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Pension Investment at the Sustainability-Security Nexus

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Amidst rising geopolitical tensions, the role of occupational pension funds in investing in security and defense has come under political attention. Given their longstanding commitments to sustainability and incorporating social and environmental considerations into investment practice, this raises questions for how European pension funds will navigate political demands and tensions arising between security and sustainability commitments. Adopting a comparative, multi-level approach, this paper examines how regulation and policy shape pension funds' commitments to security investments in the Netherlands, Denmark, and the UK in interaction with existing sustainability commitments. We analyse regulations at the EU and national level to understand the formal rules shaping pension security investment; formal and informal policy at the national level; and commitments and security investments at the individual pension fund level.

The analysis finds that across the three countries, there is both significant political pressure to increase security investment from pension funds and limited regulatory limits on security investments. However, there has been significant difference in pension response to these pressures. Only in Denmark do we identify new commitments to security investments. In the Netherlands and the UK, pension funds support the political goal of increased defense spending, yet also signal the need for intervention to improve the investibility of defense. Across most of the pension funds studied, we see little evidence that pension funds consider security investing to be in contradiction with sustainability or ethical investment goals. Portfolio analysis reveals that most of the pension funds studied invest in top weapons producers. Sustainability-security tensions more often emerged in unexpected and less visible ways, such as 'crowding out' effects of established investment priorities, existing use of exclusion policies for other sectors or investment standards for company transparency or disclosure.

1. *Introduction*

European occupational pension funds are at the forefront of sustainable finance, but rising geopolitical tensions raise the question of whether their focus on investing with environmental or social considerations will give way to a new era of security-focused investing. European pension funds have long professed a commitment to combining the realization of financial return with creating additional good or, at least, avoiding harm for the greater benefit of society (McDonnell, 2024; Lundberg, 2025). They have been supported by an accommodating regulatory framework and sector-wide initiatives to further incentivize sustainability (Van der Zwan and Van der Heide 2024). Recent years, however, have witnessed growing calls on pension funds to allocate more assets to defense and other forms of security, including suggestions to loosen regulatory restrictions on investing in controversial weaponry. Defense investing in particular has sparked controversy, as evidenced by the ensuing political debate: are such investments in violation of sustainability principles, especially ethical ones, or is defense a necessary condition for more sustainable societies?

Policy discourses within the European Union, once a self-proclaimed vanguard of sustainable finance, are similarly shifting from considerations of green growth and just transition towards economic autonomy within a new geopolitical world. Case in point is the Savings and Investments Union and its predecessor the Capital Markets Union. Once heralded as the financial catalyst behind the EU Green Deal, it is currently rebranded as the "financial ecosystem to benefit investments in the EU's strategic objectives", including "increased defense needs" (European Commission 2025a). Geopolitics has also entered debates over the EU's extensive regulatory framework for sustainable finance. Following the EU Commission's call for the mobilization of private capital for defense investments as part of its ReArm Europe plan, new voices have advocated the inclusion of defense in the EU's classification of sustainability activities (e.g. Merler 2025).

These political developments beg the question: is sustainability being sacrificed at the altar of geopolitics or are security and sustainability not polar opposites but mutually reinforcing? The answer to the question is not just a matter of politics. In many pension systems, sustainable investment is legally prescribed. For instance, where climate change is considered a financial risk, supervisory authorities might mandate the integration of environmental criteria in risk analyses. Investments in security might be compatible with these existing frameworks, if security is equally

seen as beneficial for society – and thus within the scope of the S of the ESG triad. Nevertheless, security investments might also fall within the scope of controversial business activities, particularly where they involve investing in controversial weaponry. In other words, it is not clear where security investments are situated within the existing universe of sustainable investing regulations and policies.

The research question guiding this paper is: **how do regulation and policies shape pension funds' commitments to security investments in different national contexts in light of existing sustainability approaches?** We conduct a comparative study into the regulatory and policy contexts of pension investing in three European countries: Denmark, the Netherlands and the United Kingdom. Our study assesses to what extent not only EU and national regulations, but also formal and informal policies impose restrictions or incentivize security investments by occupational pension funds. Our empirical focus is on direct investments in defense companies, although our conceptual framework recognizes other forms of security investments as well (e.g. indirect investments or investments in producers of dual-use goods). We then compare the regulatory and policy context against the investment policies of eleven pension funds in the three countries studied here. To assess potential tensions between sustainable investments and security investments, we have included pension funds that are considered frontrunners in sustainable finance within their own national context.

Our findings show that occupational pension funds in Denmark, the Netherlands and the United Kingdom face few regulatory obstacles that would prevent them from investing in security or defense. Pension funds in all three jurisdictions have considerable freedom to invest, as long as their investment policies comply with national bans or global treaties on controversial weapons or international sanctions. In the policy domain, governments have tended to encourage more security investing, driven by their own need to expand the defense capacity of the state. Covering the perceived funding gap of national and European defense sectors has been a core political concern in each of the three countries. Still, pension funds apply their own screening and exclusion criteria to security investments, driven in part by legal prohibitions and in part by their own ethical concerns. Such policies particularly affect producers of controversial weaponry, although some pension funds reject investments in weapons producers altogether.

A closer look at the investment policies and data from eleven occupational pension funds reveals that a complete rejection of security investments on ethical grounds is rare. Only the

Church of England pension fund applies such ethical restrictions. What stands out from the analysis of the remaining pension funds is the malleability with which investment principles are applied. While the funds employ the same formal exclusions, particularly in regards to controversial weapons, they show considerable variation in the extent to which they invest in defense companies (both in terms of which companies they invest in and the size of their investments) and how they connect these investments to their sustainability policies. Cross-national differences exist between Denmark on the one hand and the Netherlands and the United Kingdom on the other hand. Despite calls on pension funds to increase security investments in all three countries, we only observe an increase in defense commitments among the Danish funds, who reference both the national/European need for security and return prospects of military investments. This difference may be explained by the more direct geopolitical threats that Denmark is facing compared to the Netherlands and the United Kingdom. The Dutch pension sector, by contrast, emphasizes the business case against defense investments, referencing uncertain production lines and limited possibilities for equity investments. UK pension funds emphasize the compatibility of investing in the defense sector with their existing ESG commitments, but have not made specific commitments to increase or expand their defense investments.

The outline of the paper is as follows. First, we offer a brief review of the academic literature on political and regulatory drivers in pension investing, with a particular focus on political science and sociology (Section 2). We then elaborate on our research design and methodological approach which is rooted in the qualitative comparison of cross-country cases (Section 3). Section 4 sketches the regulatory and policy context surrounding pension investing at both the European level and within the three countries studied here. Following a qualitative analysis of publicly available documents, we describe fund-level approaches to sustainable and security investments by eleven pension funds in Section 5. We conclude the paper with a brief reflection on the implications of our findings (Section 6).

2. *Literature review*

That appeals are made to private financial institutions to contribute to the realization of public goals is not new. Institutional investors such as pension funds have a longer history of supporting public goals through their investments. Political scientist Marguerite Estevez-Abe (2001) was

among the first to draw attention to the so-called welfare-finance nexus, whereby government policies and regulations steer welfare funds' assets towards politically desirable investment objects - in her case, the economic development of national business champions in Japan. But the welfare-finance nexus has also been mobilized for other political goals, such as the realization of full employment (Pontusson 1994), capital market development (Trampusch 2018) or for fiscal considerations (Koreh and Béland 2017; Hassel 2017).

The 2015 Paris Agreement renewed attention to the 'forgotten link' between the financial system and the (welfare) state. Its main goal of limiting global warming to 1.5 degrees Celsius by 2050 in comparison to pre-industrial times requires formidable investments in green technologies and business models - investments that cannot be made by public finance alone. *How* private financial institutions can contribute to climate change mitigation has been a core concern for scholars of sustainable finance. While scholars have found strong indications that pension funds in several countries are committing to the goals of the Paris Agreement, evidence similarly shows that pension funds' adoption of climate action is still highly uneven (e.g. Egli et al. 2022; Kreander et al. 2025; McDonnell 2024). A prioritization of financial value over environmental or social values, the occurrence of greenwashing and regulatory disincentives are among the explanatory factors introduced by scholars of sustainable finance (e.g. Berg and Olsson 2023; Fichtner et al. 2023; Maur 2022).

Arguably, the increased salience of geopolitics has redirected political attention from the sustainability-finance nexus to other kinds of considerations. In the context of the European Union, for instance, strategic autonomy has become a core feature of a policy agenda that seeks to establish a strong internal market with minimal dependencies on supply chains and critical raw materials that are controlled by geopolitical competitors (Lavery et al. 2022: 58). The notion of strategic autonomy was first developed in the context of European security and defense policy in the early 2000s, after which it has diffused to other policy domains including finance (Lavery et al. 2022). This "geo-economic" reorientation (Luttwak 1990) not only involves a more interventionist state employing the tools of industrial policy to build and strengthen strategic sectors of the economy (Babic et al. 2022; Christiansen 2020; McNamara 2024). It also implies that market actors *themselves* adjust their business practices to perceived policy needs (Choer et al. 2022; Boermans et al. 2026). Applied to pension funds, this means that they can support the state's geo-economic agenda by investing in strategic industries, including security.

Seen from this perspective, the nascent security-finance nexus is a continuation of earlier regulatory and policy legacies rather than a clear break from the past. According to McNamara (2026), for instance, the EU's single market and governance structures are themselves rooted in the continent's security considerations post-World War 2. The current militarization of Europe can, for that reason, be seen as an extension of earlier phases of European integration. Policy proposals for a European Defense Fund or even EU defense bonds offer legitimacy and, once enacted, a financial infrastructure for institutional investments (ibid.). Moreover, Park (2025) argues that sustainable finance itself can be considered a "tool of geopolitical competition", as the three major power blocs in this area (China, Europe and the United States) have used sustainable finance regulation for economic nationalism. A notable example is the European Commission's inclusion of natural gas and nuclear energy into its Taxonomy of Sustainable Activities. This move, driven in part by concerns over energy security and dependence on Russia, has implications beyond EU borders due to the extraterritorial application of sustainable finance regulation to non-EU entities (ibid.).

Still, the influence of regulation and policy on financial market actors' practices may be at best uneven. First, financial market practices are subject to many different kinds of rules and regulations, only some of which will be mutually reinforcing. Other features of the regulatory framework may actually have undermining effects, for instance when politically desired investments render too low returns to fulfill fiduciary obligations or solvency requirements. Second, financial market practices are subject to other influences besides policy and regulation, including financial actors' own investment beliefs. Particularly in the area of security, including defense, ethical considerations may prevent financial actors from expanding their activities in this domain. Recent studies have shown that both political orientation and organizational identity shape pension funds' adoption of sustainable investing (Hoepner and Schopohl 2020; Bocchialini et al. 2025). Given that ethical exclusions are often part of a pension fund's sustainable investment policies, it is to be expected that such considerations play a role in shaping the security-finance nexus as well.

Research has examined security-sustainability tensions in other domains, such as the climate impacts of military activity and war (Belcher et al., 2020; Larbi et al., 2025), climate change as a driver of insecurity and conflict (von Uexkull & Buhaug, 2021), and the growing convergence between sustainability and security (whether it be domestic, economic, energy,

supply chain security) as political aims (Park, 2025; Post & Le Billon, 2025; Riofrancos, 2022). However, the way these tensions are navigated within the financial sector has been little explored. While weapons investments may often be considered 'sin stocks' incompatible with ethical investment policies (Causevic et al., 2022; Trinks & Scholtens, 2017), there is little research examining whether pension fund policies address weapons and other defense investments, the ways these intersect with sustainability policies, and how these policies are treated in the current context of growing global conflict and the resulting booms in the defense sector's profitability (Bua et al., 2025; Klomp, 2025). A recent study reveals that European investors have increased their defense investments, especially when geographically and politically closer to Ukraine. This effect, however, is more pronounced for retail investors than for institutional investors such as pension funds (Boermans et al. 2026).

In what follows, we investigate the extent to which European and national policies and regulations have shaped occupational pension funds' investments in security. Using a nested design, we conduct a qualitative comparison both across countries (Denmark, the Netherlands, the United Kingdom) and within individual pension funds. In the next section, we outline our research design and methodological approach.

3. Research design and methodology

The paper compares the Netherlands with Denmark and the United Kingdom. The case selection is informed by meaningful similarities and differences between the three cases. All three countries have well-developed capital-funded pension systems in the second and third pillars. Although Dutch and Danish occupational pensions are regulated by EU law alongside national rules, UK occupational pensions are covered by very similar legal principles such as the Prudent Person Rule (PPR). A notable difference is the extent to which members and sponsoring employers play a role in fund governance: this so-called representational governance (Golka and Van der Zwan 2022) is more extensive in Denmark and the Netherlands than in the UK (McGaughey, 2021; Shields & Griffiths, 2024). A second pertinent distinction concerns geopolitical threats. Arguably, Denmark is subject to more geopolitical threats stemming from both Russian interference and US claims on Greenland than the Netherlands and the United Kingdom. Although the small number of cases does not allow for broad generalization, observed differences between the three countries might offer initial indications of which factors shape outcomes on the sustainability-security nexus.

Table 1: Country-Level Case Selection

Countries	Capital-funding in second pillar	Pension investment regulation	Representational governance	Geopolitical threat
The Netherlands				
Denmark				
United Kingdom				

We interrogate *the regulatory context* to identify which formal rules and regulations regarding sustainability and security (national and, for Denmark and the Netherlands, European) are in place within each of the three cases. Our second variable of interest, *policy*, is studied at two levels of analysis. At the sectoral level, we study both *formal* and *informal* policies that seek to mobilize pension funds' support for security investments. Formal policies are written down and have been made public by governmental actors, bureaucratic actors or by the pension sector itself. The informal dimension includes policy signals from actors outside pension governance channels, for instance a Minister of Defense asking for pension fund defense investments in the media. At the fund-level, we conduct an exploratory assessment of pension investments into the defense sector, and survey the investment policies set by individual pension funds.

For our data collection, we rely on documentary sources produced between 2020 and 2025. Formal regulation is studied through analysis of national and European regulatory frameworks. Formal policy is studied through analysis of policy reports produced by relevant ministerial departments, other government sources, as well as policy statements and/or press releases from sectoral organizations in the pension sectors. Informal policy is studied through a media analysis, locating sources through the available media databases for each country (e.g. Nexis Uni for the Netherlands). For policy at the fund level, we sample 3-4 pension funds for each country[1]. We have selected the sampled pension funds purposively, with attention to selecting pension funds which are the largest in each country, as well as smaller funds who have a demonstrated history of attention to sustainability, or who have demonstrated particular attention to security and defense

[1] Core sampled funds include AkademikerPension, ATP, PensionDanmark (DK); ABP, Ahold Delhaize, PFZW, Detailhandel (NL); USS, Nest, Church of England Pension (UK)

in their policy. For each of these funds, we analyze formal investment policies and beliefs, as well as stated commitments, from the last two years to assess how security investments are treated, and how they align with or challenge sustainability commitments. Finally, we assess the sampled funds[2] on the extent to which security investments are included in their portfolios.

Analysis of policy debates, pension policies, and media around investment in security and defense demonstrates the difficulty in clearly delimiting the scope of what is considered to be a security investment. Based on the assessment conducted in this paper, we conceptualize security investments as a continuum, ranging from stricter to more expansive definitions. On the strict end of the continuum, we can consider direct investments in companies that traditionally make up the defense industry, as *producers of weapons and military equipment*. However, considering weapons producers alone presents an incomplete picture of security-related investments. We identify *three intermediate forms of security investments*. First, many companies involved in the security sector are diversified companies, which dedicate only a portion of their business activity to defense: they cannot be classified as "pure" defense industry firms. Second, pension fund investment into the defense sector will often be indirect, as investments are frequently channeled through designated investment funds. As such, assessment of direct investments only will likely present an incomplete picture of a funds' investment into the sector. Third, many companies produce goods and services which are used by the defense industry, but which are not considered exclusively defense-related. Referred to as "dual-use" goods, services, or technologies, these companies produce products which may have both military and civilian applications. Examples of dual-use goods include surveillance cybersecurity technologies, chemical components which may be used in weapons, or some forms of personal protective equipment. While these goods and services *can* be used for national defense or public security, they don't *have* to be. The EU maintains a list of regulated dual-use items under the Wassenaar Arrangement (European Commission 2025b).

Finally, a category of investments often considered in debates over defense and security-related investment in so-called complicit companies or governments. These concern companies who are either active in territories marked by (controversial) armed conflicts or human rights violations, or companies which provide goods or services to parties active in those territories. An

[2] Due to inconsistencies in availability of investment data, in some cases additional funds were added to the portfolio analysis alone to allow better comparison. Additional funds considered include PME (NL); Greater Manchester Pension Fund, Strathclyde Pension Fund (UK)

example of complicit companies are those currently operating in illegally occupied territories of the West Bank. Investments in the sovereign debt of complicit governments is also considered under this category. Involved companies may have no links to the defense industry but given their operation in contexts where security and violent conflict are primary concerns, they may nonetheless be considered as investors develop security and defense-related investment policies (e.g., the Norwegian sovereign wealth fund's decision to exclude several companies considered to have a high risk of contributing to rights violations in Palestine (Norges Bank Investment Management, 2025)). Companies and governments are of course unlikely to accept designation as complicit; accusations of complicity have more often come from civil society movements advocating for divestment, although these may also come from other fora, such as the UN Human Rights Council (e.g., Albanese, 2025).

For the purposes of this paper, we focus our analysis of pension portfolio investments on the first category only, the strictest category of defense investments. To identify defense companies within pension portfolios, we make use of an authoritative database of top arms-producing and military services companies produced by the Stockholm International Peace Research Institute (SIPRI). This list identifies the top 100 largest global arms producers only (Stockholm International Peace Research Institute, 2024). While not intended to be a comprehensive accounting of pension security investments, this approach provides an initial picture of pension investing in the strictest defense categories (and the most likely to be targeted by pension policy). The ways that the other forms of security investments are addressed (or unaddressed) by pension funds has been integrated into our study of policy debates and pension fund policies.

4. Regulatory and policy context

The regulatory frameworks for British, Dutch, and Danish pension funds' sustainability- and security-related investments are very similar. Since the UK was part of the EU until Brexit, it has largely implemented the same investment regulations as the Netherlands and Denmark. Notably, all three apply the Prudent Person Rule (PPR). Dutch pension funds are subject to the PPR as formulated in the EU's IORP II and British funds are subject to similar principles implemented through the Occupational Pension Schemes (Investment) Regulations 2005, while Danish pension funds are subject to the EU's Solvency II for insurance and reinsurance companies. Overall, the PPR allows pension funds to invest in companies and industries as they see fit, as long as these

investments can be considered "prudent." Prudence implies that the investments on a portfolio level are diversified across companies, industries, and asset classes, that the funds can monitor and manage risks, and that the portfolio investment policy complies with what pension savers have been offered the prospect of. In principle, this means that pension investors are free to invest in sustainability or security assets, as long as investment decisions are made prudently and the investments do not conflict with the EU's and/or national sanctions lists.

Additionally, over the past years, the European Commission has promoted sustainable investing as part of the EU Green Deal. However, under EU regulation, sustainable investments are not mandated, there are no legal exclusions for unsustainable or unethical investments (as is the case for some national regulations), and the PPR takes precedence over the Green Taxonomy, which aims to standardize classification of sustainable investments (Horváthová, Fedthusen, Ulfbeck 2017). The Sustainable Finance Disclosure Regulation (SFDR) aims to encourage pension funds to consider the financial risks posed by sustainability risks, and encourages adoption of measures to address these risks, through requiring transparency and disclosure of pension fund management of sustainability risks. The SFDR also permits consideration of the sustainability impacts of investments, although doing so may not supersede their prudential responsibilities[3].

While overall confined to the same regulatory playing field, a few variances between the countries should be noticed. In the EU, the PPR is enacted by the national financial supervisory authorities (FSAs). Historically, the Danish FSA has been known for warning that taking on greater societal responsibility should not jeopardize risk management, emphasizing that sector exclusions - such as divestment from the coal, oil, and gas sectors, which has been widely discussed in Denmark - pose challenges for risk management (Bach 2021). While the Danish FSA's stance has bolstered some hesitancy among pension funds to exclude fossil fuel companies (Kattrup and Koch 2021), we have not encountered direct mentions of concerns about this regulation in relation to security investments. Although not prescribed by law, Danish pension funds commonly do not invest in firms whose activities breach the international conventions Denmark has signed. In contrast to the Danish FSA, its Dutch counterpart, the DNB, does not discourage the exclusion of entire sectors. Like the Danish case, Dutch regulation does not preclude pension funds from investing in security or defense, however there is a legal ban on investing in cluster munitions (*art. 21a Besluit marktmisbruik Wft*). Moreover, whereas national

[3] UK regulation has not integrated consideration of impact (double materiality) into their disclosure policy

Danish sanctions are limited to UN and EU sanctions, the Dutch government publishes an additional national sanctions list for terrorism. In the UK, although the country is party to multiple weapons treaties, there is no explicit prohibition on defense investments. The only existing restriction applies to funds and benchmarks which are categorised as Paris Aligned Benchmarks or UK Climate Transition Benchmarks; these funds are required to exclude investments in activities related to controversial weapons[4] (FCA, 2025).

In other words, EU and national regulations pose limited restrictions on security investments. Regulatory frameworks provide pension funds considerable freedom to invest, albeit within the boundaries of existing arms treaties and international sanctions. At the same time, regulatory frameworks also provide few incentives for security investments. Such incentives have more commonly stemmed from the policy domain instead, as politicians and policymakers at European and national levels have publicly encouraged pension investors to increase their security investments, particularly in the defense industry. At the EU level, the Commission's policy agenda has shifted from the EU Green Deal's focus on the green transition towards policy priorities regarding strategic autonomy and geopolitical strength (Draghi 2024). In 2025, for instance, the European Commission launched the Readiness 2030 (previously ReArm Europe), which should mobilize EUR 800 billion for defense investments, including from private finance. This shift in policy priorities has also affected sustainable finance regulations. That same year, the European Commission issued a formal communication to explain that defense investments are compatible with the Taxonomy (European Commission 2025c). Similar developments can be witnessed at the national level. In what follows, we will describe policy dynamics in Denmark, the Netherlands and the United Kingdom.

4.1 Denmark

Following the Russian invasion of Ukraine on 24 February 2022, Denmark's military budget increased substantially – from DKK 33 billion in 2021 to 56 billion in 2024, and 98 billion in 2025 (NATO, 2025). Likewise, the Danish government's aid allocations to Ukraine were the highest among European or North American governments in 2023, measured as a percentage of GDP (Kiel Institute, 2026). These figures reflect a Danish public sphere where the changing geopolitical

[4] This is in line with EU Benchmark regulations, although the scope of weapons exclusions for Paris-aligned benchmarks is currently under debate in the EU (Prebilič, 2025).

landscape has played a central role – not least, accelerated by US President Trump's recent proclamation that the US "needs" Greenland. Following the invasion of Ukraine, the Danish pension and insurance association, F&P (Forsikring&Pension), announced that the sector was willing to contribute to Denmark's armament through investments in the Danish Defense's buildings and facilities, Danish sovereign bonds, as well as in democracy and peace-promoting investments (Forsikring & Pension, 2022).

The increased prioritization of military spending has over the years been followed by some calls by the ministers of defense for investors to increase their funding of military projects (Dansk Industri, 2023; Erhvervsministeriet, 2024), but the ministers of defense have not made direct public calls for pension funds to increase their defense investments. Instead, on March 13, 2024, when announcing that the government would allocate an additional DKK 40 billion to strengthen the Danish army, the Danish prime minister, Mette Frederiksen, stated: "For many years, banks, investors and pension funds have been reluctant to invest in the defense industry. [...] It is our clear call from the government's side that this will change. Because even when we advance public investments in the Danish Defense, public funding cannot do it alone." (Høberg and Andersen, 2024). Notably, this followed the Commission's announcement of the European Defence Industrial Strategy, emphasizing the need for more private investments in the defense industry and proclaiming that such investments would not breach the EU's sustainability regulation. F&P responded to the EU announcement that more defense investments from the pension sector would likely require more political action; this response came one week prior to Frederiksen's call (Forsikring & Pension, 2024a).

In Denmark, there is a tradition of avoiding direct political interference with pension funds' investments. Instead, at times politicians have made public statements about which sectors or projects they wanted more pension investment in, followed by private meetings with influential pension fund CEOs, resulting in some accommodation by the funds to political whims. At the same time, such initiatives were constrained by the observation that they should not adversely affect returns. Sometimes this practice of backroom negotiations has been colloquially referred to as "the Danish model." (interview with a former pension fund CEO). F&P immediately welcomed the prime minister's statement and called for partnerships for defense investments. The CEO of F&P justified their statement by adding: "There is no doubt that the view of defense investments has changed among many pension customers; there is a greater interest in and courage for investing

pension money in the defense sector, where this can go hand in hand with returns for old age" (Forsikring & Pension, 2024b). This was later followed by a partnership among different parties in the financial sector regarding defense investments (Finans Danmark, 2025), and, as shown below, by increased investment in the defense sector. Thus, whereas there has been no formal requirement for pension funds to invest more in the defense sector, the Danish pension sector has clearly adhered to the government's call to allocate more investment to defense.

4.2 The Netherlands

As in Denmark, the perceived need to increase defense spending in the Netherlands has been high on the policy agenda since the Russian invasion of Ukraine and the NATO challenges brought on by the Trump Administration. Since 2024, defense spending by the Dutch government has exceeded the NATO norm of 2% of GDP and currently stands at EUR 26.8 billion for 2026 (CBS 2025). In the Defense Strategy for Industry and Innovation 2025-2029, moreover, the Dutch government has committed EUR 1.15 billion to strengthen the Netherlands' defense industry, including the creation of a new investment fund (SecFund). In 2025, the Ministry of Defense launched the Defport initiative, a collaborative platform to upscale the production of military goods involving the Ministries of Defense and Economic Affairs, defense industry association NIDV, employer association VNO-NCW, high-tech association FME, banking sector association NVB and different knowledge organizations (Ministerie van Defensie 2025a).

As in Denmark, Dutch government officials are similarly reluctant to interfere with pension funds' investments. Still, the investments made by the country's vast pension sector are often subject to parliamentary scrutiny. In 2022, for instance, three MPs submitted a motion requesting the cabinet to start conversations with Dutch pension funds and banks regarding investments in companies that receive military orders for new weapons systems - a category often excluded by investors (Tweede Kamer der Staten-Generaal 2022-2023a; see also Tweede Kamer der Staten-General 2021-2022 for a similar motion). Three years later, MPs pressed the government for a more pro-active approach in removing perceived obstacles to pension fund investing in the defense industry (Tweede Kamer der Staten-Generaal 2024-2025a). To this, the Minister of Defense answered:

> Defense holds ongoing discussions with institutional and private investors. The Ministry of Defense views strengthening the defense industry as a shared responsibility, in which the government plays a key role as a needs setter… Where the Ministry of Defense can play a role in removing bottlenecks for investors in the defense industry, the Ministry will fulfill this role. Ultimately, it remains up to banks, insurers, pension funds, and other investors themselves to determine the extent and manner in which they wish to invest in the defense industry. The fact that these institutions determine their own investment policy is regulated by law (Ministerie van Defensie 2025b).

Such a response, emphasizing pension funds' own responsibility in setting their investment policies, has also been given to questions criticizing pension funds' investments in complicit companies. In recent years, parliamentary questions have been raised regarding pension funds' investments in weapons manufacturers involved in the high-risk arms trade and the occupied territories in the West Bank (Tweede Kamer der Staten-General 2022-2023b; Tweede Kamer der Staten-Generaal 2024-2025b). Regarding these topics, the government has emphasized that pension funds and other institutional investors are required to follow the state's "discouragement policy" regarding investments in companies that are active in conflict zones and human rights violations, such as in relation to the West Bank.

The Dutch government commissioned several studies into the funding gaps experienced by the Dutch defense sector. In 2023, for instance, the National Security Council launched the interdepartmental Taskforce Production Certainty (*Taskforce Productiezekerheid*) to investigate the financing possibilities for the defense industry. The resultant FinDef report lists eight financing obstacles experienced by defense companies. Six of these obstacles stem from government actions (e.g. long-term demand and commitments), while two obstacles also involve the financial sector (reputation and compliance management; exit options). Specifically, the report notes, "ESG rules, ethical questions and reputational risks" as a concern that needs to be addressed by both government and investors themselves (Taskforce Productiezekerheid 2024). In 2024, moreover, the Ministry of Defense hired PricewaterhouseCoopers to conduct a study into investment obstacles for the defense industry. The resultant report highlighted similar obstacles and called on the government to stimulate new financing methods through venture capital or private equity. It

also encouraged the government to actively participate in these funding structures, in order to reduce possible reputational risks experienced by co-investors (PricewaterhouseCoopers 2024).

Dutch pension funds have pushed back against the objection that they are underinvesting in defense. During a parliamentary session on the defense industry's financing needs, board chairs from the ABP and PME pension funds rejected the idea that the two pension funds are opposed to defense investments. Instead, they have pointed at the government as the main party responsible for expanding the sector's productive capacity by placing orders (Uijen 2024; Van Wijnen 2024). Said Eric Uijen (2024), chair of the board for the PME pension fund:

> Investing in defense is currently not a priority in Pensioenfonds PME's investment policy, unlike, for example, renewable energy and affordable housing. For those last two subjects, there is a long-term societal challenge to which we, as a pension fund, wish to contribute through capital provision. If the Dutch government designates strengthening defense as a similar societal challenge, Pensioenfonds PME would consider investing more assets in defense. However, important conditions are required for this.

Both ABP and PME advised the government to develop multi-year strategies for the Dutch defense strategy, incentivize private forms of financing rather than publicly sold shares, and to seek European collaboration in (Uijen 2024; Van Wijnen 2024).

4.3 United Kingdom

Similarly to many European countries, the United Kingdom has seen political pressure to ramp up defense investments in recent years. Promises to increase military spending are not new; however the current Labour government has taken additional steps to promote defense spending, including designating defense as one of 8 'growth-driving' sectors in their industrial strategy, and accelerating the UK's defense spending commitment[5] (Foley, 2025; Ministry of Housing, Communities & Local Government, 2024). While some of this increase has been met by

[5] The new commitment targets increasing defense spending to 2.5% of GDP by 2027 (compared to the previous target's timeline of 2030) and indicates plans to grow the commitment to 3%.

reallocating spending away from foreign aid, the UK's most recent defense review also highlights the importance of attracting private finance for defense spending (Foley, 2025; Ministry of Defence, 2025).

Several debates between finance and government have emerged in this context. First, contestation over the impacts of attention to ESG on defense spending remains an ongoing debate. This debate gained much public attention in 2025 when over a hundred Labour Members of Parliament (MPs) and peers wrote an open letter calling for banks and other financial institutions, including pension funds, to "sweep away ill-considered anti-defense rules" which they argue are inhibiting greater investment in defense and to turn on "the financial taps to the firms that stand ready to deliver the best of British innovation, capability and skills" (Fisher & Pfeifer, 2025). Financial institutions resisted the implication that ESG policies limit their ability to invest in defense and pension funds have clarified that their ESG policies do not broadly exclude defense investments (Goss et al., 2025; Higgins, 2025), and the Financial Conduct Authority (FCA) released guidance which clarifies that "there is nothing in our rules, including those related to sustainability, that prevents investment or finance for defence companies" (FCA, 2025). Multiple reports have been published arguing that ESG is not to blame for challenges that defense companies face in securing financing, pointing instead to "structural issues, such as complex procurement processes and long development cycles" as the "main barriers to business growth" (Alexander, 2025; Charters & Baker, 2025).

Nonetheless, this has not quelled political debate over ESG-defense tensions. The MP-authored report still calls for a 'consensus shift' in how defense is integrated into ethical frameworks and refers to a "concerning trend among UK councils to divest from defense, with at least a dozen authorities implementing partial or full exclusion policies since 2022 (Charters & Baker, 2025, p. 27). A 2026 Parliamentary debate on ESG and defense reflects this ongoing sentiment that ESG acts as a barrier to the much needed private-sector defense spending, despite recognizing non-ESG issues for companies in accessing financing[6] (UK Parliament, 2026). These statements often reflect a dissatisfaction with the implication that exclusions of particular defense investments means that investing in defense would be considered unethical. As one MP puts it: "The ESG system implies in some sense that defence investment is unethical, but there is nothing

[6] MPs refer to challenges encountered particularly by SMEs, including debanking or uncertainty in government procurement procedures and timelines

less ethical than sending British sons and daughter [sic] into battle under-equipped" (UK Parliament, 2026). Some speakers also implied tensions between climate action and defense spending, pointing to exclusions of controversial weapons by Paris-aligned benchmarks or funds. While some pension funds have attempted to address the ESG-related concerns of defense investments by asking for government intervention to set standards for transparency and governance in the sector, this was dismissed as unnecessary by the government (Webb, 2026).

Compared with Denmark and the Netherlands, there has been demonstrably more attention in the UK to the capacity for the government to set mandates for pension investment. The MP report on defense spending refers to the "untapped potential" to unlock defense financing by channeling pension investments towards defense, and the opportunity to encourage at least local government and the Parliamentary Pension Scheme to allocate a greater share of their investments to defense (Charters & Baker, 2025, p. 28). The Mansion House Accord, a voluntary agreement between major occupational pension funds and the government in which pension funds pledge to allocate 10% of their portfolios to private markets and infrastructure investments (with at least 5% of that dedicated to UK investments) by 2030, is seen as an opportunity to allocate finance to British defense companies. The current government has attempted to integrate a measure[7] granting the government greater capacity to mandate allocations or investments for pension funds into the new Pension Schemes Bill under debate. While not targeting defense specifically, such an amendment would significantly strengthen the government's ability to channel pension finance towards the defense sector if they chose to do so. The amendment was fiercely opposed by the pension sector and significantly scaled back in the final version of the law (Fitzgerald, 2026a, 2026b; Kokoszka, 2026; Tuck, 2026).

In short, while increasing defense spending and investment into defense can be identified as a clear policy agenda in each country, the response from the pension fund sector to policy developments varies quite dramatically by country. Danish pension funds have taken clear steps to increase their defense investments, aligning with political objectives if not through formal requests or mandates from government. The UK on the other hand has seen much more opposition between the government and the pension sector; policymakers are eager to direct pension investments to defense, through formal and informal regulatory channels. The pension sector, however, has been

[7] Referred to as the 'reserve power' clause.

quick to assert its independence and to contradict claims that its policies restrict capacity for defense investing. In the Netherlands, there is broad alignment on the policy aims, but more tension between the pension sector and government on how investment into defense is enabled and incentivized. To what extent these different policy pressures align with existing investment policies and practices by pension funds is explored in the next section.

5. *Fund-Level Developments*

5.1 Denmark

In the past decade, Danish pension funds have developed comparatively substantial, but varied, policies for green investments, as well as exclusion criteria for controversial issues (e.g. tobacco, Israel and illegal settlements, weapons). Against this backdrop, the question of whether to increase defense investments has been an awkward issue for Danish pension funds, as reflected in broader sector trends. On the one hand, a survey in May 2022 showed that only one pension fund, PensionDanmark, was considering changing its defense investments as a result of the invasion in Ukraine (Gjerding, 2022). Likewise, a survey from February 2025 showed that most Danish pension funds still excluded large parts of the ten largest European weapon-producing companies (Larsen & Ørum-Hansen, 2025). On the other hand, the Danish pension sector's defense investments grew from around DKK 9 billion in January 2024 to nearly DKK 19 billion in April 2025 (Forsikring & Pension, 2025).

Mirroring these trends, Danish funds balance various rationales and interests. On the one hand, against funds' hesitancy to invest in companies involved in producing controversial weapons, critics argue that if the Danish state can buy weapons from some of these companies, then Danish pension funds should not exclude them (Henriksen, 2025). Likewise, Danish pension savers have shown interest in defense investments. For example, when PFA in 2025 allowed pension customers themselves to invest in defense assets, in less than a month, more than DKK 200 million flowed in that direction (Ritzau, 2025). On the other hand, besides discussions about the ethics of investing in weapons, Danish pension funds have been criticized for investing in weapons firms for reasons of corruption (Kattrup & Egeris, 2025) and for investing in weapons suppliers of Israel (Carn, 2026). Moreover, sustainable funds have avoided weapons investments due to a lack of transparency (interview with a former CEO of a Danish financial institution).

Additionally, certain pension funds have raised the question of what should be counted as

security investments. Responding to the Danish prime minister's call for pension funds to increase defense investments, the CEO of the preschool teachers' pension fund, PBU, argued, "children are always the biggest losers in any armed conflict, so when it comes to weapons, we [maintain our restrictive policy …. However, we] actively support security and stability in Europe, including by being a significant investor in stable and green energy supply." (Høberg & Andersen, 2024).

The three Danish pension funds, AkademikerPension, PensionDanmark, and ATP, all claim not to invest in companies that breach international conventions signed by Denmark. The following categories are conventionally excluded and labeled "controversial": anti-personnel landmines, cluster munitions, biological weapons, and chemical weapons. However, ATP's investment policy does not explicitly mention biological and chemical weapons. As elaborated below, AkademikerPension also treats nuclear weapons as somewhat controversial. As Table 2 shows, PensionDanmark embraces weapons investments, while AkademikerPension is relatively more cautious. ATP is situated slightly above AkademikerPension and concentrates its investments in weapons shares on only 12 firms, whereas PensionDanmark has diversified its investments across 41 firms. These trends reflect the three funds' different sustainability and security trajectories.

Table 2: Danish funds' investments in SIPRI companies: number, amount, percentage[8]

Company	Country	AkademikerPension	ATP	PensionDanmark
Lockheed Martin*	United States			
RTX*	United States			
Northrop Grumman Corp.	United States			
BAE Systems*	United Kingdom			
General Dynamics*.	United States			
Boeing*	United States			
L3Harris Technologies*	United States			
Leonardo*	Italy			
Airbus*	Trans-European			
Thales*	France			
HII	United States			
Leidos	United States			
Rheinmetall*	Germany			
Booz Allen Hamilton	United States			
Rolls-Royce*	United Kingdom			
Honeywell International	United States			
Saab*	Sweden			
Safran*	France			
Mitsubishi Heavy Industries	Japan			
GE Aerospace	United States			

[8] All data presented in this table represent the situation on December 31, 2025 with one exception: for AkademikerPension, equities data were collected for February 28, 2026 (equities).

Babcock International Group	United Kingdom			
Dassault Aviation Group	France			
Hindustan Aeronautics	India			
Textron	United States			
TransDigm Group	United States			
Parker-Hannifin Corp.	United States			
ST Engineering	Singapore			
Bharat Electronics	India			
Hensoldt	Germany			
Fujitsu	Japan			
Oshkosh Corp.	United States			
Teledyne Technologies	United States			
QinetiQ	United Kingdom			
Eaton	United States			
Mitsubishi Electric Corp.	Japan			
Curtiss-Wright Corp.	United States			
Kongsberg Gruppen	Norway			
Hyundai Rotem	South Korea			
Amphenol Corp.	United States			
NEC Corp.	Japan			
HEICO Corp.	United States			
Howmet Aerospace	United States			
Keysight Technologies	United States			
Number of companies		17	12	41
DKK Million		1001	1940	5209
% Total shares		1.72 %	1.88 %	3.16 %
% AUM		0,6 %	0,22 %	1,35 %

*Company is included on Fair Finance’s list of high-risk arms producers

AkademikerPension is a small- to medium-size pension fund with DKK 165.556 million in AUM (ultimo 2025). Its members typically hold a human or natural science degree and work as high school teachers, psychologists, or private and public sector employees. In recent years, it has become known for a progressive investment profile and an advanced degree of member democracy. Before the invasion of Ukraine, AkademikerPension, like many Danish funds, excluded companies involved in producing controversial weapons, while principally remaining open to 'non-controversial' weapons producers (Gjerding, 2022). This meant that AkademikerPension excluded nine out of ten of the largest European weapon-producing companies (Larsen & Ørum-Hansen, 2025). Countering Prime Minister Frederiksen's call for pension defense investments, AkademikerPension's CEO doubled down on their restrictive weapons policy: "Mette Frederiksen's statement basically doesn't change anything, no." (Seligmann, 2024). AkademikerPension's restrictions meant that the fund was unable to invest in Lockheed Martin, which manufactured Denmark's new fighter jets. AkademikerPension's CEO reflected that whereas "the Danish state can buy a single product that is not necessarily controversial [...] as a shareholder you buy a share of the entire company – including the part that, for example, has to do with nuclear weapons" (Savin, 2024).

Nonetheless, in June 2025, AkademikerPension stopped excluding European weapons producers involved in nuclear weapons, thereby lifting the ban on six European weapons firms. AkademikerPension highlighted the changing geopolitical situation, while also noting that this decision allowed them "to navigate the remarkable growth in the European defense industry" (AkademikerPension, 2025a). In December 2025, PensionDanmark, AP Pension, and AkademikerPension joined forces to create a new "defense" private equity fund, ETNA, targeting small and medium-sized European defense companies, including cybersecurity and critical infrastructure protection. They referred to the changing geopolitical situation, now also mentioning hybrid attacks, to the 2025 ReArm Europe Plan, and to the Draghi report's finding that three quarters of EU countries' defence purchases were from suppliers outside the union (PensionDanmark, 2025). Trump's 2025 inauguration, his growing threats regarding Greenland, and his close ties to US tech moguls has also prompted some reconsiderations of US tech investments. In March 2025, AkademikerPension announced the exclusion of Tesla, citing labor

rights concerns, a lack of board independence, and Musk's spread of misinformation and interference in US and European politics (AkademikerPension, 2025b).[9]

PensionDanmark is a medium- to large-size pension fund with DKK 384.894 million in AUM (ultimo 2025). The pension fund's board is equally divided between labor union and employer association representatives. From its inception in 1992 until 2023, its CEO was Torben Möger Pedersen, who substantially shaped its investment approach. In 2011, for instance, PensionDanmark (together with PKA) was among the first pension funds to invest in a major offshore wind farm project, pioneering the way for other green energy pension investment projects. In 2012, PensionDanmark became the first investor in CIP, Copenhagen Infrastructure Partners, today one of the world's largest capital managers dedicated to green energy projects. Likewise, PensionDanmark co-founded the Net Zero Asset Owner Alliance and has led several initiatives for green investments. However, unlike AkademikerPension, PensionDanmark has dismissed divesting fossil-fuel producers, instead highlighting the potential of conducting active ownership to change these firms. The willingness to invest in green projects and disinclination to divestment from fossil fuel firms reflected the unions' interest in creating - and not dismantling - workers' job opportunities (interview with a former board member).

Remarkably, whereas AkademikerPension's strict fossil-fuel exclusion criteria were reflected in a relatively strict weapons exclusion policy, PensionDenmark's limited fossil-fuel exclusion policy is likewise mirrored by a liberal weapons investment policy. By February 2025, PensionDanmark was one of only four major Danish pension funds that had not excluded any of the ten largest European weapons producers. PensionDanmark's head of sustainability reasoned that their main focus was on risk-adjusted return and that they only excluded weapons companies violating the conventions acceded by Denmark, as "we do not run an independent foreign policy" (Larsen & Ørum-Hansen, 2025). Before the invasion of Ukraine, PensionDanmark was among the few Danish funds with considerable exposure to the weapons industry (Gjerding, 2022) and it increased its investments in defense stocks from DKK 350 million to DKK 640 million at the end of 2022 (Nyholm, 2023). Pedersen proclaimed that ESG should be supplemented with a D for

[9] Whereas AkademikerPension has positioned itself as a frontrunner on ethical exclusions, PensionDanmark excluded Tesla in 2023 following a strike among Swedish Tesla workers, which Danish unions on PensionDanmark's board supported (Dall & Jersild, 2023). ATP already avoided investing in Tesla, along with many other US tech companies, due to an investment strategy eschewing volatile shares and giving larger companies significantly lower weight than in common indices (Bøttkjær, 2024).

"Defense and Democracy," arguing that it will be on the pension industry's agenda whether companies support democracy and defense of Western values.[10] Pedersen highlighted the strong business case after European countries' committed to doubling their defense budgets, adding: "We have also done this in the green area, and we will continue to do so." (Nyholm, 2023). In 2021, PensionDanmark invested in the construction of Danish patrol ships. However, following Trump's interest in Greenland, the Danish government abandoned these ships and refocused the project toward constructing Arctic ships. This illustrates how even in a world of mounting armament, geopolitical changes can jeopardize certain military investments (Nyholm, 2025).

ATP has long been Denmark's largest pension fund, with AUM of DKK 887.331 million (ultimo 2025) - though it was surpassed by PFA in 2025. ATP is state-owned and covers about 98 percent of the adult Danish population, providing a supplementary occupational pension. ATP's board members are nominated by labor unions and employer organizations, like PensionDanmark. While this structure gives both funds a similar mandate to align with the interests of the social partners, ATP's investment policy is expected to represent the interests of the entire Danish population, not just a specific member group, as in PensionDanmark. As the largest Danish pension fund, ATP is arguably under larger public scrutiny.

It seems likely that ATP's broader mandate has caused the fund to proceed slower with green investments than PensionDanmark. In 2013, ATP stated it was "far beyond [its] mandate" to "use the pensioners' money to subsidize the climate." (WWF 2016, 15). Following the Paris Agreement, and particularly after the 2019 Danish parliamentary election, dubbed "the climate election," this began to change. In 2021, ATP set a goal of DKK 200 billion in green investments by 2030. These involved several large-scale start-up projects - later attracting severe financial troubles, notably Northvolt. By February 2025, ATP's CEO stated that within the current, geopolitical shaky, investment landscape there was a "sharp halt in green investments," hindering ATP from meeting its quantitative 2025 and 2030 climate goals (Mandrup, 2025). Like PensionDanmark, ATP has, in a Danish context, been hesitant to set fossil-fuel exclusion criteria; by 2026, ATP has criteria for coal, but not for oil and gas. Similarly, ATP has not excluded investing in any of the 10 largest European weapon-producing firms (Larsen & Ørum-Hansen, 2025).

[10] Conversely, the ESG-D approach meant that PensionDanmark would not invest in companies too close to the Chinese regime.

As with PensionDanmark, ATP's limited use of exclusion criteria has made it more flexible to quickly increase its weapons investments. Responding to the prime minister's call for weapon investments, ATP's CIO proclaimed: "At ATP, we attach great importance to social responsibility, and you could also say that investments in Europe's security are social responsibility at the highest level" (Høberg and Andersen, 2024). In June 2024, ATP made substantial investments in Denmark's largest weapons manufacturer, Terma, granting ATP a seat on Terma's board. Since Terma produces weapon parts used by Israel in Gaza, ATP's investments sparked the campaign "Pension without Genocide" (Pension uden folkedrab, 2025). In February 2025, ATP had invested more money in weapons than in the 'magnificent seven' tech companies. This caused speculation as to whether ATP just generally adhered to the political and economic winds or whether ATP had received an "informal instruction from the country's political leadership" (Vitoft, 2025). ATP's new positions involved over DKK 100 million each in BAE Systems, Lockheed Martin, and General Dynamics; all accused of producing phosphorus bombs and cluster munitions. ATP claimed these companies were not involved in cluster munition production according to ATP's data provider, Sustainalytics. (Vitoft, 2025). Since ATP has had poor returns on several of its investments, investing in a booming sector could also be a substantial motivation, as indicated by the CIO's emphasis on harvesting "attractive returns" from weapons investments (ATP, 2024).

5.2 The Netherlands

Recent years have seen increasingly more vocal calls on Dutch occupational pension funds to expand their investments in the defense sector. Still, the response from the occupational pension funds themselves have been mixed. On the one hand, a small number of frontrunner funds have vocally expressed an interest in additional defense investing. Large funds such as ABP or PME, for instance, have publicly stated their willingness to support the national and European defense sectors, yet have also identified a number of obstacles that are currently preventing them from doing so. On the other hand, there is a large majority of pension funds that have refrained from publicly expressing support or rejection of defense investing, whether through their websites or in the media. Vocal objections to defense investing by Dutch pension funds have been largely absent.

Table 3: Dutch pension funds' investments in SIPRI companies: number, amount, percentage[11]

Company	Country	ABP	PFZW	Detailhandel	AHOLD Delhaize
CSSC*	China				
Rheinmetall*	Germany				
Hanwha Group	South Korea				
Booz Allen Hamilton	United States				
Rolls-Royce*	United Kingdom				
CACI International	United States				
Elbit Systems	Israel				
Saab*	Sweden				
Mitsubishi Heavy Industries	Japan				
Dassault Aviation Group	France				
Science Applications International Corp.	United States				
Hindustan Aeronautics	India				
Czechoslovak Group	Czechia				
ASELSAN	Türkiye				
TransDigm Group	United States				
Parker-Hannifin Corp.	United States				
Kawasaki Heavy Industries	Japan				
ST Engineering	Singapore				
Bharat Electronics	India				
Hensoldt	Germany				
Fujitsu	Japan				
Teledyne Technologies	United States				
Korea Aerospace Industries	South Korea				
Eaton	United States				
Mitsubishi Electric Corp.	Japan				

Kongsberg Gruppen	Norway				
Hyundai Rotem	South Korea				
Amphenol Corp.	United States				
NEC Corp.	Japan				
CAE	Canada				
HEICO Corp.	United States				
Melrose Industries	United Kingdom				
ViaSat	United States				
Howmet Aerospace	United States				
Keysight Technologies	United States				
TTM Technologies	United States				
Number of companies		24	13	29	19
EUR Million		2.011	534,7	121,7	21,8
% Equities		1,19	1,02	1,12	1,21
% AUM		0,38	0,21	0,36 **	0,37

*Company is included on Fair Finance's list of high-risk arms producers

**Based on 2024 data.

[11] Data for Ahold Delhaize Pensioenfonds, Pensioenfonds Detailhandel and PFZW represent the situation on December 31, 2025. ABP investment data refer to March 31, 2026.

Comparing stock investment data by four Dutch pension funds against the SIPRI database of global defense companies, the division between vocal supporters and the silent majority seems less pronounced. Table 3 shows, first, that investments in global defense companies are a relatively small percentage of the overall portfolio and limited to around one-third of global defense companies. Second, the table reveals that three of the four funds (ABP, Detailhandel, Ahold Delhaize) have an almost equal percentage of investments in global defense companies as measured as percentage of total assets under management, despite ABP being more vocal in its support of defense investing than the other two funds. PFZW stands out for dedicating a lower proportion of its investment portfolio to shares in global defense companies.

While the data presented in Table 3 provide a snapshot picture, the findings are partially confirmed by the Fair Pension Guide (Schepers et al. 2025). In its study of eight prominent Dutch pension funds, the Fair Pension Guide considers, among other topics, investment policies regarding weapons. In the most recent edition of the Pension Guide, all surveyed pension funds (that include ABP, PFZW and Detailhandel but not Ahold Delhaize) receive an insufficient score score of 4 out of 10 for their weapons policy. The Fair Pension Guide observes that all surveyed pension funds have exclusion policies regarding so-called controversial weapons (nuclear, chemical and biological weapons, cluster munition, anti-personnel mines). Still, the funds each receive an insufficient score, because other policies are absent: investments in companies that deliver weapons to controversial companies (under EU or UN embargo, fragile states, states committing human rights violations, etc.), investments in dual use technologies, or investments in autonomous weapons systems. The Fair Pension Guide urges the Dutch pension funds to develop policies regarding weapons investments that take into account these new developments (Schepers et al. 2025).

Of the four pension funds studied here, **ABP** has been the most vocal in expressing support for defense and other kinds of security investments. The fund has been actively involved in public discussions around pension fund investments in the defense industry and provides a high degree of transparency regarding these investments. By its own estimates, ABP invests between EUR 400 million and EUR 2 billion in the defense industry. The fund's positive attitude towards defense investments is directly related to the fact that it manages the pensions for the Dutch armed forces. That said, according to ABP's chair of the board: "At the same time, this does not mean that ABP

can write a check that is, as it were, unwritten" (Van Wijnen 2024). In addition to excluding companies that produce controversial weapons, the fund applies the same risk-return considerations as it does with other investments: "Ultimately, it is the responsibility of the board of a pension fund to make the right trade-offs in the investment policy between return, risk, costs, and sustainability and responsibility in the interest of all participants" (ibid.).

Pension funds Ahold Delhaize and Pensioenfonds Detailhandel are less transparent about their investment policies regarding the defense industry. **Ahold Delhaize** is a small- to medium-size company pension fund, with around 130.000 participants and EUR 5,9 billion in assets under management (ultimo 2025) (Ahold Delhaize Pensioen 2026: 3). In the VBDO responsibility benchmark, it was ranked first among medium-sized pension funds and ninth overall (VBDO 2024). Per its 2025 sustainable investment policy, the pension fund excludes companies that directly produce controversial weapons or that own more than 50% of subsidiaries producing controversial weapons (Ahold Delhaize Pensioen 2025). This has led to the exclusion of 38 SIPRI companies. Part of the consideration to either exclude investments or to use engagement to induce changes in corporate behavior is the centrality of the undesired product category to the business activities of the firm: "When a company is involved in a controversial product, often a core activity of the company, applying an engagement policy is not realistic. After all, it is difficult to persuade the company to produce a different product" (ibid: 13).

Pensioenfonds Detailhandel is a medium-size industry-wide pension fund for the retail sector, with 1.3 million participants and EUR 34 billion assets under management (ultimo 2024; Pensioenfonds Detailhandel 2025: 7). In the 2024 VBDO responsible investment benchmark, Pensioenfonds Detailhandel ranked first among all surveyed pension funds (VBDO 2025). It similarly excludes producers of controversial weapons as well as companies involved in the sale or distribution of such weapons (Pensioenfonds Detailhandel 2025). Table 3 shows that Pensionfonds Detailhandel invests in more SIPRI defense companies compared to the other three funds studied here, although not to a larger extent. This could be a legacy of an earlier, more accommodative stance towards weapons investments. In 2023, for instance, Pensioenfonds Detailhandel received some negative publicity for investing in Raytheon, producer of long-distance cruise missiles (Koopmans 2023). The fund is known for having extensive participant consultations on sustainability topics, during which the fund's stance towards weapons investments is extensively discussed (Cooper et al. 2024).

PFZW deviates from the other three pension funds, as it has a lower percentage of assets under management invested in the SIPRI companies. Of the funds studied here, it invests in fewest SIPRI companies. That said, the fund does not have a principled objection to investing in weapons manufacturers or other types of security firms (Van der Louw 2024). When confronted with the fund's investments in high-risk arms producers, it responded: "We continuously screen our investments against OECD guidelines. If a company does not comply, we no longer invest in it. If a company only partially complies, in many cases we enter into dialogue with such a company and exert pressure so that they take steps to comply with those guidelines" (Van Ossenbruggen 2024). A possible explanation for PFZW's relatively small proportion of defense investments is its considerably reduced investment universe for corporate equities. In 2025, the fund sold a large part of its equity holdings (from 3.500 to around 800 firms) and switched from a passive to an active investment approach, in order to better align its investment portfolio with the fund's sustainability policies (Van Alfen and Hoekstra 2025). It is possible that the lower number of investments in the SIPRI companies echoes similar reductions in other sectors.

The comparison of the Dutch pension funds also indicates a second limitation that sustainable investment policies may pose on security investments, namely funds' selection of specific focus areas in their investment policies. Consider, for instance, Ahold Delhaize's and PFZW's selection SDGs 3 (good health and well-being) as one of their thematic focus areas. In both cases, the selection of this thematic focus area is directly related to the sector in which both funds are active: to supermarket company Ahold Delhaize, healthy food is central to its business strategy, while health is similarly important to the healthcare workers that PFZW serves. Still, the example of Pensioenfonds Detailhandel shows that the interpretation of the SDGs is malleable. Unlike the other pension funds, Pensioenfonds Detailhandel has selected SDG 16 (Peace, Justice and Strong Institutions) as a core focus area for the fund. It specifically mentions the role of weapons in contributing towards the SDG: "Weapons can contribute to our prioritized Sustainable Development Goal 16: Peace, Justice and Strong Public Services, but there is also a downside. Weapons can pose a threat to this goal. Pensioenfonds Detailhandel excludes controversial weapons" (Pensioenfonds Detailhandel 2025: 36). In other words, weapons investments can be made compatible with overarching sustainability principles.

5.3 United Kingdom

UK pension policies on defense are, at least explicitly, less restrictive than the political discourse might imply. Each of the pension funds studied has some level of restriction on weapons investing. However, these are applied only to certain companies and types of production, rather than to the defense industry as a whole. **USS** adopted their first exclusions in 2020; alongside tobacco and thermal mining, they excluded "banned weapons under the Convention on Cluster Munitions and the Mine Ban Treaty" (USS, 2025, p. 27). Following the Russian invasion of Ukraine, USS also decided to exclude Russian assets (Pilcher, 2023). They emphasize in their reporting that these decisions are taken on financial grounds only; they argue each of these sectors are "deemed financially unsuitable for the scheme over the long-term" (Pilcher, 2023).

Nest (as of 2017) also has an exclusion policy for companies which manufacture controversial weapons, specifically to "avoid investing in companies directly involved in the production or sale of cluster weapons, anti-personnel landmines or chemical and biological weapons" (Nest Pensions, 2024, p. 1). Their justification is somewhat different to that of USS; they explain the decision as one which is in line with UK and international law, one they see as likely to reflect member values and interests, and one which will not come with a financial detriment. This policy does not include nuclear weapons, which they argued is too imprecise, and in practice would result in excluding major aerospace and defense companies (Nest Pensions, 2022). Nest also uses a UN Global Compact screen, with which they expect managers to screen portfolio companies to identify breaches of the Global Compact and human rights violations; the potential for escalating conflicts to generate changes in these policies is alluded to, but not described in depth (Nest Pensions, 2025). Nest also states in 2025 that in the coming year, they plan to use the Global Peace Index (an assessment of national levels of security, conflict, and militarisation (Institute for Economics & Peace, 2024)) to "identify sovereign-linked risks and assess corporate holdings within high-risk countries," although no further details of what this assessment would imply are provided (Nest Pensions, 2025, p. 48).

Both funds have made statements, either in media or through their own websites, clarifying their defense policies, in response to both the political pressure described above, as well as from campaigning from member and divestment groups. Such campaigns have revolved most prominently, but not exclusively, around pension investments in companies with ties to Israel (Divest USS, 2024a, 2024b). The funds' statements emphasize the financial value that the pension

funds see in defense investments, the critical role of the defense sector, and the financial ramifications of widespread exclusions (Higgins, 2025; Pilcher, 2023). While available data on the funds' investments are not sufficient to understand the full extent of the pensions' links to the defense sector, analysis of their publicly disclosed investments reflects their policy of permitting defense investments. USS discloses its top 100 equity investments only; these include two companies in the SIPRI list of top arms companies (see Table 4). Nest publishes a more extensive list of their investments, among which are 31 companies on the SIPRI list. While investment data for both USS and Nest are insufficient to make conclusions about their overall level of defense investments, an initial survey of two of the largest local government pension funds shows levels of investment in the largest defense companies around 0,5% of AUM (see Table 4).

Table 4: UK pension funds' equity investments in SIPRI companies: number, amount, percentage[12]

Company	Country	USS**	Nest	GMPF	Strathclyde
Lockheed Martin Corp.*	United States				
RTX*	United States				
BAE Systems*	United Kingdom				
Boeing*	United States				
Leonardo*	Italy				
Airbus*	Trans-European				
CSSC*	China				
Thales*	France				
Leidos	United States				
Rheinmetall*	Germany				
Hanwha Group	South Korea				
Rolls-Royce*	United Kingdom				
AECC	China				
Honeywell International	United States				
Saab*	Sweden				
Safran*	France				
Mitsubishi Heavy Industries	Japan				
GE Aerospace	United States				
Dassault Aviation Group	France				
Hindustan Aeronautics	India				
ASELSAN	Türkiye				

[12] For USS and Strathclyde, investment data are collected for December 31, 2025. For NEST, investment data are collected as of January 2026. For GMPF, investment data are collected as of March 31, 2024.

Textron	United States				
TransDigm Group	United States				
Kawasaki Heavy Industries	Japan				
ST Engineering	Singapore				
Bharat Electronics	India				
Fujitsu	Japan				
Korea Aerospace Industries	South Korea				
Eaton	United States				
Mitsubishi Electric Corp.	Japan				
Kongsberg Gruppen	Norway				
Hyundai Rotem	South Korea				
Amphenol Corp.	United States				
NEC Corp.	Japan				
HEICO Corp.	United States				
Melrose Industries	United Kingdom				
Howmet Aerospace	United States				
Keysight Technologies	United States				
Number of companies		2	31	21	10
Total (in millions GBP)		190	n/a	147,04	181,5
% of Equities		0,78%		1,32%	1,18%
% of AUM (as of end 2025)		0,25%	n/a	0,47%	0,54%

*Company is included on Fair Finance's list of high-risk arms producers

**Available data for USS includes top 100 equity holdings only

Comparison of available investment data from USS and Nest against a database of companies who are members of the UK trade association for aerospace, defense, security and space (ADS) indicates investment into the wider defense space beyond the largest arms manufacturers alone. Among USS's top 100 equity investments are nine companies who are members of ADS, while Nest's investment portfolio includes 59 ADS members. These include some of the largest UK defense companies (BAE Systems, Lockheed Martin, Rolls Royce), but also various companies which would not be classified primarily as defense companies (e.g., Amazon Web Services, Nvidia). This indicates some of the challenge in classification of defense and security investment. While USS and Nest adopt only limited exclusions for defense investments, both funds also signal the options available for members who have personal opposition to investment in weapons. USS and Nest offer ethical fund options which individual members of their DC funds may voluntarily opt into; these funds have more stringent exclusion policies, avoiding investments in companies involved in weapons and arms production more broadly (Nest Pensions, n.d.; USS, 2024).

The **Church of England's** (CoE) pension fund is somewhat of an outlier, both in the mandate the fund is governed by, as well as the level of detail to which its defense policy has been articulated. While being held to a fiduciary obligation to protect the long-term financial interest of their beneficiaries, the pension fund also aims to invest "in a way that is consistent with the ethos and ethics of the Church of England" (The Church of England Pensions Board, 2026). The CoE pension has long had some form of policy excluding defense investments— according to their reporting, these have been in place since at least 1948. In 2025, the CoE's Ethical Investment Advisory Group conducted an extensive review of their defense policies, including an in-depth theological review of how war and peace are interpreted and promoted in the Anglican Church, discussing debates between more pacifist approaches and proponents of 'Just War' (Church of England Ethical Advisory Group, 2025). As a result of this review, the CoE pension updated their policy on defense investments in a way which both increases their restrictions on investing in defense and expands their attention to the increasingly complex world of defense-related investments.

The CoE pension fund has maintained a policy of excluding all investments with any ties to manufacturing 'indiscriminate weaponry' (defined as "including nuclear, cluster, chemical, biological weapons"), as well as investments in non-military firearms (The Church of England

Pensions Board, 2025, p. 3). It has increased restrictions on defense-related investments, reducing the exclusion threshold from 10% to 5% of revenue from defense investments. Notably, the fund's definition of 'defense' does not include dual-use products and services; it identifies this as a future priority area in which data and indicators will still need to be developed in order to assess these investments. The CoE fund adopts a similar plan for investments with links to oppressive regimes, guided by human rights principles. While it emphasizes that the new policy represents a sharpening of their prior weapons exclusions, the fund also highlights the contributions that the fund sees as being able to make to defense more broadly. The press release communicating the new policy says:

> For example, under the previous policy, we could theoretically invest in a large company from an oppressive regime generating less than 10% of its revenue from offensive weapons, but not in a firm earning more than 10% from supplying protective personnel equipment to the Ministry of Defence. This approach now makes it harder to invest in companies linked to oppressive regimes while enabling responsible investment in NATO and UK defense related business (Church of England, 2025).

The CoE does not publish their investment holdings, limiting visibility into the extent or level of investment into the wider defense sector. For this reason, it has been excluded from Table 4.

6. Discussion and conclusion

We have investigated how regulation and policies shape pension funds' commitments to security investments in Denmark, the Netherlands and the United Kingdom and considered the overlaps and contradictions with sustainability policies. Prior research demonstrates a long history of projects to align pension capital with political aims; our analysis documents a clear political interest and pressure in each country in channelling pension assets towards the defense sector. Across all three countries, we see a high-level, at least discursive, agreement from pension funds with the desirability of increasing defense spending and promoting national security. However, similarly to efforts to scale up climate investments, pension funds have highlighted constraints on their efforts, namely barriers to the 'investibility' of defense investments. Only in Denmark have we identified concrete new commitments to either additional defense spending or to loosening existing restrictions on weapons investments, suggesting that perhaps the more proximate

geopolitical threat might play a role. In the UK, where sustainability and ESG policies have been attacked as restricting defense spending, pension funds have published more proactive defenses of their sustainability policies and their compatibility with investing in defense.

Remarkably, outside certain individual cases or asset categories, we have found little discussion in the Netherlands and the UK over whether defense investing is ethical in itself. Existing exclusions on defense investments have largely applied to controversial weapons only (and these are defined in more or less strict manners, depending on the fund), often with reference to national policies on restricting use and production of these weapons, while in Denmark discussions over ethics have surfaced when pension funds have loosened or discussed loosening their weapons exclusion criteria. Where ESG frameworks are considered to impose additional restrictions on weapons investment, in our cases these hindrances have been on the grounds of transparency from the sector, or emissions associated with their activities, rather than strictly on the ethical nature of the business itself.

Neither did we find a juxtaposition between sustainability and security as investment principles. Instead, sustainability considerations interacted with security in unexpected ways. First, findings from some cases (DK) indicate that a strong exclusions policy in one sustainability domain (e.g. fossil fuels) coincides with strong exclusions in other domains (e.g. security). Second, pension funds' selection of specific sustainability focus areas (NL) may have a crowding-out effect: when new societally pertinent themes emerge, pension funds may have limited capacity to redirect attention away from priority areas around which their investment policies revolve. With respect to the wide spectrum of defense investment that we identify, from weapons manufacturing to investing in companies complicit in human rights violations, existing policies mainly address the most narrow category, manufacture of controversial weapons, although Danish pension funds also have excluded some companies because of human rights, e.g., certain weapons producers as well as companies operating in Israeli settlements at the West Bank.

Our analysis has a number of limitations. First, our research design has identified pension fund governance as potential factor in shaping sustainability or security investment policies, but we have not yet found systematic evidence that indicates whether this factor has played a substantial role in our cases, as representative governance of respectively Dutch and Danish boards have parted ways on the question of security investments. Second, the notion of geopolitical threat is clearly present in each of the three countries. Although we clearly observe increased security

investments in Denmark, geographically closer to Ukraine and Russia and facing insecurity in Greenland, it has been difficult to strictly define different levels of threat and how these in turn more precisely shape attitudes towards security investments. Third, our focus on direct investments in large defense companies does not cover the full range of security investments that we have conceptualized. Both the complexity in defining what a security or defense company is and the limited availability of investment data by pension funds have set limitations on our empirical approach. As dual use goods and services grow in relevance and asset manager ownership of defense sector assets expands (Bua et al., 2025), further attention to these areas will be necessary for understanding finance-security interactions. Future research should address these limitations to better understand pension funds' role in financing the sustainability and security transitions in Europe.

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