in the period 2004-14, and that some 37% of the Palestinians killed in Israel's assault in Gaza in 2014 were killed using drones.³⁹

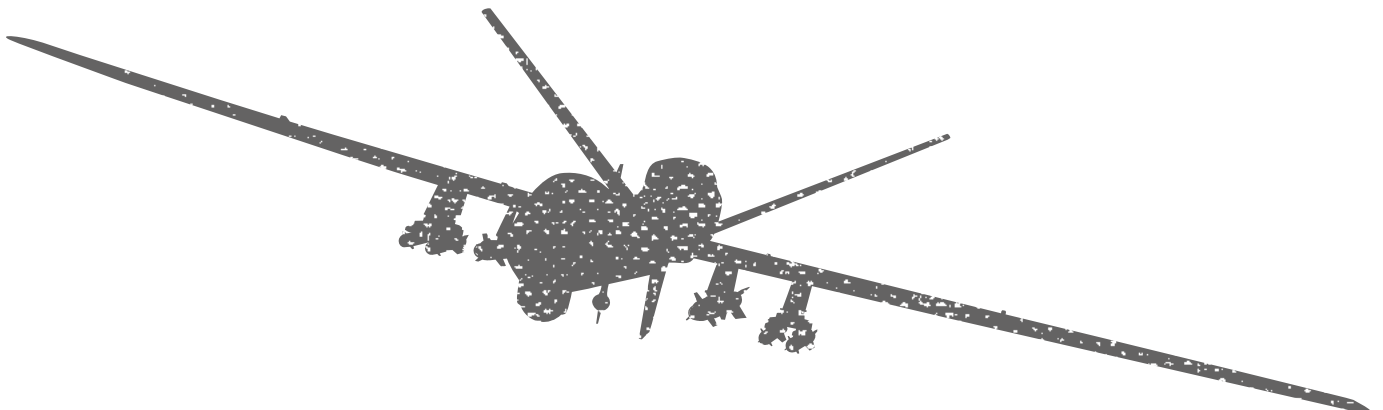
Israeli military companies: turning blood into money

Israel is one of the most heavily militarised states on earth. In 2016, Israeli military expenditure was \$18 billion, the third highest per capita expenditure in the world.⁴⁰

Elbit Systems is Israel's largest military and weapons company. When Elbit develops a new weapon or military system, it first gives or sells it to the Israeli military to use. Elbit then markets the technology as 'field tested', by which it means that it has been tested on Palestinian civilians. Israeli Major General Yoav Galant described this process as "turning blood into money".⁴¹

Elbit's share price rose during the 2014 attack on Gaza as investors anticipated the conflict would lead to increased sales of newly tested weapons and military equipment. Bezahel Machlis, a senior executive with Elbit Systems, boasted in an interview how Elbit's products were tested and used during the 2014 attack on Gaza.⁴²

Israel was the 8th largest weapons exporter in the world in 2014, especially remarkable given its relatively small size, and the use of conflict to showcase weapons for the international market creates a powerful incentive for continued violence against Palestinians.





**A Palestinian boy holds
part of a drone-launched
missile which destroyed a
family home in Gaza City
in 2014**



© USAF Erik Anthony

Aircraft and missiles

The Israeli air force has played a key role in Israel's many bombing campaigns of the Gaza Strip, resulting in thousands of civilian deaths and casualties and total devastation of infrastructure and housing. UK exports to Israel since 2012 have included various components for combat aircraft, including: aircraft heads up/down displays, combat helicopter components, targeting equipment, military aero-engines, missile launching equipment and equipment for producing military support aircraft.

Israel's fleet of F-16 fighter jets have been used repeatedly in Israeli attacks on densely populated civilian areas, resulting in thousands of civilian casualties in Lebanon and Gaza. Describing the use of MK-82 and MK-84 bombs dropped by F-16s during Israel's 2014 attack on

Gaza, the Office of the UN High Commissioner for Human Rights (OHCHR) said: "Attacks, which used this type of weapon in densely populated, built up areas of Gaza, are likely to constitute a violation of the prohibition of indiscriminate attacks," which means that such attacks constitute war crimes.⁴³

F-16 fighter jets are produced by Lockheed Martin, a US firm with at least nine factories and offices in the UK. Israel's bombing missions seem to have resulted in a closer relationship between Lockheed Martin and Israel, as the company opened a research office there in 2014.⁴⁴ In December 2016, Lockheed Martin delivered the first two of fifty new F-35 jets that Israel has ordered to update its fleet of aircraft.⁴⁵ The UK's own largest arms company, BAE, also produces components used in the new F-35 jets.

Israel's attacks on the besieged Gaza Strip

Since 2000, the Gaza Strip has been subject to a series of Israeli closure policies designed to isolate and restrict the movement of people and goods.⁴⁶ In 2007, Israel intensified the closures to a military siege – blockaded by land, sea and air. The United Nations has described the siege as a form of collective punishment, which constitutes a war crime.⁴⁷ The siege is enforced by the Israeli navy, army and other military forces.

Israel carried out brutal military assaults on Palestinians in Gaza in 2008-09, 2012 and 2014. The UN and human rights organisations have documented that Israel deliberately targeted civilians and civilian buildings during all three attacks.

During the 2014 assault, more than 2,250 Palestinians were killed and more than half a million were displaced.⁴⁸ The attack involved air strikes, drone strikes, and extensive use of artillery and ground incursions by Israeli armed forces. Israel attacked UN schools

being used as shelters with mortars, and ambulances and hospitals came under attack.⁴⁹ Israel bombed homes with families sleeping inside.⁵⁰ In some cases, the Israeli military levelled entire neighbourhoods, such as the Shuja'iyya neighbourhood in Gaza City. Researchers found that Israel fired 7,000 shells into the neighbourhood, 4,800 of which were shot in the course of just seven hours.⁵¹ One-ton bombs were also dropped on the area, killing at least 55 Palestinians.⁵²

Following Israel's 2014 bombardment of the Gaza Strip, the siege has made it impossible for any real reconstruction to take place, as key construction materials are amongst the many items on Israel's list of restricted items. Three years on, over 50,000 are still displaced from the destruction in 2014,⁵³ despite the millions of pounds in aid designated for reconstruction, most of which has been sunk into international bureaucracy and Israeli administrative costs. The situation has become so dire that the UN has declared that the Gaza Strip will be "uninhabitable" by 2020 if conditions don't change.⁵⁴





Attacks on Palestinian fisherfolk and farmers

Israel's military violence against Palestinians in Gaza is not reserved only for large-scale bombing attacks. Some 4,000 Palestinian fisherfolk working off the coast of Gaza are under constant threat of violence from the Israeli navy, which regularly fires at fisherfolk in Gaza or confiscates their boats.

While the Oslo Accords are supposed to allow for fishing in up to 20 nautical miles off the coast, the Israeli navy only allows Palestinian fisherfolk to sail in six nautical miles, restricting the quantity and quality of their catch. According to B'tselem, 95% of Gaza's fisherfolk live under the poverty line.

If fisherfolk make a slight navigational error, or drift out of the permitted zone by mistake, they risk injury or even death, as was the case on 15 May 2017, when Mohammed Bakr

(28 years old) was shot and killed by the Israeli navy while he was fishing off the coast of the besieged Gaza Strip.

According to information collected by Palestinian human rights organisation Al Mezan, 135 fisherfolk were detained, 26 were injured by gunfire and 43 boats were confiscated in 2016. Dozens of fishing boats, and a large amount of fishing equipment, are damaged or destroyed every year.⁵⁵

Farmers and their livelihoods are also targets. The Israeli Ministry of Defense regularly hires private companies with airplanes to spray herbicides by the Gaza perimeter fence, destroying Palestinian agricultural production and family farms in those areas, causing severe damage to livelihoods and further undermining food sovereignty in an already food aid-dependent population.⁵⁶

Naval combat vessels

The Israeli navy has a continual presence in the Mediterranean Sea, off the coast of the Gaza Strip. Companies in the UK have been awarded export licences for a variety of components for combat naval equipment.

During the full-scale military attacks on the Gaza Strip, Israeli naval vessels shelled seaside areas in the Gaza Strip, resulting in numerous deaths and casualties. This includes the well-known case of a beach shelling when four boys from the same extended family were killed on 16 July 2014 while playing football on

the beach, as journalists looked on in horror from their hotel.

But Israel's naval attacks on Palestinians in Gaza are ongoing. Israeli naval vessels are a key part of enforcing the blockade on the Gaza Strip, keeping Palestinians in a deepening state of humanitarian crisis. The blockade of Gaza is considered "collective punishment" by United Nations experts, making it a war crime under international law. Despite this, the UK government continues to allow UK companies to export weapons and technology used to maintain the blockade.





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Repressing popular resistance

Palestinians have a rich history of resisting Israeli oppression through protests, strikes, community organising, boycotts and other forms of mass mobilisation. Israel uses military violence to repress popular resistance.

Israel's military has been accused by leading human rights organisations of using excessive and arbitrary force to suppress mass demonstrations. In 2015 Israel adopted new 'rules of engagement' that allow its occupation forces to 'shoot to kill' Palestinian protestors.⁵⁷

In October 2015, when tens of thousands of Palestinians took the streets to protest Israeli oppression, Israel responded with tear gas and live ammunition. Palestinian human

rights organisation Al Haq reports that, in the span of a month, 60 Palestinians were killed by the Israeli military and security forces, many of them shot by Israeli occupation forces during protests. In the same period, more than 7,000 were injured by tear gas, rubber coated bullets, live ammunition and other weapons.⁵⁸

The human rights organisation Defence for Children International – Palestine called 2016 the "deadliest year for Palestinian children in the West Bank" in a decade.⁵⁹ Over 30 Palestinian children were shot and killed by Israeli soldiers, and hundreds were injured during unarmed protests against the illegal Apartheid Wall, settlements, and the military raids on their homes.

Restricting movement

Israel uses military force and a range of technologies in order to maintain its occupation of Palestinian territory. Walls, watchtowers and some 500 checkpoints, barriers and gates, often equipped with hi-tech sensors and cameras, are used to enforce racial segregation and deny Palestinians their freedom of movement.

The illegal Apartheid Wall built in the West Bank is not only a physical barrier. It is dotted with watchtowers where Israeli snipers and remote-controlled machine guns are stationed to surveil Palestinian movement, ready to use live fire against Palestinians at any time.

The military checkpoints along the Wall also restrict Palestinian movement, and are used as high-tech surveillance centres to control the few who are allowed through. IT company HP Enterprise provides technology that helps Israel to maintain a population database and ID card system that enables the allocation of different rights to different categories of people according to their ethnicity/national identity, religion and place of residence.⁶⁰

Since 2015 Israel has carried out a large number of extrajudicial killings of Palestinians, several of them occurring at checkpoints. Amnesty International has accused Israel of unlawful killing and displaying “an appalling disregard for human life by using reckless and unlawful lethal force against Palestinians”.⁶¹





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Sniper rifles, assault rifles, grenade launchers and pistols

Components for sniper rifles, assault rifles, grenade launchers and pistols are regularly exported from the UK to Israel. Such items are used frequently in attacks on protests undertaken by unarmed Palestinians in the West Bank and inside Israel.

Exports of weapons used for 'internal repression' are subject to a ban according to

the Consolidated EU and National Arms Export Licensing Criteria.

Protests against the illegal Apartheid Wall, illegal Israeli settlements, land confiscations and other elements of Israel's control over Palestinians are repressed using copious amounts of tear gas (shot from grenade launchers), rubber bullets, as well as live fire.

What are the criteria used to license arms exports?

Arms exports licensing decisions are made on a case-by-case basis, using the Consolidated EU and National Arms Export Licensing Criteria, adopted in October 2000.⁶² In a 2013 parliamentary answer, the then Minister of State for Business and Enterprise, Michael Fallon MP, said that three of the consolidated criteria were seen by the government as being particularly relevant to exports to Israel.⁶³ These were:

1. Where there is a clear risk of the equipment being used for “internal repression”;
2. Where the export would “provoke or prolong armed conflicts or aggravate existing tensions or conflicts”; and
3. Where there is a “clear risk that the intended recipient would use the proposed export aggressively against another country, or to assert by force a territorial claim”.

Fallon failed to mention additional criterion stipulating that the government will take into account the buyer country’s “respect for international law”.

There is a clear risk of any arms exports to Israel being used for “internal repression” or “to assert by force a territorial claim,” given that control of the oPt is a core function of the Israeli military. In addition, continuing to supply Israel with arms in spite of its behaviour clearly does “provoke or prolong armed conflicts or aggravate existing tensions or conflicts”.

If the government’s own export guidelines were properly applied on a case-by-case basis, the result would be a de facto embargo on arms exports to Israel.





Bulldozers and other 'civilian' equipment

Israel's militarised repression also deploys 'civilian' equipment to carry out 'security' operations. Some of it, such as electronic and cryptographic equipment, is categorised as 'dual-use', meaning that it can be used for military or civilian use. But other equipment regularly used in military operations would not be considered as military and falls under the radar of regulation. Much of this equipment is used in the destruction of Palestinian homes and other property in so-called 'security' operations.

Some of the bulldozers used by the Israeli security forces to carry out demolitions of Palestinian homes in the West Bank and

inside Israel are fitted for military use upon arrival in Israel. Caterpillar bulldozers and other products are used in the demolition of Palestinian homes, schools, orchards, olive groves and crops and the construction of Israel's illegal Apartheid Wall that runs through the occupied Palestinian West Bank.⁶⁴ Caterpillar D9 bulldozers have been used as a weapon of war in Gaza.⁶⁵

In 2003, US activist Rachel Corrie was killed beneath a Caterpillar D9 weaponised bulldozer as she tried to protect the home of a Palestinian family.

They have also been used to repress the weekly demonstrations in Palestinian West Bank village Kufr Qaddum.

Destruction of Palestinian homes in Israel and the oPt

Recent years have seen a dramatic increase in the demolition of Palestinian homes. The United Nations reported that Israeli authorities demolished or seized 1,089 Palestinian-owned structures throughout the West Bank in 2016, displacing 1,593 Palestinians and affecting the livelihoods of another 7,101.⁶⁶ This is double the number of demolitions in 2015.

Israeli demolition policies affect Palestinian citizens of Israel as well, particularly in the Naqab region of Southern Israel, where some 80,000 Bedouin Palestinian citizens of Israel are at risk of being forcibly displaced from some 36 villages.⁶⁷ The villages are 'unrecognised' by Israel, meaning that they

are denied access to water, electricity, adequate health and schooling, and other public services provided to Jewish villages and homes in the area. The unrecognised villages are slated for destruction to make way for Jewish homes/settlements and tourism and recreational areas.

In January 2017 Israeli police and other security forces invaded the unrecognised village of Umm al Hiran, demolishing homes and other structures to make way for a new Jewish village. When residents and supporters protested the demolitions, Israeli police fired at them using tear gas, sponge-tipped bullets,⁶⁸ and live ammunition, killing Yaqub Musa Abu Qi'an, a local teacher.



6 Take Action

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Deadly investments: UK bank complicity in Israel's crimes against the Palestinian people



For decades, Israel's brutal and unjust treatment of the Palestinian people has prompted condemnations from the United Nations, human rights organisations and governments around the world. Unfortunately, most of these condemnations have resulted in little change. Governments, including the UK, continue to reward Israel's aggression with diplomatic and material support, especially through the continuing arms trade.

This trade in arms incentivises Israel to carry out its violence with impunity. In the absence of any serious political will at the governmental level to implement international law, it's no surprise that British companies also shirk their responsibility in Israel's crimes against the Palestinian people.

The UN Guiding Principles on Business and Human Rights (UNGPs), endorsed and promoted by the UK government, provide a clear set of standards and obligations for

businesses in respect of human rights. They are explicit in stating that companies have a responsibility to take active steps to "avoid causing or contributing to adverse human rights impacts" and to "seek to prevent or mitigate adverse human rights impacts". In June 2017, the Office of the UN High Commissioner for Human Rights (OHCHR) issued additional guidance clarifying that banks and financial institutions are not exempt from these standards and obligations, and that they apply to their business relationships as well as their own activities.

The banks and financial institutions examined in this report have failed in that regard. They are contributing to and/or have a direct link to Israel's violations of Palestinian human rights because of their role in financing the companies that arm Israel. In order to end their complicity, they should immediately end their business relationships with the companies we have profiled, and any others involved in arming Israel's aggression.

Stop Arming Israel campaign

In 2011, Palestinian civil society called on people of conscience around the world to take up campaigns for a comprehensive military embargo on Israel. The call urged for an end to military aid and weapons exports to Israel, ending the transfer of weapons and military technology to and from Israel, and ending all forms of military aid and research cooperation.

The call has been echoed by political parties and civil society organisations such as NGOs, trade unions, faith and campaign groups from across the world, including the Trades Union Congress (TUC), the Scottish National Party (SNP), the Liberal Democrats, the Green Party and Amnesty International.

Campaigners in the UK have:

- lobbied their MPs to end the UK-Israel arms trade
- held protests at factories and offices of arms companies known to be supplying Israel with deadly weapons and military technology

- launched divestment campaigns at their universities to end university investments in the arms trade with Israel

The success of the Stop Arming Israel campaign depends on people taking action to end the complicity of companies in our towns and on our high streets with Israel's oppressive control over Palestinians.

HSBC: complicit in human rights abuse

HSBC, with its hundreds of branches across the UK, is present on many of our high streets, and has thousands of customers in the UK. HSBC hides behind its Defence Policy, which has built-in loopholes that allow for it to continue to actively maintain business relationships with some of the world's largest arms companies. HSBC claims that it has no responsibility for the actions of its clients, even if there is clear evidence that they are acting in violation of international law. If HSBC is serious about a commitment to human rights, its first step must be to immediately end its business relationship with companies that arm Israel's militarised repression.

ACT NOW!

Visit our website to take action as a part of our Stop Arming Israel campaign: waronwant.org/stoparmingisrael

1. Tell HSBC to divest from and stop lending funds to companies involved in the arms trade with Israel.
2. Email your MP to demand a two-way arms embargo against Israel.
3. Support the Stop Arming Israel campaign.

You can order campaign materials and book a speaker at: waronwant.org/order-free-materials

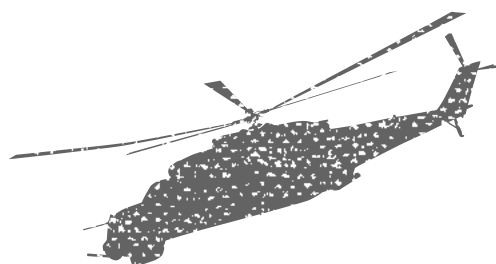
7 Appendix

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Tables of shareholdings

The following table provides information on the shares held in each military company and each technology company by each bank and financial institution examined in this report. The information was gathered in February and March 2017 from the Orbis database, a commercially available financial information database, and, in the case of the information regarding Elbit Systems, from the Nasdaq.com website.

	Aviva		Barclays		HSBC		
	% of shares held	Value of shares held £m	% of shares held	Value of shares held £m	% of shares held	Value of shares held £m	
Babcock	0.51	23.6	0.65	30.1	0.59	27.3	
BAE Systems	0.68	141.4	3.97	825.4	0.87	180.9	
Boeing	0.12	102	0.23	195.5	0.12	102	
Caterpillar	—	—	—	—	0.23	99.5	
Cobham	0.32	7.1	0.2	4.4	0.79	17.5	
Elbit Systems	—	—	—	—	—	3.6	
General Dynamics	—	—	—	—	0.21	94.7	
General Electric	0.14	291.3	—	—	—	—	
GKN	1.16	74	0.52	33.2	0.48	30.6	
HP Enterprise	—	—	—	—	0.16	50.7	
Lockheed Martin	—	—	—	—	—	—	
Meggitt	0.27	9.2	0.25	8.6	0.44	15.1	
Motorola Solutions	—	—	—	—	—	—	
Northrop Grumman	0.11	36.1	—	—	—	—	
Qinetiq	0.48	7.8	0.31	5	0.61	9.9	
Raytheon	—	—	—	—	0.2	69.9	
Rolls Royce	0.16	22.3	0.45	62.6	0.38	52.9	
Ultra Electronics	0.5	7.5	0.19	2.8	0.34	5.1	
United Technologies	0.11	79	—	—	0.1	71.8	
Total		801.3		1,167.6		831.5	



	Investec		Legal & General		Prudential		Schroders PLC		Standard Life	
	% of shares held	Value of shares held £m	% of shares held	Value of shares held £m	% of shares held	Value of shares held £m	% of shares held	Value of shares held £m	% of shares held	Value of shares held £m
	0.15	7	3.96	183.4	1.97	91.2	—	—	13.30	615.8
	0.15	31.2	2.84	590.4	1.00	207.9	1.54	320.2	—	—
	—	—	0.41	348.5	0.13	110.5	—	—	—	—
	—	—	0.49	212.1	0.34	147.2	0.17	73.6	—	—
	0.41	9.1	2.64	58.3	—	—	—	—	—	—
	—	—	—	—	—	—	—	—	—	—
	—	—	0.42	189.5	—	—	—	—	0.21	94.7
	—	—	0.47	978.1	—	—	—	—	—	—
	0.71	45.3	3.05	194.6	0.99	63.2	0.30	19.1	5.03	320.9
	0.47	149	0.55	174.3	—	—	0.37	117.3	0.10	31.7
	—	—	0.46	283.6	0.14	86.3	0.13	—	—	—
	—	—	3.06	104.7	2.35	80.4	0.89	30.4	3.58	122.4
	0.14	15.5	0.53	58.5	0.16	17.7	—	—	—	—
	—	—	0.47	154.1	—	—	0.11	—	—	—
	5	81	2.45	39.7	1.63	26.4	10.00	162	0.24	3.9
	—	—	0.47	164.3	—	—	0.36	125.9	0.26	90.9
	0.37	51.5	2.35	326.9	0.54	75.1	0.59	—	0.15	20.9
	—	—	3.01	44.9	0.66	9.8	4.64	69.1	0.20	3
	—	—	0.44	315.9	—	—	—	—	—	—
		389.4		4,421.6		915.6		917.6		1304.2





Notes

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