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PUBLIC

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WORKING DOCUMENT

From:	General Secretariat of the Council
To:	Antici Group (Simplification)
Subject:	Omnibus V – 29/9 AGS meeting - AOB point on Sustainable finance for defence – Commission presentation

Delegations will find attached a presentation on the Omnibus V – Commission notice on the application of the sustainable finance framework and the Corporate Sustainability Due Diligence Directive to the defence sector – as prepared by the Commission for the meeting of the Antici Group (Simplification) of 29 September 2025.

Commission Notice : application Sustainable Finance Framework and CSDDD to defence

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→ Sustainable Finance Framework

- Includes reporting frameworks (SFDR, CSRD), list of activities contributing most to climate transition (Taxonomy) and other tools (BMR DA)
- Nothing in the SF framework characterises any sector, let alone the defence sector, as incompatible by definition.

→ PROBLEM

- *Over-interpretation, difficulty understanding rules*
- *EDIS did not reach the financial sector, not detailed enough.*

→ EC Solution: Guidance Notice (level-3 document) co-authored with FISMA.

Key elements

- Recalls language in EDIS and ASAP recitals on defence industry's contribution to social sustainability through its contribution to resilience and peace.
- Clarifies to financial sector how export control can factor into risk mitigation and due diligence assessments.
- Recalls that provisions for withholding sensitive information under the CSRD may be used more by EDTIB.
- Further outlines that only the 4 "*controversial weapons*" defined as a closed list should be considered for reporting under the SFDR.
  - A cross-reference to the Benchmarking Del. Regulation amendment, which accompanies the package.
- *Will ease private investments in defence industry by offering clear guidance.*

Amendment to EC Delegated Regulation (EU) 2020/1818 : definition of prohibited weapons

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→ Benchmark Deleg. Regulation

- Defines which weapons fall under the excluded by financial operators manufacturing PAB-CTB indices.

→ PROBLEM

- **Previous definition was vague,** not grounded in legal terms, and subject to over-interpretation, and thus to over-exclusion of defence sector:

  "controversial weapons shall mean controversial weapons as referred to in international treaties and conventions, United Nations principles and, where applicable, national legislation."

→ EC Proposal: Amended definition & supporting Annex

Key elements

- New definition replaces contested term "*controversial*" with legally grounded "prohibited" weapons – the term used in arms prohibition conventions.
- Simplifies and clarifies what exact weapons types are covered through a closed list of four types listed in the annex.
- Streamlines: list aligns with definition in SFDR.
- The weapons to be excluded are those expressly prohibited by the treaties to which the majority of MS are party.
- Offers a dynamic list through the annex – can be modified

➢ ***Will ease private investments in defence industry by offering legal certainty, ease of use (defined list) and harmonisation with existing legislation***

Eligibility rules for InvestEU

Delegated Act modifying the Investment guidelines of InvestEU fund

PUBLIC

→ **InvestEU Fund**

- **Financial instrument** to support access to **debt and equity financing** (€26 billion under current MFF)
- Implemented via **Implementing partners** (EIB Group, National promotional bans…) and financial intermediaries (private banks, funds…),
- Defence investments subject to **limitations regarding the control of final recipients receiving > 10 M€** (defined in Investment Guidelines - Delegated Act).

→ **PROBLEM**

- **Eligibility criteria for investments in "Defence"** not fully adapted to debt and equity financing implemented in indirect management.

➢ **Hinders deployment of InvestEU fund in support of defence.**

→ **PROPOSAL**

- **Adapt the eligibility conditions for defence investments.**

Key changes:

- ❑ Simplification of "defence" scope (primarily developed for military applications),
- ❑ Removal of requirement of absence of non-EU control for suppliers and subcontractors,
- ❑ Simplification of guarantee process for non-EU controlled entities (validity of already approved guarantees),
- ❑ Clarification of rules on IP transfers & licensing (only relies on Member States's existing procedures),
- ❑ Eligibility of associated countries (Norway) to align on other EU defence programmes.

➢ **Will facilitate the deployment of InvestEU fund in support of defence while maintaining sufficient safeguards.**