**Sustainability and the European defence industry**

Sustainability has become a key driver for policies, economies and societies at large. At the same time, there is an intrinsic, but often neglected link between sustainability and defence: Defence is a crucial component of security, and security is the precondition for any sustainability.

Providing to European armed forces the capabilities they need to fulfil their mission, European defence manufacturers make a vital contribution to long-term peace, international cooperation, economic and social development. At the same time, most of these companies do business also in other sectors, mainly security, space and aeronautics, which also play a crucial role for sustainability. They are thus part of a diverse ecosystem that helps protect the life and the way of life of European citizens.

European defence companies are very conscious of the need to ensure responsibility and sustainability in the way they operate and are fully committed to develop to the highest legal and ethical standards. Defence goods contribute to upholding peace and security but can also be misused for malicious intent. Therefore, the production of defence materiel represents a great responsibility and is subject to strict regulations. European defence Industry has embedded such regulations in codes of conduct and internal compliance programs.

In the current debate about sustainable finance, this reality is mostly ignored. On the contrary, defence activities are increasingly stigmatized as ethically reprehensible and therefore not compatible with Environmental, Social and Governance (ESG) criteria. This misperception is damaging the defence industry’s reputation, its attractiveness for young talents and its financial viability.

If it prevailed, this misperception could seriously undermine industry’s ability to ensure its financing and thereby its ability to support European armed forces with state-of-the-art equipment. What is ultimately at stake is Member States’ ability to protect their citizens, and the Union’s key political objectives to become more resilient, less dependent in strategic sectors, and more credible as a security provider.

Therefore, ASD:

- calls on the EU institutions to clearly acknowledge and factor in throughout their political or regulatory initiatives, the fundamentally positive contributions of the defence ecosystem to sustainability;
- asks that any possible exclusion of defence activities from EU regulation on sustainability should mirror exclusively the exclusions set out in relevant international treaties signed, ratified and adopted by all EU Member States.

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_Signed by Jan Pie, ASD Secretary General, on 7 October 2021_

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This note is a summary of the ASD Position Paper entitled “Considerations on sustainability and the European defence industry”, issued on 6 October 2021.