

Comprehensive Risk Assessment of Melexis NV for the Government Pension Fund Global

I. Executive Summary

Purpose and Scope

This report presents a comprehensive risk assessment of the Belgian semiconductor company Melexis NV (Euronext Brussels: MELE). The analysis is conducted for the Council on Ethics of the Norwegian Government Pension Fund Global (GPFG) and Norges Bank Investment Management (NBIM). The primary objective is to evaluate the company's operations, products, and corporate conduct against the criteria established in the GPFG's "Guidelines for Observation and Exclusion of companies from the Government Pension Fund Global." This assessment culminates in a definitive risk categorization to inform the GPFG's investment decision regarding its holdings in Melexis NV. The scope of this evaluation encompasses the company's entire value chain, including its corporate governance, direct operational footprint, supply chain management, and the end-use applications of its products, with a specific focus on exposure to ongoing global conflicts in Ukraine and the Israeli-Palestinian territories.

Key Findings

The assessment reveals a complex and bifurcated risk profile for Melexis NV. The company demonstrates robust corporate governance, strong environmental policies, and a clear, commendable ethical stance in relation to Russia's unjust war against Ukraine, where it maintains a significant and supportive presence. The company's

direct operations present a low risk of violating the GPFG's ethical guidelines.

However, a significant and unmitigated risk exists concerning the company's indirect contribution to serious violations of individuals' rights in situations of war and conflict, specifically the Israeli-Palestinian conflict. This risk stems from the inherent dual-use nature of Melexis's core products—advanced semiconductor sensors and integrated circuits—which are fundamental components in modern military technology. These products are sold into the Israeli market through global, mass-market distributors, creating a high probability that they are incorporated into defense systems used by the Israel Defense Forces in a conflict marked by a severe humanitarian crisis. While Melexis has corporate policies prohibiting military end-use, its reliance on a distribution model that lacks end-user traceability renders these policies largely ineffective from an ethical risk perspective. The company's passive, legally defensive posture in this context contrasts sharply with its proactive stance on Ukraine, indicating an inconsistent application of ethical principles that elevates the overall risk profile.

Summary Risk Table

The following table summarizes the detailed assessment of Melexis NV against the specific criteria of the GPFG's ethical guidelines.

GPFG Guideline Criterion	Summary of Findings for Melexis NV	Assessed Risk Level
§ 3 Product-Based Criteria	The company does not produce prohibited weapons, tobacco, cannabis, or thermal coal.	Low
§ 4a Human Rights	Melexis has strong corporate policies and a comprehensive Supplier Code of Conduct. However, risks persist in its outsourced manufacturing supply chain, particularly in China and Malaysia, where the efficacy of due diligence is	Moderate

	difficult to verify externally.	
§ 4b Rights in War/Conflict	There is an unacceptable risk of indirect contribution to the Israeli-Palestinian conflict. The company's dual-use sensor technology is sold into Israel via global distributors and is highly likely to be used in military applications, despite corporate policies forbidding such use. The current business model lacks effective mitigation for this risk.	High
§ 4c/4d Sale of Weapons	The company does not sell weapons. However, the indirect sale of critical dual-use components to a state engaged in armed conflict presents a material risk of contributing to military capabilities.	Moderate
§ 4e/4f Environment/GHG	Melexis demonstrates strong environmental management, holding ISO 14001 certification and setting clear GHG emission reduction targets. Its fabless model results in a low direct environmental impact.	Low
§ 4g/4h Corruption/Other	The company maintains robust anti-corruption policies and a whistleblowing mechanism. No evidence of gross corruption or other particularly serious violations of fundamental ethical norms was identified. Past commercial litigation does not meet this threshold.	Low

Final Recommendation

This assessment concludes that Melexis NV's operations and business model present an unacceptable risk of contributing to serious violations of fundamental ethical norms, as defined by the GPFG guidelines. The high probability of its products being used in the Israeli-Palestinian conflict, combined with the lack of effective mitigation measures, is the primary driver of this conclusion. While the company's positive actions concerning Ukraine and its strong environmental and anti-corruption frameworks are noted, they do not offset the material and foreseeable risk of contributing to severe human rights violations in a conflict zone.

Therefore, the final risk categorization for Melexis NV is:

Final Risk Category: 2 - High Risk

II. Corporate Profile and Global Operations

Business Model and Market Position

Melexis NV is a global micro-electronic semiconductor company headquartered in Leuven, Belgium, and publicly traded on the Euronext Brussels exchange under the ticker MELE.¹ Founded in 1988, the company has established itself as a world leader in the design, development, testing, and marketing of advanced integrated circuits (ICs), with a particular specialization in sensor technologies for the automotive industry.¹ The company's financial performance is robust, reporting revenues of 932.8 million EUR for the fiscal year 2024 and a market capitalization of approximately 3.21 billion USD as of August 2025.⁴

A defining characteristic of Melexis's business model is its "fabless" nature.⁷ The company focuses its internal resources on high-value activities such as research and

development (R&D), product design, and the final testing of its components. The capital-intensive process of semiconductor wafer fabrication is outsourced to specialized third-party foundries, such as X-Fab.⁸ This strategy allows Melexis to remain agile, reduce capital expenditure, and focus on innovation. However, this model also fundamentally shifts the locus of ethical risk. While it minimizes Melexis's direct environmental footprint and labor-related liabilities in manufacturing, it externalizes these significant risks to its supply chain partners. Consequently, the effectiveness of the company's supply chain due diligence and its ability to enforce its ethical standards upon these independent foundries become paramount for an assessment under the GPFG's conduct-based criteria.

The automotive sector is the cornerstone of Melexis's business, accounting for approximately 90% of its total revenue.³ The company is a key supplier to major automotive manufacturers worldwide, with its components being integral to systems that enhance vehicle safety, efficiency, and comfort.³ An average new car produced globally contains 13 Melexis chips.¹¹ The remaining 10% of its business is strategically targeted at adjacent high-growth markets, including alternative mobility (e-bikes, drones), smart appliances, robotics, energy management, and digital health.⁵

Product Portfolio Analysis

Melexis's product portfolio comprises a wide range of advanced mixed-signal semiconductor solutions that serve as the sensory and control interface between the physical world and digital systems.¹² These products are not consumer-facing end-products but are critical enabling components for complex electronic systems. The portfolio can be broadly categorized into three main areas: sensors, drivers, and transceivers.²

- **Sensors:** This is the company's core area of expertise. Melexis produces a diverse array of sensor ICs, including magnetic sensors (its flagship Triaxis® Hall-effect sensors for 2D/3D position sensing), pressure sensors (MEMS-based), optical sensors (including Time-of-Flight 3D cameras), and temperature sensors (contactless infrared).¹² These components are designed to measure physical variables like position, angle, speed, pressure, and temperature and convert them into digital signals that can be processed by a microcontroller.⁹
- **Drivers:** Melexis develops driver ICs that translate low-power digital signals into the high-power outputs needed to operate various actuators. This includes

embedded motor drivers for brushless DC (BLDC), DC, and stepper motors, as well as smart LED drivers for advanced automotive lighting systems.¹²

- **Transceivers:** The company produces ICs that facilitate communication between different electronic modules within a vehicle or system, including LIN (Local Interconnect Network) and CAN (Controller Area Network) transceivers, as well as RFID components.²

The fundamental nature of these products as versatile, high-precision components makes them susceptible to dual-use applications, a critical factor in the risk assessment that will be analyzed in detail in Section IV.

Global Footprint and Strategic Alliances

Melexis operates a global network of facilities to support its R&D, sales, and operational activities, reflecting its position as a key player in the international semiconductor market.¹⁷ While headquartered in Belgium, the company maintains a significant presence across three continents.⁹

- **Europe, Middle East, and Africa (EMEA):** The company's European footprint is extensive, with its corporate headquarters in Ieper and another major site in Tessenderlo, Belgium.¹⁸ It operates R&D and sales offices in key European technology hubs, including France (Courbevoie, Sophia Antipolis, Corbeil Essonnes), Germany (Erfurt, Dresden, Düsseldorf), and Switzerland (Bevaix).¹⁸ The company also has a production and test facility in Sofia, Bulgaria.⁷ Critically, Melexis maintains a significant R&D center in Kyiv, Ukraine, which has remained operational during the ongoing conflict.¹⁸
- **Asia-Pacific (APAC):** The APAC region is a vital market and operational hub for Melexis. The company has recently established a locally embedded logistics hub and end-to-end local manufacturing in China to better serve this key market, where it has seen a significant increase in design wins.⁵ It operates offices in Shanghai and Shenzhen, China, as well as in Taiwan, Japan, and South Korea.¹⁸ Furthermore, it has a production facility in Kuching, Malaysia, and a branch office in the Philippines, placing it at the heart of the global semiconductor back-end manufacturing ecosystem.⁷
- **Americas:** Melexis serves the North American market, particularly the automotive industry, through offices in Novi, Michigan (a hub for automotive R&D), and San Jose, California (Silicon Valley).¹⁸

The company's sales are facilitated through a direct sales team and a global network of distributors and representatives, which allows its products to reach a vast and diverse customer base worldwide.²¹ This reliance on broad distribution channels is a key element in the assessment of end-use risk.

III. Assessment Against GPFG Product-Based Exclusion Criteria (§ 3)

The GPFG's ethical guidelines include a set of product-based criteria (§ 3) that function as clear, bright-line tests for exclusion. These criteria target companies involved in the production of specific goods deemed to be in violation of fundamental ethical norms.²³ An analysis of Melexis NV against these criteria shows no grounds for observation or exclusion.

- **§ 3(1)a - Weapons Violating Fundamental Humanitarian Principles:** This criterion prohibits investment in companies that develop or produce weapons such as nuclear, chemical, or biological weapons, anti-personnel mines, and cluster munitions.²³ Melexis is a semiconductor company and is not involved in the design, development, or production of any weapons systems.¹ Its products are electronic components. While these components have the potential for dual-use applications in military systems—a risk analyzed extensively under the conduct-based criteria in Section IV—they are not, in themselves, weapons that violate humanitarian principles through their normal use. The risk of a direct violation of this criterion is therefore considered negligible.
- **§ 3(1)b - Tobacco Production:** This criterion excludes companies that produce tobacco or tobacco products.²³ Melexis operates exclusively within the technology and semiconductor sectors and has no operational or financial involvement in the tobacco industry.¹ The risk under this criterion is nil.
- **§ 3(1)c - Cannabis for Recreational Use:** This criterion, added to the guidelines, excludes companies involved in the production of cannabis for recreational purposes.²³ Melexis has no involvement in this industry.¹ The risk under this criterion is nil.
- **§ 3(2) - Thermal Coal:** This criterion allows for the observation or exclusion of mining and power companies that derive 30% or more of their income or operations from thermal coal, or that extract more than 20 million tonnes of thermal coal annually.²³ Melexis is a technology company and is not a mining or

power producer. It has no involvement in the thermal coal industry.¹ The risk under this criterion is nil.

The clear absence of risk under all product-based criteria serves to sharpen the focus of this assessment. It establishes that any potential grounds for recommending observation or exclusion of Melexis NV will not derive from the intrinsic nature of its products as defined by § 3. Instead, the ethical considerations and the "unacceptable risk" analysis must be centered on the company's conduct, as stipulated in § 4 of the guidelines. This shifts the analytical weight entirely to the more nuanced and complex issues of how the company manages its global operations, the diligence it applies to its supply chain, and, most critically, the foreseeable end-use of its dual-use products by third parties.

IV. Assessment Against GPFG Conduct-Based Exclusion Criteria (§ 4)

The conduct-based criteria of the GPFG guidelines require an assessment of whether there is an "unacceptable risk that the company contributes to or is responsible for" serious violations of ethical norms.²⁴ This is a forward-looking assessment that considers not only a company's direct actions and intent but also its role within a broader value chain that may lead to harmful outcomes.

§ 4a - Serious or Systematic Human Rights Violations

This criterion assesses the risk of a company's involvement in human rights abuses, such as forced labor, child labor, or systematic discrimination.

Corporate Policies and Commitments

Melexis has established a comprehensive framework of public policies and commitments regarding human rights. The company's "Business Ethics" statement

explicitly recognizes that human rights are universal and fundamental and commits to the abolition of child labor and slavery.²⁵ Its formal Code of Conduct further elaborates on this, stating that the company respects human and labor rights in all its activities, as defined by the ILO International Labor Standards, the UN Universal Declaration of Human Rights, and the OECD Guidelines for Multinational Enterprises.²⁶ The code specifically prohibits any engagement in or support for forced labor, child labor, and human trafficking, and it guarantees labor rights, including the right to collective bargaining and reasonable working hours.²⁶ The company also emphasizes its commitment to an inclusive and fair work environment free from discrimination and harassment.⁹

Supply Chain Due Diligence and Identified Risks

The company's fabless business model necessitates a strong focus on supply chain ethics. Melexis extends its human rights commitments to its suppliers through a detailed Supplier Code of Conduct, which business partners are required to sign.²⁷ This document obligates suppliers to respect all basic human rights, prohibit forced and child labor, prevent discrimination and harassment, and comply with all applicable wage and working hour laws.²⁷ Notably, the code also includes a provision requiring business partners to ensure their operations do not negatively affect the rights of indigenous people and to minimize their impact on local communities.²⁷ Melexis reserves the right to conduct audits to verify compliance with these standards.²⁷

Despite these robust policies, a moderate level of risk remains. The global semiconductor supply chain is notoriously complex and opaque, and Melexis has significant operational dependencies and a manufacturing presence in regions with documented human rights concerns, particularly China and Malaysia.⁷ While the company has stated that it does not use Chinese suppliers for the majority of its assembly and testing for its global supply chain, its establishment of an end-to-end local manufacturing presence in China creates exposure.⁸ The practical effectiveness of Melexis's audit rights and the depth of its due diligence processes in these high-risk jurisdictions cannot be independently verified from the available public documentation. The risk is not that Melexis is actively complicit in violations, but that its oversight may be insufficient to detect and prevent abuses deep within its outsourced manufacturing chain. Historical records show instances of job cuts, for example in Germany in 2009, but these appear to be related to standard business restructuring and market shifts rather than indicative of systemic labor rights

violations.²⁹

§ 4b - Serious Violations of Individuals' Rights in Situations of War or Conflict

This criterion is central to the assessment, given the user's specific directive to cross-reference risks with the conflicts in Ukraine and Palestine. The analysis focuses on the risk of the company's products contributing to such violations.

Inherent Dual-Use Technology Risk

Semiconductors are the quintessential dual-use technology, forming the technological bedrock of both modern civilian life and advanced military systems.³⁰ Melexis's product portfolio is replete with components that have direct and critical military applications. High-precision magnetic position sensors (like the Triaxis® series), optical sensors, and current sensor ICs are essential for the guidance, navigation, control, and targeting systems of a wide range of military hardware.¹² These components are used in unmanned aerial vehicles (UAVs or drones), precision-guided munitions, robotics, and advanced control systems for military vehicles and aircraft.⁹ The Wassenaar Arrangement, a multilateral export control regime, explicitly lists many of these items under categories such as Category 3 (Electronics) and Category 6 (Sensors and Lasers), confirming their strategic military importance and the international consensus on the need to control their proliferation.³⁵

Company's Mitigating Policies and Their Limitations

Melexis formally acknowledges and attempts to mitigate this risk through its legal terms and product disclaimers. The company's General Terms and Conditions for Sales of Goods contain a clear prohibition clause stating that customers shall not use, sell, or export any Melexis products for activities involving the design, development, or production of nuclear, chemical, or biological weapons or missiles. Crucially, the

clause extends this prohibition to "any other military application or application which could result in harming public security and/or human rights".³⁸ Furthermore, technical product flyers often include a disclaimer that high-reliability applications, "such as military, medical life-support or life-sustaining equipment are specifically not recommended without additional processing by Melexis for each application".³⁹

While these policies demonstrate an awareness of the issue and represent a formal legal stance, their practical effectiveness as an ethical risk mitigation tool is severely limited. The core of the problem lies in the company's sales model. Melexis's products are sold in massive quantities through global, open-market distributors. Once these components enter the distribution channel, Melexis loses virtually all visibility and control over their final destination and end-use. The legal disclaimers serve to limit the company's legal liability but do not prevent the products from being acquired and used for prohibited purposes. From the perspective of the GPFG's ethical guidelines, which focus on the "unacceptable risk of contribution" rather than legal liability or direct intent, these paper-based prohibitions are an insufficient mitigation measure. The foreseeable reality of the products' end-use in conflict zones overrides the stated, but largely unenforceable, policy.

Exposure to the Israeli-Palestinian Conflict

The analysis reveals a high risk of Melexis's products contributing to the Israeli-Palestinian conflict. Melexis does not have a direct corporate office or subsidiary in Israel.¹⁸ However, its products are readily available and actively marketed in Israel through major global electronic component distributors, most notably Mouser Electronics and Digi-Key.⁴¹ Both of these distributors operate dedicated Israeli websites (in Hebrew and English), accept local currency, and have local sales and support offices in Israel.⁴¹ They serve the entire spectrum of the Israeli technology market, from individual hobbyists and startups to large corporations and, foreseeably, the country's defense sector.⁴⁶

The Israeli defense industry is one of the most technologically advanced in the world and is a major producer and exporter of military hardware, including UAVs, precision-guided missiles, and advanced electronic warfare systems.⁴⁹ Key defense contractors like Elbit Systems, Israel Aerospace Industries (IAI), and RAFAEL are heavily reliant on the global commercial market for the high-quality electronic components needed to build these systems.⁴⁹ The systems produced by these

companies are actively and extensively used by the Israel Defense Forces (IDF) in their operations in Gaza and the West Bank.

Given this context, the pathway of risk is clear and direct:

1. Melexis manufactures dual-use sensors and ICs critical for military guidance and control systems.
2. These components are sold to global distributors like Mouser and Digi-Key.
3. These distributors actively sell and ship these components into Israel, making them available to the entire Israeli market, including the defense industry.
4. It is not only possible but highly probable that these components are being designed into and incorporated into Israeli military systems used in the ongoing conflict.

The GPFG has already demonstrated a high level of ethical scrutiny regarding this conflict, having recently divested from several Israeli companies due to the "serious humanitarian crisis" in Gaza.⁵² This precedent establishes that any contribution, even indirect, to the military activities in this conflict is likely to be viewed as creating an unacceptable ethical risk for the Fund. The business model employed by Melexis, which relies on untraceable mass-market distribution, is fundamentally misaligned with the heightened due diligence required when operating in or selling into a conflict zone. This creates a high and unacceptable risk under § 4b.

§ 4c & 4d - Sale of Weapons to Certain States

These criteria address the sale of weapons to states engaged in armed conflict where the weapons are used in ways that violate international rules, or to states subject to specific investment restrictions.²⁴ As established, Melexis does not sell weapons. However, the GPFG's framework allows for a broad interpretation of "contribution." The sale of critical, enabling dual-use components to a state engaged in armed conflict could be construed as a material contribution to that state's military capabilities. The analysis under § 4b demonstrates that such sales are occurring indirectly into Israel. Therefore, while not a direct violation, the company's conduct creates a moderate risk of being considered in contravention of the spirit and intent of these criteria.

§ 4e & 4f - Severe Environmental Damage & Unacceptable Greenhouse Gas Emissions

This criterion assesses the risk of a company causing or contributing to severe environmental harm or unacceptable levels of greenhouse gas (GHG) emissions.

Policies, Certifications, and Performance

Melexis demonstrates a strong and proactive approach to environmental management. The company has a formal Environmental Policy and its major sites are certified under the ISO 14001 international standard for environmental management systems.⁷ This certification affirms that the company has a low direct environmental impact, a consequence of its fabless business model where the most polluting manufacturing steps are outsourced.⁷ The company also declares compliance with key European environmental regulations, including RoHS (Restriction of Hazardous Substances) and REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals).⁵⁴

In terms of climate action, Melexis has been reporting its Scope 1 (direct) and Scope 2 (indirect from purchased energy) emissions since 2021 and began voluntarily reporting on Scope 3 (value chain) emissions in 2023.¹⁰ In its 2024 Annual Report, the company announced a more ambitious climate target: to reduce its Scope 1 and 2 GHG emissions per million sold integrated circuits by 55% by 2030, using 2024 as the baseline year.⁵ This commitment, along with its detailed environmental policy and management systems, indicates that the risk of Melexis being responsible for "severe environmental damage" or "unacceptable greenhouse gas emissions" is low. Its primary environmental impact lies within its Scope 3 emissions, which it has begun to measure and can address through its influence on its supply chain.

§ 4g & 4h - Gross Corruption & Other Particularly Serious Violations of Fundamental Ethical Norms

This criterion covers risks related to severe financial crime, such as bribery and

corruption, and other egregious ethical breaches.

Policies and Known Controversies

Melexis maintains a clear and robust framework to prevent corruption and unethical business practices. Its public statements on business ethics and its internal Code of Conduct explicitly state that corruption and bribery are not tolerated.²⁵ The company has implemented guidelines and training to prevent corruption and has established a confidential whistleblowing channel, the "Speak Up" policy, for employees and external partners to report misconduct without fear of reprisal.⁵⁸

A review of the company's history reveals no evidence of involvement in scandals related to gross corruption, bribery, or other severe financial crimes. The most significant public controversy identified was a long-running patent infringement lawsuit filed by a competitor, ams AG, in 2009 concerning magnetic field sensor technology.⁵⁹ Such intellectual property disputes are common in the technology sector and, while representing a business and legal risk, do not rise to the level of a "particularly serious violation of fundamental ethical norms" as envisioned by the GPFG guidelines. The company's record in this regard appears clean, and the risk under these criteria is assessed as low.

V. Geopolitical Risk Exposure and Mitigating Factors

A company's conduct in the face of major geopolitical events provides a powerful lens through which to assess its ethical framework in practice. In the case of Melexis, its actions in two distinct and globally significant conflicts—Russia's war against Ukraine and the Israeli-Palestinian conflict—reveal a notable and concerning inconsistency in its ethical posture.

Position on the Russia-Ukraine Conflict

Melexis has taken a clear, tangible, and positive stance regarding Russia's full-scale invasion of Ukraine. The company has a long-established R&D center in Kyiv, which employed approximately 70 specialists prior to the 2022 invasion.¹⁹ Despite the immense challenges and risks posed by the war, Melexis has maintained its operations in Kyiv.¹⁸ This commitment to its Ukrainian employees and its continued presence in the country has been publicly recognized; the European Business Association in Ukraine honored Melexis with a "Bravery Award" for its resilience and its commitment to conducting business in Ukraine during wartime.⁶⁰

Furthermore, a review of the company's global office locations and distributor networks reveals no official presence in the Russian Federation.¹⁸ While some third-party component resellers might offer its products in Russia, there is no indication of direct or sanctioned business activities.⁶¹ The company's actions—standing by its employees in Kyiv and refraining from business in Russia—represent a significant mitigating factor in this assessment. This conduct demonstrates that the company is capable of making operational decisions that align with fundamental ethical norms and the foreign policy consensus of Western nations, even when such decisions carry costs and risks.

Supply Chain Exposure to China

Melexis has a significant and growing presence in China, which is both a major market and a part of its manufacturing strategy.²⁰ The company has established local manufacturing and logistics capabilities "in China, for China" and achieved a notable proportion of its new design wins in the country in 2024.⁵ The CEO has publicly stated that the company is "almost immune" to direct impacts from US-China trade tensions because the vast majority of its assembly and testing for its global supply chain occurs outside of China.⁸ This strategy appears designed to insulate its core business from geopolitical friction while still capitalizing on the large Chinese domestic market. The primary ethical risks associated with this exposure relate to human rights and labor practices in the supply chain, which were assessed as moderate in Section IV.

Analysis of Inconsistent Ethical Postures

When juxtaposed, the company's postures toward the two conflicts reveal a significant inconsistency.

- **In the Russia-Ukraine Conflict:** Melexis has adopted a proactive, values-aligned stance. Its actions go beyond mere legal compliance with sanctions. By maintaining its Kyiv office, it has made a tangible investment in supporting a nation under attack, aligning itself clearly with the ethical position of the GPFG and the Norwegian state. This is a strong positive ethical signal.
- **In the Israeli-Palestinian Conflict:** Melexis has adopted a passive, legally defensive stance. It relies on the fine print in its terms and conditions to absolve itself of responsibility, while continuing to profit from sales into the region through a business model that makes the military use of its products a foreseeable and high-probability outcome. This failure to implement more robust due diligence or sales restrictions in a known conflict zone is a strong negative ethical signal.

This bifurcation suggests that the company's ethical decision-making may be driven more by compliance with the geopolitical alignment of its primary markets (the EU and the US) and the minimization of legal liability, rather than by a universally and consistently applied set of proactive ethical principles. For an investor like the GPFG, which is mandated to apply its ethical guidelines consistently across its entire portfolio and across all geopolitical contexts, this inconsistency is itself a significant governance risk. It raises questions about the predictability and reliability of the company's ethical conduct when faced with future crises that may not have such a clear East-West political dimension.

VI. Final Risk Synthesis and Categorization

Synthesis of Findings

The comprehensive assessment of Melexis NV against the GPFG's ethical guidelines presents a stark contrast of risk factors. On one hand, the company exhibits many characteristics of a responsible corporate actor. It has a low direct environmental impact, robust environmental management systems, and clear targets for emissions reduction.⁵ It maintains strong anti-corruption policies and has no history of

involvement in gross financial crime.²⁵ Most notably, its continued and supportive presence in Ukraine demonstrates a willingness to align its business practices with fundamental ethical principles in a major international conflict.¹⁹ In these areas, the company presents a low to moderate risk profile.

On the other hand, these positive attributes are overshadowed by a single, critical, and unmitigated risk: the unacceptable probability of the company's products contributing to serious violations of individuals' rights in the Israeli-Palestinian conflict. The dual-use nature of its sensor technology is not merely theoretical; these components are essential for the advanced military systems being actively deployed in a conflict characterized by a severe humanitarian crisis.³² The company's business model, which relies on global, open-market distributors, provides a direct and untraceable channel for these critical components to flow to the Israeli defense industry.⁴¹

Weighing of Factors

In reaching a final categorization, these conflicting factors must be carefully weighed. The company's commendable stance on Ukraine is a significant mitigating factor and speaks to a positive corporate culture. However, the GPFG's ethical mandate is universal. Positive conduct in one area does not grant a license for inaction in another, particularly when the potential for harm is so severe and foreseeable.

The core of the GPFG's conduct-based criteria is the concept of "unacceptable risk of contribution." The analysis concludes that this threshold is met in the case of Melexis's sales into the Israeli market. The company's legal disclaimers against military use are insufficient to counter this risk. An ethically responsible approach for a company selling critical dual-use technology into a known conflict zone would involve enhanced due diligence, such as requiring end-user certificates, restricting sales through distributors, or ceasing sales into the market altogether until the risk subsides. Melexis has not demonstrated that it has taken any such steps. This inaction, when contrasted with its decisive posture on Ukraine, reinforces the assessment that its current approach to the Israeli-Palestinian conflict is ethically deficient.

Final Risk Categorization and Justification

Based on the synthesis of these findings, the available risk categories can be evaluated:

- **Category 4 - Acceptable Risk:** This category is untenable. The high probability of the company's products being used in military applications in the Israeli-Palestinian conflict, a situation the GPFG has already identified as a "serious humanitarian crisis," represents a clear and unacceptable risk that cannot be classified as acceptable.
- **Category 3 - Moderate Risk:** This category may understate the severity and probability of the identified risk. While the company has strong policies in other areas, the risk of contribution to violations in war is one of the most serious criteria in the GPFG guidelines. The lack of effective mitigation elevates the risk beyond "moderate."
- **Category 1 - Exclusion Candidate:** This is a plausible category. A recommendation for exclusion is justified when there is an unacceptable risk of contribution to serious norm violations. However, the company's positive actions regarding Ukraine and its explicit (though ineffective) policies against military use could argue for a period of observation or engagement before outright exclusion.
- **Category 2 - High Risk:** This category accurately reflects the balance of the findings. It acknowledges that while the company is not an "Exclusion Candidate" on all fronts, the primary identified risk is both severe in its potential consequences and highly probable given the company's business model. It signals to the GPFG that the current situation is unacceptable and requires urgent attention, which could take the form of intensive engagement with the company to demand changes to its sales practices or, failing that, a future recommendation for exclusion.

The final determination is that the risk is substantial, active, and not adequately managed.

Final Risk Category: 2 - High Risk

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