

Risk Assessment Report: Colt CZ Group SE Compliance with GPFG Ethical Guidelines

Executive Summary

This report presents a comprehensive risk assessment of Colt CZ Group SE ("the Company"), a Czech-based manufacturer of firearms and ammunition, to determine its compliance with the "Guidelines for Observation and Exclusion of Companies" (Retningslinjer) governing the Norwegian Government Pension Fund Global (GPFG). The analysis focuses on product-based risks as defined in § 3 of the Guidelines and conduct-based risks under § 4, with a specific emphasis on the Company's exposure to and involvement in key geopolitical conflicts.

The assessment reveals a significant divergence between the Company's product portfolio and its corporate conduct. The product-based risk analysis concludes that Colt CZ Group SE does not manufacture weapons systems explicitly proscribed by Guideline § 3. Its portfolio of conventional small arms and ammunition does not include weapons of mass destruction, anti-personnel mines, cluster munitions, or other systems that by their nature violate fundamental humanitarian principles.

Conversely, the conduct-based assessment identifies a critical and unacceptable level of risk. This risk emanates directly from the Company's role as a significant and ongoing supplier of M4 and M4A1 carbine assault rifles to the Israeli military, particularly following the commencement of hostilities in Gaza in October 2023. A substantial body of evidence from credible international bodies, including the United Nations Independent International Commission of Inquiry, Human Rights Watch, and Amnesty International, has concluded that Israeli forces have committed war crimes, crimes against humanity, and serious, systematic violations of international humanitarian law in this conflict. By supplying the primary infantry weapon to these forces during this period, the Company's conduct creates an unacceptable risk of contributing to these violations, directly implicating the criteria for exclusion under Guideline § 4b ("serious violations of individuals' rights in war or conflict situations") and § 4c ("sale of weapons to states in armed conflicts which use the weapons on ways that constitute

serious and systematic breaches of the international law rules for hostilities").

A secondary, lower-level risk related to a peripheral mention in a Ukrainian corruption probe is noted but is not considered material for this assessment at the present time. The Company's support for Ukraine, including technology transfer agreements, is analyzed in contrast and found not to breach the ethical guidelines, as it aligns with internationally recognized principles of self-defense.

Based on the direct, documented, and ongoing contribution to a high-risk end-user engaged in an armed conflict marked by severe and systematic breaches of international law, the final recommendation is **Risk Category 1 - Exclusion Candidate**. The severity of the alleged violations by the end-user and the Company's material role as a key arms supplier create an unacceptable risk that is fundamentally incompatible with the ethical mandate of the GPFG.

1. Corporate Profile and Strategic Posture of Colt CZ Group SE

1.1. Corporate Structure, Ownership, and Strategic Acquisitions

Colt CZ Group SE is a publicly traded holding company, legally constituted as a Societas Europaea, with its headquarters in Prague, Czech Republic.¹ Traded on the Prague Stock Exchange under the ticker CZG, the company has established itself as a leading global manufacturer of firearms and ammunition.¹ Its operations are channeled through a formidable portfolio of internationally recognized brands, including Colt, CZ (Česká zbrojovka), Colt Canada, Dan Wesson, Sellier & Bellot, swissAA, and 4M Systems.⁴

The Company's contemporary structure is the result of a deliberate and aggressive strategy of transformation, moving from a primarily Czech-centric firearms producer to a fully integrated, transatlantic defense entity. The cornerstone of this strategic shift was the acquisition of Colt Holding Company LLC in May 2021. This transaction, valued at \$220 million in cash plus the issuance of new shares, was a pivotal moment, granting the Group not only the iconic Colt brand but also a substantial manufacturing and operational footprint in the United States and Canada.¹ Crucially, this acquisition provided direct access to Colt's long-standing and deeply embedded contractual relationships with the U.S. and Canadian militaries, positioning the Group at the heart of the Western defense supply chain.⁷

Following this expansion into North America, the Group executed a strategic pivot towards vertical integration by entering the ammunition sector. This was achieved through two key acquisitions: a 100% stake in swissAA Holding AG, a Swiss producer of specialized small-caliber and 40mm grenade ammunition, in June 2023⁶; and the acquisition of Sellier & Bellot, a historic Czech ammunition manufacturer with a vast production capacity, completed in May 2024.¹ These moves were not merely opportunistic but represent a calculated strategy to control the entire small arms value chain, from ammunition to firearms, thereby mitigating supply chain risks and capturing greater market share amid surging global demand.

The Group's governance reflects its strategic orientation. The Board of Directors and senior leadership team are composed of individuals with extensive experience in international finance, corporate law, and the defense industry, including Chairman Jan Drahota and CEO Radek Musil.¹² The composition of the North American board is particularly indicative of the Company's alignment with the military-industrial complex; it includes General George W. Casey, Jr. (Ret.), a former Chief of Staff of the U.S. Army and commander of the Multi-National Force in Iraq.¹² This high-level military expertise within its governance structure underscores the Company's focus on securing and expanding its role as a key partner to armed forces globally.

1.2. Analysis of Business Segments and Global Revenue Streams

The financial trajectory and strategic communications of Colt CZ Group SE clearly illustrate a deliberate and accelerating pivot towards the Military & Law Enforcement (M&LE) segment. This shift is central to the Company's growth strategy and, consequently, to its ethical risk profile. In fiscal year 2022, sales to M&LE customers accounted for 36% of the Group's total revenues. By fiscal year 2023, this share had increased substantially to 46%.¹⁴ This is not a passive market trend but an active corporate pursuit. Company leadership has explicitly stated that the "worsening security situation globally" presents "increased business potential" and that strengthening its position in the military segment is a primary objective.¹⁵ This strategy is further reinforced in its financial guidance, which anticipates continued growth driven by M&LE sales, particularly in the context of the ongoing conflict in Ukraine.¹⁶ Recent quarterly financial reports from 2024 and 2025 consistently identify the M&LE segment as the principal driver of the Group's strong revenue performance.¹⁶

Geographically, the Company's revenue streams are concentrated in North America and Europe, which serve as the primary markets and logistical hubs for its global M&LE business. In 2023, the United States was the largest single market, generating 42% of total revenue. The Czech Republic (18%), Canada (15%), and the rest of Europe (13%) followed, collectively accounting for nearly 90% of all sales.¹⁴ The significant revenue from Canada is explicitly

linked to the Canadian government's military support programs for Ukraine, highlighting the direct financial benefit the Company derives from this conflict.¹⁸ While sales to Asia and Africa are comparatively smaller, they remain a component of the Group's global footprint.¹⁴

The Company's financial performance has been robust, reflecting the success of its strategic focus. Revenues reached a record CZK 14.9 billion in 2023, and the Group projects significant future growth, propelled by sustained high demand in the M&LE market and the full consolidation of its newly acquired ammunition subsidiaries, Sellier & Bellot and swissAA.¹⁶ This strategic posture, centered on capitalizing on global conflict and increased military spending, inherently elevates the ethical scrutiny required of its sales relationships. Supplying arms to military end-users in conflict zones is not an incidental part of the business but is the core driver of its present and future financial success. This makes a rigorous assessment of the conduct of these end-users an indispensable component of any due diligence process.

Metric	2022 Value (CZK m)	2022 (%)	2023 Value (CZK m)	2023 (%)
By Segment				
M&LE	5,252.3	36%	6,833.6	46%
Commercial	9,337.5	64%	8,022.0	54%
Total Revenues	14,589.8	100%	14,855.6	100%
By Geography				
USA	6,998.3	48%	6,239.4	42%
Czech Republic	1,896.7	13%	2,674.0	18%
Canada	1,750.8	12%	2,228.3	15%
Europe (excl. CZ)	1,604.9	11%	1,931.2	13%

Asia	1,459.0	10%	1,188.4	8%
Africa	291.8	2%	148.6	1%
Other	587.6	4%	445.7	3%

Data sourced from Colt CZ Group SE 2023 preliminary results presentation.¹⁴

2. Product-Based Risk Assessment (Analysis under Guideline § 3)

2.1. Examination of the Company's Arms and Ammunition Portfolio

The product portfolio of Colt CZ Group SE is centered on the design, manufacture, and sale of conventional small arms, ammunition, and related tactical accessories for military, law enforcement, and civilian markets.⁴ The Group's core firearms offerings include a wide range of semi-automatic pistols (such as the Colt 1911 series and the CZ P-10), revolvers, submachine guns, and modern sporting and assault rifles, most notably the Colt M4/M16 family of weapons and the CZ BREN 2 platform.²⁰

Through its recent strategic acquisitions, the Company has vertically integrated into the ammunition sector, significantly broadening its product base. The inclusion of swissAA Holding AG and Sellier & Bellot has added extensive capabilities in the production of small-caliber ammunition, including common military and law enforcement rounds such as 5.56 mm, 7.62 mm, and 9 mm cartridges.¹⁰ The portfolio also extends to more specialized munitions, such as 40 mm grenade launcher ammunition, which is produced by swissAA.¹⁰

Further expanding its military offerings, in early 2024, the Group acquired the intellectual property rights for the Mk 47, an advanced automatic grenade launcher system previously owned by General Dynamics.¹ This acquisition signals an intent to move into more sophisticated and powerful infantry weapon systems. The portfolio is rounded out by tactical accessories from subsidiaries like Spuhr i Dalby, which produces optical mounting solutions, and 4M Systems, which manufactures tactical equipment.⁶

2.2. Assessment Against Prohibited Weapons Categories (per Guideline § 3a)

An assessment of the Company's product portfolio against the specific categories of prohibited weapons outlined in § 3a of the GPFG's ethical guidelines reveals no direct violations.²⁴ The analysis for each category is as follows:

- **Biological, Chemical, and Nuclear Weapons:** There is no evidence to suggest that Colt CZ Group SE is involved in the development, production, or maintenance of any weapons of mass destruction. The Company's operations are exclusively focused on conventional firearms and ammunition, a sector entirely distinct from the technologies and materials associated with chemical, biological, radiological, or nuclear (CBRN) warfare.²⁵
- **Non-Detectable Fragments:** This prohibition, derived from Protocol I of the Convention on Certain Conventional Weapons (CCW), applies to weapons where the *primary effect* is to injure with fragments that cannot be detected by X-ray, such as those made of glass or certain plastics.²⁸ The ammunition and grenades produced by Colt CZ's subsidiaries utilize conventional metallic casings, projectiles, and fragmentation materials. While some weapon components may contain polymers or plastics for structural purposes, their primary injurious mechanism is not based on non-detectable fragments.
- **Incendiary Weapons:** The international legal definition of incendiary weapons covers devices specifically designed to set fire to objects or cause burn injury through the action of flame or heat, such as munitions containing white phosphorus or napalm-like substances. The standard ammunition produced by Colt CZ Group does not fall into this category.⁴
- **Blinding Laser Weapons:** Protocol IV of the CCW prohibits laser weapons specifically designed to cause permanent blindness to the naked eye.³¹ Colt CZ Group's product portfolio does not include laser systems of any kind, let alone those designed for this prohibited purpose. Its subsidiaries involved in optics, such as Spuhr, produce passive mounting solutions, not active laser weapons.⁶
- **Anti-Personnel Mines and Cluster Munitions:** The Company's product lines are strictly limited to small arms, their ammunition, and related accessories. There is no evidence whatsoever of any involvement in the research, development, manufacturing, or sale of anti-personnel landmines or cluster munitions, which are governed by separate international treaties (the Ottawa Treaty and the Convention on Cluster Munitions, respectively).¹

2.3. Conclusion on Product-Based Risk Profile

Based on a thorough review of the Company's publicly disclosed product portfolio and strategic acquisitions, it is concluded that Colt CZ Group SE does not develop, produce, or sell any of the weapon types explicitly prohibited under § 3 of the GPFG's ethical guidelines. The risk of exclusion based on the nature of its products is therefore assessed as negligible.

This finding is critical, as it shifts the entire focus of the ethical assessment away from the type of weapons produced and squarely onto the Company's *conduct*. For a conventional arms manufacturer like Colt CZ Group, compliance with the GPFG's ethical framework is determined not by the inherent characteristics of its products, but by the manner in which it conducts its business, specifically concerning to whom it sells its products and the subsequent use of those products by the end-user. This distinction is fundamental, as it preempts any argument for exclusion based solely on the Company's presence in the defense industry. The GPFG guidelines permit such investments, provided the company's conduct aligns with the norms articulated in § 4. The subsequent sections of this report will therefore focus exclusively on this conduct-based analysis.

3. Conduct-Based Risk Assessment (Analysis under Guideline § 4)

3.1. Evaluation of Corporate Governance and Internal Compliance Frameworks

Colt CZ Group SE maintains and publicly discloses a formal corporate compliance architecture designed to ensure adherence to legal and ethical standards in its global operations. The cornerstone of this framework is a company-wide Compliance Program, which is articulated through a Code of Conduct that sets out elementary standards for employees and relevant persons.³⁶ This overarching code is supplemented by specific policies targeting high-risk areas, most notably an Anti-Corruption Policy that provides guidance on dealings with public and private sector entities.³⁶ The program also includes a formal whistleblowing mechanism, referred to as the "Compliance Line," to enable the reporting of unethical conduct.³⁶

At the subsidiary level, there is evidence of policies tailored to specific regulatory environments. Colt's Manufacturing Company LLC, the U.S. subsidiary, has a stated policy on

Conflict Minerals. This policy aligns with the requirements of the U.S. Dodd-Frank Act and commits the company to responsible sourcing of tin, tungsten, tantalum, and gold, requiring its suppliers to avoid contributing to the financing of armed groups in the Democratic Republic of Congo and adjoining countries.³⁷

Furthermore, the Group has demonstrated an increasing engagement with broader Environmental, Social, and Governance (ESG) reporting standards. It has begun issuing annual Sustainability Reports and is actively preparing for the mandatory reporting requirements under the European Union's Corporate Sustainability Reporting Directive (CSRD).¹¹ This indicates a corporate awareness of the growing importance of non-financial reporting and stakeholder expectations regarding sustainability and ethical conduct.

However, while these compliance structures appear robust for managing internal and direct operational risks like bribery or supply chain sourcing, they exhibit a significant gap. There is no publicly available evidence of a proactive due diligence framework specifically designed to assess, monitor, and mitigate the risk of the Company's products being used by military or law enforcement end-users to commit gross human rights violations. The existing compliance program is "inward-looking," focused on the Company's own actions and those of its direct suppliers. The most salient and severe ethical risk facing the Company under the GPFG guidelines is "outward-looking"—the consequences of its products' use by customers in active conflict zones. The Company's public statements and compliance documents are silent on how it evaluates the human rights records of its M&LE customers or what steps, if any, it takes to prevent its weapons from being used in contravention of international humanitarian law. This apparent absence of a human rights due diligence process for end-users suggests that the Company's governance structures are insufficient to manage the very risk that is most material to this assessment.

3.2. Assessment of Risk Related to Corruption and Gross Economic Crime (Guideline § 4g)

The GPFG guidelines provide for exclusion in cases of "gross corruption or other gross economic crime".²⁴ Colt CZ Group has a formal Anti-Corruption Policy as part of its compliance framework, aimed at preventing bribery and improper influence.³⁶

During the research for this assessment, a single report from a specialized defense news outlet, SOFX, was identified that peripherally links the Company to a broader corruption probe in Ukraine.³⁹ The report details an investigation by Czech authorities into an intermediary arms supplier, AKM Group-Cz, concerning alleged pricing discrepancies and misuse of funds in contracts with Ukrainian state defense entities. The article states that these findings have

"prompted interest from the Security Service of Ukraine, not only in AKM Group-Cz. a.s. but also in the Czech company Colt Cz".³⁹

An analysis of this information indicates that it does not currently meet the high threshold of an "unacceptable risk" of "gross corruption" attributable to Colt CZ Group. The language used—"prompted interest"—is vague and falls far short of a formal allegation, investigation, or charge against the Company or its employees. Colt CZ Group is mentioned in passing within the context of a probe focused on a different entity. The known risks of corruption in wartime defense procurement in Ukraine are high, as evidenced by multiple reports of failed contracts and investigations into intermediaries.⁴⁰ However, this specific data point is too weak and indirect to serve as a basis for exclusion under Guideline § 4g. It represents a low-level reputational risk that warrants ongoing monitoring, but it is not a material factor in the final recommendation of this report.

3.3. Assessment of Risk Related to Human Rights Violations (Guideline § 4a)

Guideline § 4a addresses the risk of a company contributing to "grove or systematiske krenkelser av menneskerettighetene" (gross or systematic human rights violations).²⁴ While the Company's internal policies, such as its Code of Conduct and its stance on conflict minerals, formally prohibit human rights abuses in its direct operations and supply chain, the principal risk in this category arises from the end-use of its products by state security forces.³⁶

In the United States domestic market, products manufactured by Colt, particularly AR-15 and M4-style rifles, have been linked by advocacy groups and in lawsuits to numerous mass shootings and to the broader trend of police militarization.²⁰ These are grave social issues with significant human rights implications. However, for the purposes of the GPFG's ethical framework, which focuses on state responsibility and conduct in armed conflict, these domestic U.S. issues do not typically meet the threshold for "gross or systematic" violations by a state actor in a manner that would trigger exclusion.

The most severe and direct risk of contributing to gross human rights violations stems from the sale of weapons to states engaged in armed conflict where there are credible allegations of widespread abuses. This risk is inextricably linked with the criteria outlined in Guidelines § 4b and § 4c. Therefore, the primary analysis of the Company's contribution to human rights violations will be conducted in the following section, which focuses specifically on its sales to parties in the Israel-Palestine conflict. The risk under § 4a is subsumed by the more specific and severe risks identified under § 4b and § 4c.

4. Geopolitical Conflict Exposure and Sales to States in Armed Conflicts (Analysis under Guideline § 4c & § 4b)

The ethical guidelines of the GPFG place a specific focus on the conduct of companies in relation to armed conflict. Guideline § 4c allows for exclusion where there is an unacceptable risk that a company is involved in the "sale of weapons to states in armed conflicts which use the weapons on ways that constitute serious and systematic breaches of the international law rules for hostilities".²⁴ Guideline § 4b addresses the contribution to "serious violations of individuals' rights in war or conflict situations".²⁴ The activities of Colt CZ Group in relation to the conflicts in Israel-Palestine and Ukraine provide a stark comparative case study for the application of these principles.

4.1. Case Study: Sales to Israel and the Israel-Palestine Conflict

4.1.1. Documented Sales, Contracts, and End-User Relationship

Colt, a key subsidiary of the Group since 2021, has a deeply entrenched, multi-decade relationship as a supplier to the Israeli military. Its assault rifles, including the M16 and M4 variants, have been standard-issue infantry weapons for the Israel Defense Forces (IDF) for many years.²⁰ This long-standing relationship has continued and intensified following the October 7, 2023 attacks by Hamas and the subsequent Israeli military operations in Gaza.

The Company's sales to Israel are facilitated and documented through the United States Foreign Military Sales (FMS) program, which provides a clear and verifiable record of these transactions. This is not a case of illicit or undocumented transfers, but of state-sanctioned military aid for which Colt is a primary contractor. Following the October 7 attacks, Israel submitted an urgent request to the U.S. for the purchase of 24,000 assault rifles, of which approximately 18,000 were to be M4 and MK18 models produced by Colt.²⁰

Specific contracts awarded to Colt's Manufacturing Co. LLC for delivery to Israel have been publicly announced by the U.S. Department of Defense. These contracts confirm the material

and ongoing nature of the supply relationship during the current conflict.

Date of Contract Announcement	Product	Value (USD)	Source of Information	Snippet ID
May 2, 2024	Colt M4A1 Carbines, Suppressors, Flash Suppressors	\$26,675,000	U.S. Department of Defense	44
December 24, 2024 (Modification)	Additional M4A1 Carbines	\$12,400,000	U.S. Army Contracting Command	43

These contracts, totaling over \$39 million, are for the direct provision of the primary service weapon used by Israeli ground forces. The sales have been a subject of significant public controversy, leading to sustained protests at Colt's factory in West Hartford, Connecticut, by activists calling for a halt to arms sales to Israel.⁴⁵ This public opposition underscores the contentious nature of the Company's role in the conflict.

4.1.2. Analysis of Alleged Breaches of International Law by End-User

During the same period that Colt has been contracting to supply M4A1 rifles to Israel, a broad consensus has emerged among leading international legal and human rights bodies that the conduct of the Israeli military in Gaza constitutes severe violations of international law.

- **United Nations:** The UN Independent International Commission of Inquiry on the Occupied Palestinian Territory, in its first in-depth investigation released in June 2024, concluded that Israeli authorities are responsible for **war crimes and crimes against humanity** committed in Gaza since October 7, 2023. The report cited the "immense numbers of civilian casualties" and "widespread destruction of civilian objects and infrastructure" as the "inevitable result of a strategy undertaken with intent to cause maximum damage, disregarding the principles of distinction, proportionality and adequate precautions".⁴⁷ Furthermore, a panel of UN experts issued a statement in June 2024 warning that the continued transfer of weapons to Israel may constitute "knowingly providing assistance for operations that contravene international human rights and international humanitarian laws and may result in profit from such assistance," risking

state and corporate complicity in international crimes,
"possibly including genocide".⁴⁸

- **Human Rights Watch (HRW):** HRW has repeatedly documented that Israeli forces have used U.S.-provided weapons to carry out apparent **war crimes**, including unlawful strikes that have killed and maimed scores of civilians and aid workers.⁴⁹ The organization has stated that the U.S. risks complicity in these abuses by continuing to provide arms and has called for the immediate suspension of all military assistance and arms sales to the Israeli government.⁴⁹
- **Amnesty International:** Amnesty International has also documented patterns of unlawful attacks by Israeli forces in Gaza. In a December 2024 statement, the organization concluded that Israel is "**committing genocide against Palestinians in Gaza**" and called on key arms suppliers, including the United States (the conduit for Colt's sales), to "act now to bring Israel's atrocities against Palestinians in Gaza to an immediate end" and warned that states continuing to transfer arms "must know they are violating their obligation to prevent genocide and are at risk of becoming complicit".⁵²

These findings from credible, independent, and globally respected institutions establish a clear and consistent pattern of conduct by the end-user of Colt's products that constitutes "serious and systematic breaches" of international law.

4.1.3. Risk Evaluation of an Unacceptable Contribution to Serious Violations (Guideline § 4b & § 4c)

Synthesizing the documented sales with the analysis of the end-user's conduct leads to a direct and unambiguous application of the GPFG's ethical guidelines.

The conditions of **Guideline § 4c** are fully met:

1. Colt CZ Group is engaged in the "sale of weapons" (M4A1 carbines).
2. The sale is to a "state in an armed conflict" (Israel).
3. The state is using these types of weapons in ways that constitute "serious and systematic breaches of the international law rules for hostilities," as determined by the UN, HRW, and Amnesty International.

Similarly, the conditions of **Guideline § 4b** are met:

1. The conduct of the Israeli military, as documented by these same bodies, constitutes "serious violations of individuals' rights in war or conflict situations."
2. By supplying the primary infantry weapon—the essential tool for ground operations—to the forces committing these violations, the Company's conduct carries an unacceptable risk of "contributing to" these violations.

The causal link is direct and material. The Company produces the tool (the assault rifle) that is used by the actor (the Israeli military) that is credibly accused of committing the violations, during the specific time period in which those violations are occurring. The risk is not hypothetical, distant, or minor; it is actual, ongoing, and severe.

4.2. Case Study: Support for Ukraine and the Russia-Ukraine Conflict

4.2.1. Documented Technology Transfer and Joint Production Agreements

Colt CZ Group is also deeply involved in supporting Ukraine in its defense against the full-scale invasion by the Russian Federation. This involvement, however, takes a different form from the direct sales to Israel. In July 2024, subsidiaries of the Group signed significant contracts with Ukroboronprom, the state-owned Ukrainian Defense Industry conglomerate.³⁵

- **Česká zbrojovka (CZ)** signed a technology transfer contract to facilitate the licensed assembly and eventual full production of its CZ BREN 2 assault rifles on Ukrainian soil.¹¹
- **Sellier & Bellot** signed an agreement to provide the machinery, technology, and services required to establish a new facility in Ukraine for the domestic production of multiple types of small-caliber ammunition compliant with NATO standards.³⁵

These agreements represent a strategic effort to help build a self-sustaining defense industrial base within Ukraine, a key objective for both the Ukrainian government and its international partners.³⁵

4.2.2. Contextual Analysis within International and Norwegian Foreign Policy

The Company's activities in relation to Ukraine must be assessed within their proper geopolitical and legal context. The transfer of defense technology to Ukraine is a core component of the foreign policy of the Czech Republic, the European Union, the United States, and Norway itself. This support is framed as providing a sovereign nation with the means to exercise its inherent right to self-defense under Article 51 of the UN Charter against an act of aggression that has been widely condemned by the international community.

This context is crucial for the application of Guideline § 4c. While the Company is providing

military technology to a state in an armed conflict, the second critical condition for exclusion—that the recipient is using the weapons in ways that constitute "serious and systematic breaches" of international law—is not met. The international legal consensus is that Ukraine is the victim of aggression, and its conduct of hostilities is broadly viewed as being in compliance with the laws of war concerning self-defense. While isolated incidents or violations may occur in any conflict, there is no body of evidence from credible international sources suggesting that the Ukrainian armed forces are engaged in the kind of systematic and widespread violations attributed to the Israeli military in Gaza.

Therefore, the Company's conduct in relation to Ukraine does not create an "unacceptable risk" under the GPFG guidelines. This juxtaposition is vital. It demonstrates that the ethical framework is not a blanket prohibition on engaging with the defense sector or on supplying arms to nations at war. Instead, it demands a nuanced, evidence-based assessment of the conduct of the specific end-user. The Company's activities in Ukraine fall on the acceptable side of this ethical line, while its activities in relation to Israel fall decisively on the unacceptable side.

5. Final Risk Synthesis and Categorization

5.1. Aggregation of Product-Based and Conduct-Based Risk Factors

The final risk profile of Colt CZ Group SE is a composite of the findings from the preceding sections. The assessment reveals a stark contrast between the different categories of risk, with one factor being overwhelmingly dominant.

- **Product-Based Risk (§ 3):** This is assessed as **Negligible**. A systematic review of the Company's product portfolio confirms that it does not manufacture any of the weapon systems explicitly prohibited by the guidelines, such as cluster munitions, anti-personnel mines, or weapons of mass destruction.
- **Conduct-Based Risk - Corruption (§ 4g):** This is assessed as **Low**. A single, indirect mention of the Company in relation to a Ukrainian corruption probe is a weak signal that does not meet the guideline's threshold of "gross corruption." It warrants monitoring but is not a material factor for an exclusion decision at this time.
- **Conduct-Based Risk - Sales to Conflict Zones (§ 4b & § 4c):** This is assessed as **Extreme/Critical**. This conclusion is based on the confluence of two verified facts: (1) the Company's documented, material, and ongoing sale of primary infantry assault rifles to the Israeli military since October 2023; and (2) the overwhelming and credible

evidence from the United Nations and leading international human rights organizations that the Israeli military has committed war crimes, crimes against humanity, and serious, systematic violations of international humanitarian law in Gaza during this same period. This single risk factor is of such severity and directness that it dominates the overall ethical assessment and is sufficient on its own to warrant the highest level of concern.

5.2. Evaluation of Mitigating Factors and Counterarguments

In reaching a final recommendation, it is necessary to consider potential counterarguments or mitigating factors that might be raised by the Company or other stakeholders.

- **Counterargument 1: The arms sales are legal and state-sanctioned.** It is true that the Company's sales to Israel are conducted through the formal U.S. Foreign Military Sales program and are legal under the laws of the United States and the Czech Republic.
 - **Rebuttal:** The ethical guidelines of the GPFG establish a standard of conduct that is independent of, and in many cases stricter than, national export control laws. The mandate of the Fund is not merely to invest in legal enterprises, but to avoid investing in companies that contribute to serious breaches of fundamental ethical norms. Legality under national law does not constitute a defense against exclusion if the conduct violates the Fund's specific ethical criteria.
- **Counterargument 2: The Company is a manufacturer and is not responsible for the end-use of its products.** This argument posits that responsibility for how weapons are used lies solely with the end-user state, not the producer.
 - **Rebuttal:** This position is inconsistent with the explicit text of the GPFG guidelines and with modern principles of corporate responsibility. The guidelines state that a company can be excluded for "contributing to" violations. The provision of the essential tools—in this case, the standard-issue assault rifle—for military operations where systematic violations are occurring is a clear and material form of contribution. Furthermore, the UN Guiding Principles on Business and Human Rights establish a corporate responsibility to respect human rights, which includes conducting due diligence to identify, prevent, and mitigate adverse human rights impacts associated with their products. The apparent lack of a visible end-user human rights due diligence framework at Colt CZ Group weakens this argument significantly.
- **Counterargument 3: The Company's responsible support for Ukraine should be seen as a positive, mitigating factor.** The Company's alignment with Western policy in supporting Ukraine's self-defense is noted.
 - **Rebuttal:** This is not a mitigating factor that can offset the unacceptable risk associated with the sales to Israel. The ethical assessment under the guidelines is specific to each instance of conduct. Responsible behavior in one business relationship does not absolve a company of responsibility for contributing to severe

ethical norm violations in another. The two cases are assessed independently, and the extreme risk identified in the case of Israel stands on its own.

5.3. Final Risk Category Recommendation and Detailed Justification

Recommendation: Risk Category 1 - Exclusion Candidate.

Justification: The comprehensive analysis conducted in this report leads to the conclusion that there is an unacceptable risk that Colt CZ Group SE is contributing to serious violations of fundamental ethical norms as defined in the GPFG's guidelines. This recommendation is not based on the Company's industry or the nature of its products, but is grounded specifically in its conduct.

The direct and material link between the Company's products (M4/M4A1 assault rifles) and a military end-user (the Israel Defense Forces) that has been credibly and extensively accused by the United Nations and premier international human rights organizations of committing war crimes, crimes against humanity, and systematic breaches of international humanitarian law during its ongoing operations in Gaza is irrefutable.

This situation falls squarely within the criteria for observation or exclusion detailed in the Retningslinjer:

- **§ 4b: "serious violations of individuals' rights in war or conflict situations."**
- **§ 4c: "sale of weapons to states in armed conflicts which use the weapons on ways that constitute serious and systematic breaches of the international law rules for hostilities."**

Given the severity, systematic nature, and ongoing character of the alleged violations by the end-user, and the Company's fundamental role as a key supplier of the primary infantry weapons used in these operations, the risk is not merely potential or minor, but actual, ongoing, and severe. The continuation of this supply relationship in the face of widespread, public, and credible documentation of these violations constitutes conduct that is incompatible with the ethical mandate of the Government Pension Fund Global. Therefore, a recommendation for the exclusion of Colt CZ Group SE from the Fund's investment universe is unequivocally warranted.

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