Investing in the arms industry:
Why private financial institutions should play no role

Triodos Bank

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Triodos Bank maintains a zero-tolerance policy with regard to investing in arms. Despite increasing geopolitical tensions and increasing defence spending, we continue to firmly believe that private financial institutions should play no role in financing the arms industry.

Geopolitical context
We live in a time of rising geopolitical tensions. Since the invasion of Ukraine in 2022, politicians have repeatedly called on private financial institutions to increase their investments in the defence industry[1]. This call has grown louder as American military protection of Europe is becoming less certain under the foreign policy of the current Trump administration[2]. The resulting consensus is that we, Europe, should be doing more for our own security. The European Commission has therefore announced the ReArm Europe plan. This plan includes several proposals to support member states in their defence spending, but also a proposal with the aim at mobilising private capital to further benefit the defence sector[3].

Keeping our zero-tolerance policy in place
Although we completely understand the increasing need for defence spending, Triodos Bank maintains its zero-tolerance policy with regard to investing in the arms industry. This position is a long-standing and deeply held conviction for Triodos Bank. We do not finance or invest in companies and organisations that produce or sell arms, specifically designed components for arms and arms related services. Furthermore, we have strict criteria for financial institutions that finance these companies and organisations.

Why we do not invest in arms
Five fundamental beliefs underpin Triodos Bank's firm stance that private financial institutions should not invest in the arms industry.

Firstly, we consider defence to be the 'ultimate public good': the decision whether, when and how to use arms - and to finance them - should lie solely with democratically elected governments for purposes of national defence and internal security. These decisions must be subject to robust public oversight and democratic checks and balances. The financing of arms must come exclusively from public funds, reinforcing the principle that the use of force, as a matter of last resort, is a public responsibility—not a private enterprise.

Secondly, it is a given for any investment that the investing party will expect to make a profit. Triodos Bank deems it morally reprehensible to make a profit from goods that inherently cause death and destruction. We believe that the funding for such activities should come from government sources, reflecting a collective responsibility for national security rather than an opportunity for private gain.

Thirdly, private investment in arms manufacturing can lead to increased costs for society in the long run. The price of arms produced for and sold to governments must cover not only the cost of production, but also the return on

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[1] https://www.volkskrant.nl/economie/pensioenfondsen-steken-niet-meer-geld-in-wapens-ondanks-oproepen-van-de-politiek-waarom-niet~bf4fe0f7/
[2] https://www.europarl.europa.eu/doceo/document/TA-10-2025-0034_EN.html
[3] https://defence-industry-space.ec.europa.eu/document/download/30b50d2c-49aa-4250-9ca6-27a0347cf009_en?filename=White%20Paper.pdf

investment required by arms manufacturers to justify private funding. As a result, the purchase of arms by governments (with public funds) becomes more expensive.

Fourthly, private investment in arms creates a perverse incentive: no investor wants to see their investments become worthless from one day to the next. So, they want a guarantee for long-term market demand to reduce risks on investments.. For continued demand, wars and conflicts must prevail.

Lastly, trade in arms structurally lacks transparency, is poorly monitored, and highly sensitive to corruption[4]. This means private financial institutions may finance the arms industry with a certain goal in mind (e.g. that the weaponry is to be sold to their national government), but at the end of the day there is little certainty about which individual or regime ultimately ends up with those arms. Though governments face this same challenge, public investments in the arms industry are usually the subject of more scrutiny and regulatory oversight then when investments concern private money.

Excluding arms in practice

We have explained why we believe private investors should play no role investing in arms. But when we say Triodos Bank does not finance the arms industry, what is it that we are talking about exactly?

Arms are defined as tools that are specifically designed for the execution of physical force by people towards other people or animals. They include, among others, handguns, missiles, combat aircraft, tanks, warships, biological or chemical weapons, nuclear warheads, etc. These are sometimes also referred to as 'weapons', which is a more generic term. Because a 'weapon' can also be something that is used as such but not designed as such (e.g. a kitchen knife or a hammer), here we use the more specific term 'arms'.

The term 'dual-use' is frequently used in relation to arms. Dual-use items are goods, software and technology that may have both a civilian use and military application (such as vehicles or communication equipment). Strategic services include the repair and maintenance of military or dual-use goods and teaching people how to use them, as well as certain types of software deliveries.

Typically, investors distinguish between arms in which they do invest, and those labelled 'controversial' in which they do not invest. Anti-personnel landmines, cluster munitions, chemical, biological and nuclear weapons are labelled as controversial due to their indiscriminate impact and/or the risk of them causing harm after a conflict or war has ended. Triodos Bank does not make this distinction.

When we state that Triodos Bank does not invest in arms, this means we fully exclude any investment in any organization with direct involvement in arms, components, equipment, and services that are tailor-made and essential for the functioning of arms. Companies involved with the production or sale of dual-use technologies are subjected to investigation as their products must not be designed to inflict, or contribute to, physical force on people or animals.

Values-based banking

Triodos Bank does not stand alone in its position with regard to investing in the arms industry: sharing our stance against investing in arms are other values-based banks. The standpoint of the Global Alliance for Banking on Values (GABV), of which Triodos Bank is a founding member, is that there can be no peace and stability while financial institutions continue to fund the production of, and trade in, arms[5].

[4] https://www.epsjournal.org.uk/index.php/EPSJ/article/viewFile/332/361

[5] https://www.gabv.org/declarations/milan-declaration-a-statement-for-peace-2024/

Sustainable investments: strengthening European security without financing of arms

Triodos Bank's mission is to create a society that promotes people's quality of life and that has human dignity at its core. Financing the arms industry directly contradicts this mission: tools meant to cause death and destruction do not promote human dignity. Rather they cause physical and psychological harm and foster a culture of conflict and violence.

We believe fostering a healthy planet and society are key, even - or especially - at times of war. This goal does not conflict with the need to enhance Europe's security. Many crucial investments fall outside the defence industry and remain viable for sustainable investors, such as strengthening the European energy infrastructure, improving cross-border railway connections, and advancing the circular economy to reduce dependence on geopolitically sensitive resources. These examples highlight the many sustainable investment opportunities that contribute to European security without supporting the arms industry.

To conclude, Triodos Bank maintains its commitment not to invest in any company that is involved with the arms industry. Though the current geopolitical situation warrants increased defence spending in Europe, we believe no private financial institution should be involved in or profit from such investments.