



# Finance for **War.** Finance for **Peace.**

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How Values-Based Banks Foster Peace  
in a World of Increasing Conflict

A publication by



# Preface

The world is at a crossroads. We face multiple, converging crises across the globe, some of them accelerated by the increased tensions and conflicts in some regions. Unfortunately, we have seen how in the last year, [the world has entered a more dangerous period](#). In 2023 alone global defence spending grew by 9% to reach a record USD2.2 trillion.

Banks in particular, and the financial industry, in general, cannot be left out of this issue. Because banks are not simply intermediaries of money, but critical agents of change. How and where they allocate money shapes our society, the economy and the environment.

This report examines the exposure of the financial industry to the production of, and trade in, arms used in large scale conflicts around the world. It explores a changing landscape whose practitioners on the one hand increasingly shun finance for arms, at the same time as many large financial institutions, in particular, profit from conflicts around the globe.

The report compares the policy and practice of the world's leading values-based banks, represented by the Global Alliance for Banking on Values (GABV). The GABV was created in 2009 to put finance at the service of people and the planet. Peace, and the stability that comes with it, is a prerequisite for finance to achieve this goal; to help address the key challenges of our time, such as climate change and social inequity that are at the core of our work. There can be no peace and stability while financial institutions continue to fund the production of, and trade in, arms.

This vision drives values-based banks to exclude finance for the arms industry, either explicitly through policies or in practice through their financial activities. Ultimately, the report shows how these decisions connect financial institutions, and by extension their stakeholders, with finance for war or finance for peace. The report has been commissioned by Fondazione Finanza Etica (Banca Etica Group) and the Global Alliance for Banking on Values (GABV), organisations that understand finance as a force for good. Fondazione Finanza Etica is the cultural foundation of the Italian Banca Etica, a pioneer in ethical banking and a co-founding member of the GABV.

The GABV represents a global movement of frontrunner organisations and leaders in the banking industry that use finance to deliver sustainable economic, social and environmental development. Formed by more than 70 members in 45 countries, their collective goal is to make the banking system more transparent, inclusive and sustainable. Values-based banks pursue to create a meaningful impact in the communities where they operate. They intentionally finance positive change as well as avoid harm.

The report is released on the occasion of the 16th GABV Annual Meeting, in Padua and Milan, Italy, hosted by Banca Etica, in February 2024. It provides context for the Milan Declaration: A Statement for Peace. The Declaration, issued by the GABV, undertakes to continue and intensify the network's efforts to promote peace, in all its forms, and calls on financial institutions everywhere to follow its lead and divest from the arms industry that propagates conflicts across the globe.



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# Finance for **War**. Finance for **Peace**.

How Values-Based Banks Foster Peace in a World of Increasing Conflict

## 1. Investing in weapons is unethical and does not represent good business

'The war will feed itself', wrote Roman historian Titus Livius. A famous adage that remains especially relevant today. Evidence suggests self-perpetuating armed conflicts can be stopped if concrete actions are taken to foster peace.

History shows that war is never a solution and that its consequences can last for decades. With hindsight, there's a strong case for preventative interventions, even in the most complex situations, which have a much lower economic and social cost for communities.

The link between economic and social development and the absence of war is well illustrated in the Agenda for Disarmament, the United Nations (UN)'s plan for integral security<sup>1</sup>. The Agenda shows how the proliferation of weapons, even in countries that are not at war, negatively impacts all spheres of human life by undermining the achievement of the 17 Sustainable Development Goals contained in the Programme of Action for People, Planet and Prosperity signed in 2015 by the governments of the 193 UN member states<sup>2</sup>.

An analysis conducted by the International Peace Bureau<sup>3</sup> translates the cost of specific armaments in terms of goods and health services: a European multi-purpose frigate (FREMM) is worth the salary of 10,662 doctors for a year (OECD countries average); an F-35 fighter jet equates to 3,244 intensive care beds; a Virginia-class nuclear submarine costs the same as 9,180 ambulances<sup>45</sup>.

According to the Stockholm International Peace Research Institute (SIPRI)<sup>6</sup>, which has carried out research into international security and armaments since 1966, the resources set aside for the military at a global level by governments amount to just over \$2,240bn, the highest level ever recorded by SIPRI: 2.2% of the world's GDP. Governments around the world spent an average of 6.2% of their budgets on the military, or \$282 per person, per year.

**Half of these funds would be enough to provide basic health care for everyone on the planet and to significantly reduce greenhouse gas emissions.**



<sup>1</sup> United Nations, Office for Disarmament Affairs (2018), "[Securing our common future. An Agenda for Disarmament](#)", United Nations New York.

<sup>2</sup> United Nations, Resolution of the General Assembly (2015), "[Transforming our world: the 2030 Agenda for Sustainable Development](#)", United Nations New York, 25 September.

<sup>3</sup> International Peace Bureau (2012), "[Opportunity Costs: Military Spending and the UN's Development Agenda](#)", IPB Geneva, November 2012.

<sup>4</sup> Maman, J., (2020), "[Redefining safety](#)", Greenpeace, 27 April.

<sup>5</sup> Global Campaign on Military Spending (2020), "References", GCOMS Barcelona,

<sup>6</sup> SIPRI, "[SIPRI Yearbook 2023. Armaments, Disarmament and International Security](#)", Oxford University Press, 2023.

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Between 2020 and 2022, financial institutions - including major banks, large insurance companies, investment funds, sovereign wealth funds, pension funds and public institutions - supported the defence industry with at least \$1 trillion<sup>7</sup>.

Between January 2021 and August 2023, a total of at least \$820bn was made available by 287 financial institutions from 28 countries to the top 24 publicly traded companies involved in the production of nuclear weapons.

These numbers are likely to be significantly lower than the actual figures, because there is no official database collecting all the investments, loans and services of all the world's banking and financing institutions in the arms industry.

The figures available to us are the result of extensive work by NGOs and peace movements on the basis of limited publicly available data.

**Despite the scarce data available and poor transparency in this field, it appears clear that the global financial industry is pivotal in arms production and trade, facilitating, by extension, military conflict.**

As reported by the International Institute for Strategic Studies (IISS)<sup>8</sup>, Global defence spending grew by 9% in 2023 to reach a record USD2.2 trillion, driven, in part by NATO member states boosting budgets in response to Russia's aggression against Ukraine. Non-US NATO members now spend 32% more on defence since Russia's 2014 invasion of Crimea.

The outbreak of the war in Ukraine in 2022 and in Palestine in 2023, has seen stocks of arms manufacturers soar. An analysis by the Financial Times showed that the order book for new weapon systems reached record levels in 2022 and in the first half of 2023<sup>9</sup>.

The sustained government spending has spurred investors' interest in the sector. MSCI's global benchmark for the industry's stocks was up 25 per cent in 2023. Europe's Stoxx aerospace and defence stocks index has risen by more than 50 per cent over the same period. Investing in weapons, it would appear, is financially profitable. However, long-term trends separated from exceptional events during specific periods, suggest this is not necessarily true.

The financial results of defence companies are volatile and depend on orders from states, which in turn are affected by international geopolitical tensions. Moreover, deals in the defence sector are often subject to corruption. According to a report by SIPRI the military industry would be responsible for more than 40% of world corruption<sup>10</sup>.

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<sup>7</sup> See Chapter 2

<sup>8</sup> IISS (2024), "The Military Balance. The annual assessment of global military capabilities and defence economics: 2024", February 13, 2024.

<sup>9</sup> Pfeifer, S., Sugiura, E. (2023), "Global defence orders surge as geopolitical tensions mount", Financial Times, 27 December.

<sup>10</sup> SIPRI, "SIPRI Yearbook 2011. Armaments, Disarmament and International Security", Stockholm, 2011.

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## 1.1 The vision of Values-Based Banking

The Global Alliance for Banking on Values (GABV) is a network of the world's leading values-based banks: independent, progressive banks and credit unions that intentionally use finance to serve people and the planet. Values-based banks are committed to the Principles of Values-based Banking (see Annex 1), which are the foundation of the movement and guide their work.

Values-based banks use business as usual to intentionally create positive change. They innovate banking products and services and engage with partners to provide solutions to social and environmental issues in the communities they serve. And they work together to promote change in the banking system, transforming markets and economies so that they are more sustainable, inclusive and fair.

According to the values-based banking practice, peace, and the stability that comes with it, is a prerequisite for finance to help address the key challenges of our time, such as climate change and social inequity. But there can be no peace and stability while financial institutions continue to fund the production and trade of arms at

large scale, as this report shows. Values-based banks have chosen not to finance the production or trade of arms. Instead, they intentionally focus on finance for positive change for people and the planet, proving another approach is possible<sup>11</sup>.

**As this report shows, the 71 member banks of the GABV in January 2024 - which includes some of the world's most important values-based banks - do not have any material exposure to the production or trade of arms. A large majority of them adopt clear policies to exclude weapons from lending and investment.**

Building on the findings of this report, the GABV calls on the financial industry to stop financing the production and trade of weapons, encourage financial institutions to introduce or expand existing policies that curb finance for weapons and ask that they disclose these transparently.

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## 2. The biggest investors in the defence sector

### 2.1 Weapons: an overview

According to the database<sup>12</sup> of the Armed Bank Campaign (Campaña Banca Armada, promoted in Spain by JM Delàs Peace Studies Centre, SETEM, Justicia i Pau, RETS and the ODG - Observatory on Debt in Globalization), during 2020-2022, financial institutions

- including major banks, large insurance companies, investment funds, sovereign wealth funds, pension funds and public institutions - supported the defence industry with more than \$959bn through different forms of financing: loans, bondholding, shareholding and

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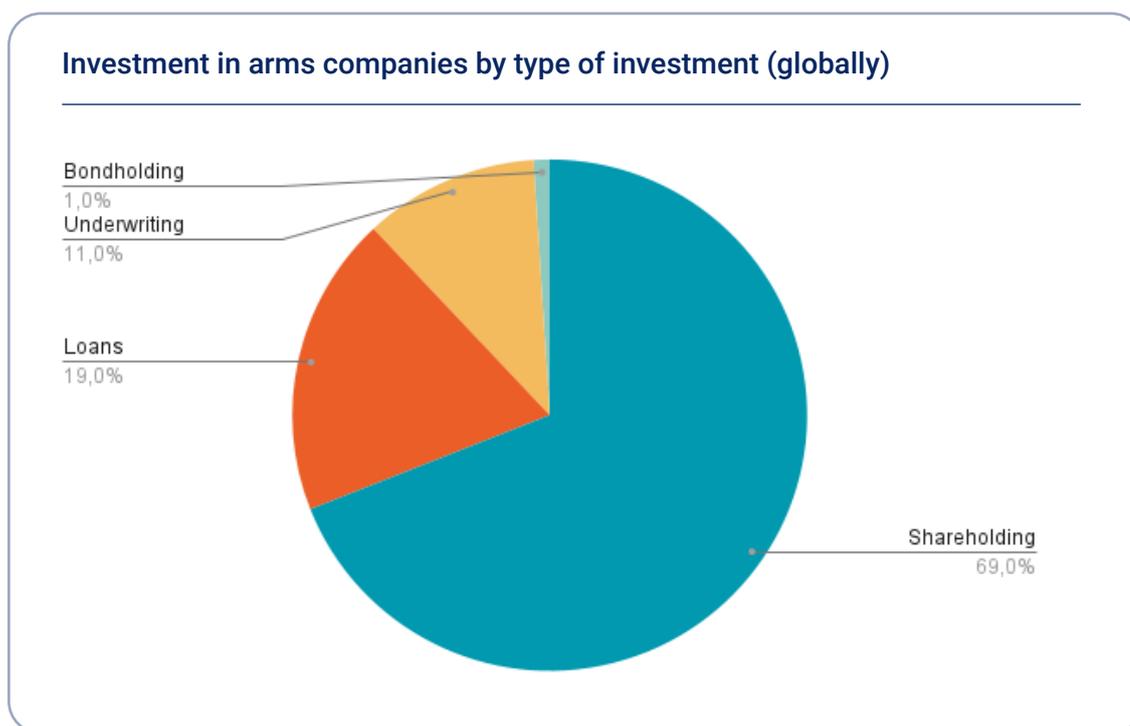
<sup>11</sup> See the "The Principles of Values-Based Banking" in Annex 1

<sup>12</sup> Our elaboration on data from the database: Centre Delàs (2023), "[Base de dades. Cicle econòmic militar](#)", retrieved on February 7, 2024, Data corresponding to the period 2020-2022 (updated in 2023). Sources for the database are the reports from PAX and ICAN, Refinitiv, Profundo and others.

underwriting<sup>13</sup>. Shares constituted more than half of the total investment in the sector (\$660bn), while bonds represented less than 1% of the total.

As explained above, these figures (and those presented below) are not complete

because they are based on limited publicly available data. In all likelihood, they are much lower than the actual figures, because there is no official database collecting all the investments, loans and services of all the world's banking and financing institutions in the arms industry.



The top 12 financial institutions investing in weapons producers were all from the USA, contributing nearly half a trillion dollars to the weapons industry, more than half of the total estimated investment in the sector.

### TOP 10 INVESTORS IN ARMS COMPANIES (GLOBALLY)

Vanguard	\$92bn
State Street	\$68bn
BlackRock	\$67bn
Capital Group	\$55bn
Bank of America	\$45bn
JPMorgan Chase	\$33bn
Citigroup	\$28bn
Wellington Management	\$27bn
Wells Fargo	\$25bn
Morgan Stanley	\$24bn

<sup>13</sup> In the financial primary market, securities underwriting is the process by which investment banks raise investment capital from buyers on behalf of corporations and governments by issuing securities (such as stocks or bonds). As an underwriter, the investment bank guarantees a price for these securities, facilitates the issuance of the securities, and then sells them to the public (or retains them for their own proprietary account.) Source: [Wikipedia](https://en.wikipedia.org/wiki/Underwriting).

The top 10 European investors collectively contributed \$79bn, approximately 8% of the total, and all of them are among the first 40 financial institutions that invest in the weapons industry at a global level.

### TOP 10 EUROPEAN INVESTORS IN ARMS COMPANIES

BNP Paribas	France	\$14bn
Deutsche Bank	Germany	\$13bn
Crédit Agricole	France	\$10bn
Société Générale	France	\$7bn
UBS	Switzerland	\$7bn
Barclays	UK	\$6bn
Groupe BPCE	France	\$6bn
Legal & General	UK	\$5bn
Santander	Spain	\$5bn
Banco Bilbao Vizcaya Argentaria - BBVA	Spain	\$5bn

The top five investors from Asia-Pacific region all come from Japan. They invested \$45bn, approximately 5% of the total investment, and are listed among the first 50 financial institutions that invest in the weapons industry at global level.

### TOP 5 ASIA-PACIFIC INVESTORS IN ARMS COMPANIES

Mizuho Financial	\$13bn
Mitsubishi UFJ Financial	\$12bn
SMBC Group	\$10b
Japan Mutual Aid Association of Public School Teachers (public pension scheme)	\$6bn
Government Pension Investment Fund (GPIF)	\$4bn

Among the first 100 financial institutions, which collectively contribute to 89% of the total financing to the weapons sector, there are no investors from Africa or Latin America.

According to a report by the NGO PAX<sup>14</sup>, the 15 largest banks in Europe invest (through loans and underwritings) in arms companies that sell weapons to states involved in human rights violations or armed conflict. The total invested amount is €87.72bn.

At the top in Europe are the French BNP Paribas, with €16bn, followed by Deutsche Bank, Credit Agricole and Santander.

While most of these banks do have a defence-sector policy outlining the risks, some banks limit the application of this policy to the financing of specific arms transactions. Such policies allow banks to provide general corporate loans and underwriting to arms producers, which can then use these loans at their own discretion (and could use them to finance production for high-risk arms trade).

## 2.2 Nuclear weapons

The 2024 report ‘Untenable investments. Nuclear weapon producer and their financiers’<sup>15</sup>, a joint publication of the NGOs PAX and ICAN (International Campaign to Abolish Nuclear Weapons) (within the ‘Don’t Bank on the Bomb’

campaign<sup>16</sup>) shows that, between January 2021 and August 2023, a total of \$820bn was made available by 287 financial institutions from 28 countries to the top 24 publicly traded companies involved in the production of nuclear weapons.

The majority of these companies are based in countries that either possess nuclear weapons or endorse their use and haven’t signed the Treaty on the Prohibition of Nuclear Weapons (TPNW) which entered into force in 2021.

The support of financial institutions to companies engaged in the production of nuclear weapons allows them to continue developing and manufacturing weapons of mass destruction, contributing to the heightened risk of nuclear escalation that’s increasingly evident today<sup>17</sup>.

Over half of the investors (154) are concentrated in the USA, contributing more than 70% of total investment. The other main countries in which investors are based are the UK (17), China (16), Canada (13), India (12) and Italy (9). The top ten investors are all from the USA and collectively provided nuclear weapons companies with almost half of the total investment.

### TOP 10 FINANCIAL INVESTORS IN NUCLEAR WEAPONS PRODUCERS (GLOBALLY)

Vanguard	\$73bn
Capital Group	\$63bn
State Street	\$56bn
BlackRock	\$53bn
Bank of America	\$40bn
JPMorgan Chase	\$33bn
Citigroup	\$28bn
Wells Fargo	\$24bn
Wellington Management	\$19bn
Morgan Stanley	\$19bn

Excluding the investors from the USA, the first ten investors (investing, however, only \$114bn, about 14% of the total amount) are concentrated in Japan, France, Canada, the UK, Spain and Germany.

<sup>14</sup> PAX (2022), “High-risk arms trade and the financial sector”, Utrecht, July 2022.

<sup>15</sup> PAX, ICAN (2024), “Untenable investments: Nuclear weapon producer and their financiers”, Utrecht, February 2024.

<sup>16</sup> <https://www.dontbankonthebomb.com/>

<sup>17</sup> United Nations (2023), “Alarmed by Risk of Nuclear Escalation among Major Powers, Speakers in General Assembly Warn Growing Distrust, Divisions Are Driving Multilateral System towards Dysfunction”, New York, September 23, 2023.

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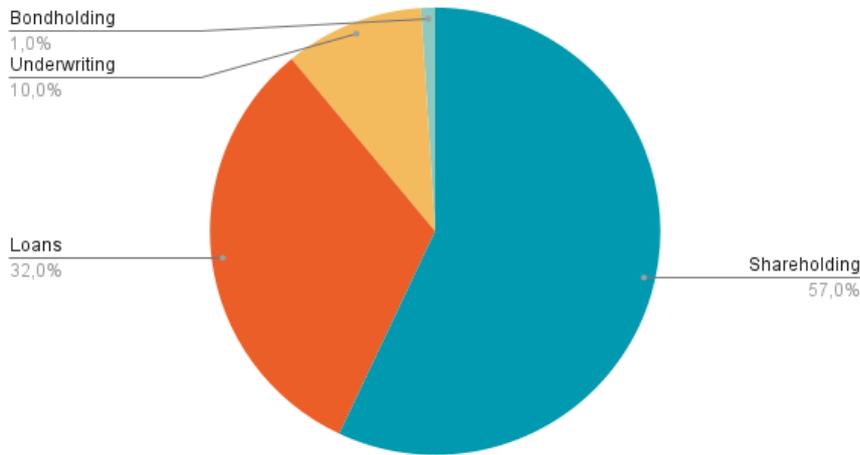
## TOP 10 INVESTORS IN NUCLEAR WEAPONS PRODUCERS EXCLUDING THE USA

Mizuho Financial	Japan	\$15bn
BNP Paribas	France	\$14bn
SMBC Group	Japan	\$14bn
Mitsubishi UFJ Financial	Japan	\$13bn
Crédit Agricole	France	\$12bn
Royal Bank of Canada	Canada	\$11bn
Deutsche Bank	Germany	\$11bn
Sun Life Financial	Canada	\$9bn
Barclays	UK	\$9bn
Santander	Spain	\$6bn

Investments by financial institutions in nuclear weapons producing companies can take various forms, including loans, underwriting (in particular on bond issuance), shareholding, or bondholding.

The most common type of investment is shareholding (about \$471bn) followed by loans (\$264bn), underwriting (\$79bn) and bondholding (\$6bn).

## Investment in nuclear weapons producers by type of investment (globally)



Investors providing loans or underwriting bond issuances may, in some instances, influence a company's direction by constraining the use of their financing. However, a significant portion of funding for companies involved in the production of nuclear weapons is typically designated for "general corporate purposes." Furthermore, even "earmarked" funds often tend to release other capital flows that can be used at the discretion of the company.

In 2022<sup>18</sup>, there was a notable shift in investment trends. The value invested in loans, bonds and underwriting decreased, respectively, by 15%, 14% and 13%, while shareholding increased by 31%. Since many nuclear weapon producers also

manufacture conventional weapons, the increase in shareholding could be linked to the increase of companies' stock values following Russia's invasion of Ukraine and the announcements by NATO states of their intention to increase defence spending. The shift from loans and bonds to shareholding also seemed to indicate a changing landscape in the types of financial instruments being employed to support companies engaged in the production of nuclear weapons. However, the 2024 report by PAX and ICAN highlights different trends. While underwriting and bondholding decreased further (-25% and -12%) and shareholding increased by 4%, the value invested in loans significantly increased by 46%.

## TOP 10 INVESTORS IN NUCLEAR WEAPONS PRODUCERS EXCLUDING THE USA

Shareholding	Loans	Underwriting	Bondholding
Vanguard (USA)	Citigroup (USA)	Bank of America (USA)	Vanguard (USA)
Capital Group (USA)	Bank of America (USA)	JPMorgan Chase (USA)	Franklin Resources (USA)
State Group (USA)	JP Morgan Chase (USA)	Wells Fargo (USA)	TIAA (USA)
BlackRock (USA)	Wells Fargo (USA)	Goldman Sachs (USA)	Allianz (Germany)
Wellington Management (USA)	BNP Paribas (France)	Citigroup (USA)	State Farm (USA)

<sup>18</sup> PAX, ICAN (2022), "Risky Returns: Nuclear weapon producer and their financiers", Utrecht, December 2022.

## 2.3 Cluster munitions and landmines

In August 2010, the Convention on Cluster Munitions (CCM)<sup>19</sup> entered into force prohibiting the use, production, transfer and stockpiling of cluster munitions and any form of assistance in such activities. As of today, 123 states have joined the Convention.

Article 1.1 of the Convention states that *"Each State Party undertakes never under any circumstances to: [...]v Assist, encourage or induce anyone to engage in any activity prohibited to a State Party under this Convention."* However, there is no unanimous interpretation regarding its prohibition of investments in the production of cluster munitions. 38 signatories, as well as the Cluster Munition Coalition - a global coalition of NGOs - have stated that they consider the investment as a form of assistance (and hence prohibited it). However, others - including Germany, Japan and Sweden - disagree. For this reason, several State Parties have adopted specific divestment laws on cluster munitions to explicitly prohibit investments in producers of these weapons. The first country was Belgium in 2007, followed by Ireland, Italy, Liechtenstein, Luxembourg, Netherlands,

New Zealand, Saint Kitts and Nevis, Samoa, Spain and Switzerland.

In addition, some government pension funds in Australia, France, Ireland, Luxembourg, New Zealand, Norway and Sweden have either fully or partially withdrawn investments, or banned investments, in cluster munition producers.

A 2020 Report by the NGO Pax<sup>20</sup> revealed that 88 banks, insurance companies, pension funds, sovereign wealth funds and asset managers had invested about \$9bn in seven companies producing cluster munitions, based in Brazil, India, China and South Korea. Although the number of financial institutions was still significant, it had decreased by 78 investors compared to the previous year, primarily because two US companies - Orbital ATK and Textron - have ceased the production of this type of weapon.

Most financial institutions investing in cluster munition producers were concentrated in states that have not signed the Convention (92%), specifically in China (31%), South Korea (30%) and the USA (24%).

### TOP 5 INVESTORS IN CLUSTER MUNITIONS PRODUCERS

China	South Korea	USA
China Construction Bank	NongHyup Financial	Dimensional Fund Advisors
China Merchants Group	National Pension Service	Citigroup
CSC Financial	Korea Investment Holdings	Vanguard
Bank of China	Hanwha Group	BlackRock
CITIC	KB Financial Group	Causeway Capital Management

The top 20 investors were exclusively from China or South Korea, where five out of seven producing companies have their headquarters. Specifically, the top 10 investors were: China Construction Bank (\$950m), China Merchants Group (\$940m), NongHyup Financial (\$527m), CSC Financial (\$475m), National Pension Service (\$427m), Bank of China (\$403m), CITIC (\$337m), Guotai Junan Securities (\$325m), Korea Investment Holdings (\$287m), Hanwha Group (\$275m).

<sup>19</sup> <https://www.clusterconvention.org/>

<sup>20</sup> PAX (2020), "Worldwide Investment in Cluster Munitions (2018)", Utrecht, November 29, 2020

## Campaña Banca Armada (Armed Bank Campaign)

The Centre Delàs d'Estudis per la Pau, Observatori del Deute en la Globalització (ODG) and SETEM are the promoters of 'Banca Armada'<sup>21</sup>, an initiative that was established in Spain in 2006 to publicly call out banking institutions that finance the military industry, with the aim of raising awareness and demanding ethical and socially responsible investment policies from financial institutions.

The campaign began by denouncing investments in arms of the main Spanish financial institutions. However, although the largest banks allocate the most resources to arms companies, many of the rest of mainstream banks in Spain also invest in weapons. So, in order to show a truer and more comprehensive picture of the problem, a unified campaign, 'Banca Armada', was launched. It extended the scope of action to all financial institutions, including commercial banks, investment banks and insurance companies.

The Armed Bank Campaign's activities aim to inform and raise awareness in the public, in particular among the shareholders of banking institutions, to demand changes in unethical banking policies and to end banks' relationship with socially irresponsible companies that profit from the manufacture and export of arms.

Activists of the Armed Bank Campaign called on supporters to:

- intervene at banks' Annual General Meetings to denounce their investments in armaments;
- disseminate reports on what banks do with their clients' money, to raise public awareness.

In November 2017, a similar campaign, called 'Divest from the War Machine' was launched by the US feminist grassroots organisation Codepink with a coalition of 67 supporting organisations. 'Divest from the War Machine' encourages individual investors and US financial institutions to take action to reduce violent global conflicts and slow the hyper-militarisation of our world by divesting from global weapons manufacturers<sup>22</sup>. The campaign has developed a searchable database<sup>23</sup> of commonly held mutual funds and ETFs to determine if investments are tied to weapons of war. To track major military contractors, the campaign uses the SIPRI Arms Industry Database<sup>24</sup>.

Following pressure from the 'Divest from the War Machine' campaign, seven US cities committed to divesting municipal funds from weapons producers so far. 12 members of Congress, three mayors and over 30 election candidates committed to refusing campaign contributions from political action committees (PACs), executives or organisations representing the top five weapons manufacturers: Lockheed Martin, Northrop Grumman, Raytheon, Boeing and General Dynamics.

<sup>21</sup> <https://bancaarmada.org/en/>

<sup>22</sup> [https://www.divestfromwarmachine.org/about\\_campaign](https://www.divestfromwarmachine.org/about_campaign)

<sup>23</sup> <https://weaponfreefunds.org/>

<sup>24</sup> <https://www.sipri.org/databases/armsindustry>

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### 3. The exclusion of weapons from financing and investments - a short history

The exclusion of armaments from investment and financing has a very long history. As early as the 18th century, the English Quakers took a stand not to make money from war and the trade in slaves<sup>25</sup>. They were a Christian group, also known as the 'Society of Friends', a movement born out of the Anglican church. In 1984, the Society of Friends would become involved in the founding of one of the largest open-ended investment funds based on ethical policies: the Friends Provident Stewardship trust.

The exclusion of armaments from investment in the modern age, however, started in the United States, where the first US ethical fund was launched in 1928<sup>26</sup>.

The Pioneer Fund was the first fund ever to adopt restrictive investment policies against 'sin stocks'. Subsequently, in the early 1970s, and as a response to the war in Vietnam, the Pax World Balanced Fund was created in the United States on the initiative of the Methodist Church. The fund allowed churches to align their investments with the message of the gospel and in a way that did not support the Vietnam War.

Today, the exclusion of the armaments sector is common to many investment funds that call themselves 'ethical' or 'sustainable' and adopt 'exclusionary criteria', thus deciding to exclude certain industries for ethical reasons.

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### 4. Different approaches to exclude weapons' investment

There are various ways to exclude weapons from investments<sup>27</sup>. Most funds only exclude so-called 'controversial' weapons, such as anti-personnel mines, cluster bombs, chemical and biological weapons. These types of weapons are widely banned under national or international law.

Some investors also extend this ban to companies producing nuclear weapons, depleted uranium weapons and white phosphorus, given the difficulties in controlling their impact, especially on civilians, regardless of their intended use.

The last area of exclusion concerns companies producing military equipment and services. This term may be relatively broad, but it includes weapons, military supplies and equipment that can be used for military purposes, including software used by armies. Some investment companies, particularly those owned by values-based banks generally exclude all types of weapons and weapon systems regardless of turnover thresholds.

Values-based banks exclude weapons from their lending and investment activities<sup>28</sup>.

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<sup>25</sup> Strehle, S. (2023), "[The Priesthood of the Believers: Quakers and the Abolition of Slavery](#)", Christopher Newport University, VA, 24 October.

<sup>26</sup> Lumberg, J., "[A History of Impact Investing](#)", Investopedia, September 11, 2022.

<sup>27</sup> PAX, ICAN (2023), "[Moving away from mass destruction. 109 exclusions of nuclear weapons producers](#)", Utrecht, July 2023.

<sup>28</sup> This excludes weapons and arms used for hunting, sports and recreational purposes.

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There are many ways to exclude weapons from finance and banking. However, they all have at least two impacts. Firstly, exclusion raises public awareness of the fact that investing in weapons is not like investing in a conventional industry, because weapons have a catastrophic effect on people, society, the economy and the environment. Secondly, exclusion makes it more difficult for arms companies to acquire capital. In 2022, Jan Pie, Secretary General of the AeroSpace and Defence Industries Association of Europe, said some European armaments companies in recent years have been cut off by lenders and investors, in part because of financial institutions trying to get ahead of new European Union sustainable-investment rules<sup>29</sup>.

Exceptional advances in investment and lending policies over the past decade have contributed to bringing the issue of arms production and export back to the centre of political debate, as well as prompting discussions in the growing field of sustainable finance.

Defence companies have found themselves cut off from some big pension and sovereign wealth funds in recent years, as investors have moved away from the controversial industry. However, the war in Ukraine has cast a new light on the arms industry, particularly in the Global North. The arms lobby and some financial institutions are seizing the moment to push their argument that defence companies should be included in ESG (Environmental, Social and Governance) investing frameworks.

In November 2023 EU Defence Ministers endorsed a Joint Statement on strengthening the defence industry's access to finance and its ability to contribute to peace, stability, and sustainability in Europe<sup>30</sup>.

Some financial institutions have amended their investment policies to accommodate these developments. Swedish bank SEB adjusted a new sustainability policy to allow its funds to invest in the defence sector<sup>31</sup>. While the US investment bank Citi argued that the contribution of weapons makers to "defending the values of liberal democracies and creating a deterrent, which preserves peace and global stability" is a prerequisite for addressing other social issues<sup>32</sup>.

These are still isolated cases, but show that the exclusion of weapons from investments and lending is not inevitable, even among sustainable investors.

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<sup>29</sup> Ballard, E. Sugiura, (2022), "[Sweden's SEB Changes Course on Defense Stocks as War Tests ESG Rules](#)", Wall Street Journal, 2 March.

<sup>30</sup> European Defence Agency (2023), "[Strengthening the EDTIB's access to finance and its ability to contribute to peace, stability, and sustainability in Europe](#)", Brussels, November 14, 2023.

<sup>31</sup> Ballard, E. Sugiura, (2022), "[Sweden's SEB Changes Course on Defense Stocks as War Tests ESG Rules](#)", The Wall Street Journal, 2 March.

<sup>32</sup> Sommer, J. (2022), "[Russia's War Prompts a Pitch for 'Socially Responsible' Military Stocks](#)", The New York Times, March 5, 2022.

## Exclusion is not the only possibility. Critical shareholding by concerned investors

The exclusion of armaments is not the only way savers and investors promote peace. Investors, in particular, have engaged defence companies directly.

By acquiring a symbolic amount of shares of weapons manufacturers, investors acquire the right to actively participate in companies' Annual General Meetings (AGMs), with the possibility to ask questions to the board or, in certain cases, submit resolutions<sup>33</sup>.

In December 2017, a group of values-based financial institutions founded SfC-Shareholders for Change<sup>34</sup>, a network of European investors dedicated to active and critical shareholding on ESG issues. The network currently consists of 17 investors, with invested assets of over €35bn. Among them are GABV members Alternative Bank Schweiz (Switzerland), Banca Etica (Italy - through its group companies Etica Funds, Fondazione Finanza Etica and Fundación Finanzas Éticas) and GLS Bank (Germany

- through its asset management company GLS Investments).

A total of 128 companies were engaged in 2023, including four in the defence sector: the Italian Leonardo, the German companies Rheinmetall and ThyssenKrupp, and the Spanish Indra. The issues on which Shareholders for Change asked questions were the export of weapons to countries involved in human rights violations, the involvement in the production of nuclear weapons and the militarisation of borders. In the case of Rheinmetall, because the group was dissatisfied with the responses to its questions, SfC also engaged with the Norwegian sovereign wealth fund, which is a major investor in the German company, holding 1.6% of its capital. Thanks in part to SfC activism, in collaboration with German and Norwegian NGOs, the Norwegian sovereign wealth fund has decided to change its investment policies in the weapons industry with the prospect of Rheinmetall being excluded from the fund.

## 5. Why divestment is crucial and how it is progressing

A growing number of funds and banks are adopting policies to exclude weapons from investments and lending. The most closely monitored investments are those in nuclear weapons, thanks to the efforts of NGOs such as ICAN and PAX. They were also the first - in 2012 - to identify the main investors in nuclear weapons globally, thanks to the 'Don't Bank on the Bomb'<sup>35</sup> report (see Chapter 2).

The report 'Moving Away from Mass Destruction: 109 exclusions of nuclear weapon producers'<sup>36</sup>, published jointly by ICAN and PAX profiles financial institutions with policies that restrict or exclude investments in companies

involved in nuclear weapons production. The report shows significant progress by some investors and banks in divesting from the weapons industry. This matters because the financial ground that allows the production of nuclear weapons (and weapons in general) to flourish is gradually eroded.

There are currently 55 financial institutions in the world that completely rule out any financial involvement with nuclear weapons manufacturers. PAX and ICAN list them in a 'Hall of Fame'. They include values-based banks, and members of GABV, such as Alternative Bank Schweiz, Banca Etica, Bank Australia, Triodos Bank and vdk bank.

<sup>33</sup> Fondazione Finanza Etica (2019), "L'azionariato critico. Storia, strumenti, successi", September 2019.

<sup>34</sup> <https://www.shareholdersforchange.eu/>

<sup>35</sup> <https://www.dontbankonthebomb.com/about/>

<sup>36</sup> PAX, ICAN (2023), "Moving away from mass destruction. 109 exclusions of nuclear weapons producers", Utrecht, July 2027.

The number of mainstream investors divesting from nuclear weapons is, however, growing: for example the insurance company Storebrand in Norway, Svenska Handelsbanken in Sweden, and the Norwegian Pension Fund, the largest sovereign wealth fund in the world, with €1.2 trillion invested.

This shows that divestment from defence companies is gradually entering new territory: the investment portfolios of investors who are not openly ‘values-based’, ‘ethical’ or ‘sustainable’.

PAX and ICAN also list 54 financial institutions that are making progress but have room for improvement. These are listed in the ‘Runners-Up’ section of the report. Although they have taken measures to limit investments in nuclear weapons manufacturers, one or more loopholes still allow for exceptions.

Although they have very different policies, all ‘Runners-Up’ acknowledge that involvement in nuclear weapons production is controversial. This represents an important step compared to their previous policies.

The number of financial institutions that are changing or have changed their policies to exclude nuclear weapons investments has grown steadily over the past decade. The first publication of the (divesting) report in 2014 listed 35 institutions seeking to avoid investments in the nuclear weapons industry. In 2018, the number rose to 63 and in 2019 it rose further to 77. Since the entry into force of the TPNW Nuclear Weapons Treaty in 2019, the number of known policies has risen to over 100. This is certainly a significant result although it is still a very small number relative to the wider financial industry.

In addition to the increase in these policies, their enforcement is becoming more comprehensive.

PAX and ICAN also highlight that, between 2021 and 2022, 55 mainstream financial institutions divested from nuclear weapons<sup>37</sup>. The majority of these come from the USA (21), the UK (6), France (6), and Canada (5). Divestments from the top ten financial institutions amounted to a total of \$6bn.

Investor	Country	Total divested amount
Norges Bank	Norway	\$2bn
AXA	France	\$1bn
Caisse de dépôt et placement du Québec	Canada	\$1bn
Development Bank of Japan	Japan	\$0.3bn
Standard Life Aberdeen	UK	\$0.3bn
Oddo BHF	France	\$0.3bn
ISALT	France	\$0.3bn
Majedie Asset Management	UK	\$0.2bn
Hengistbury Investment Partners	UK	\$0.2bn
CSC Financial	China	\$0.2bn
Grand Total		\$6.10bn

<sup>37</sup> PAX, ICAN (2022), “Risky Returns: Nuclear weapon producer and their financiers”, Utrecht, December 2022.

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Divestment is an even clearer trend as far as cluster munitions are concerned. Several financial institutions in States Parties<sup>38</sup> (of the Convention on Cluster Munitions - CCM) Australia, Belgium, Canada, Denmark, France, Germany, Ireland, Italy, Japan, Luxembourg, the Netherlands, New Zealand, Norway, Spain, Sweden, Switzerland, and the UK, have adopted divestment policies from cluster munition producers and promoted socially responsible investment.

These institutions include not only values-based banks, small pension funds, and government-managed funds, but also major global financial institutions such as BNP Paribas (France), HSBC (UK), Royal Bank of Canada (Canada), and Mitsubishi UFJ Financial Group (Japan).

In 2018, 48 financial institutions from 13 countries had comprehensive policies prohibiting all investments in cluster munition producers, while 62 more financial institutions from 17 countries had a policy, although with some shortcomings.

In 2021, Italy adopted a law prohibiting the financing of companies involved in the production of landmines, cluster munitions, and their individual components. The list of financial intermediaries subject to the obligations of the law is extensive, encompassing branches with registered offices in both EU and non-EU countries, as well as sectors such as insurance and pension funds. All forms of financial support are banned, including loans, the issuance of financial guarantees, shares, and the purchase or subscription of financial instruments.

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## 6. How GABV members exclude weapons from lending and investments

Between December 2023 and February 2024, the Global Alliance for Banking on Values conducted a survey on how its 71 members - some of the world's most influential values-based banks - exclude weapons from their banking and financial operations.

The results of the survey are clear. None of the GABV member banks have any material exposure and none are actively and knowingly financing the production of, and trade in, weapons and arms<sup>39</sup>.

Most of them have explicit policies that go beyond the exclusion of controversial weapons, excluding the production and trade of any kind of weapons. Very few have reported a minimal exposure to companies producing dual use products and services that can be used for military and defence purposes.

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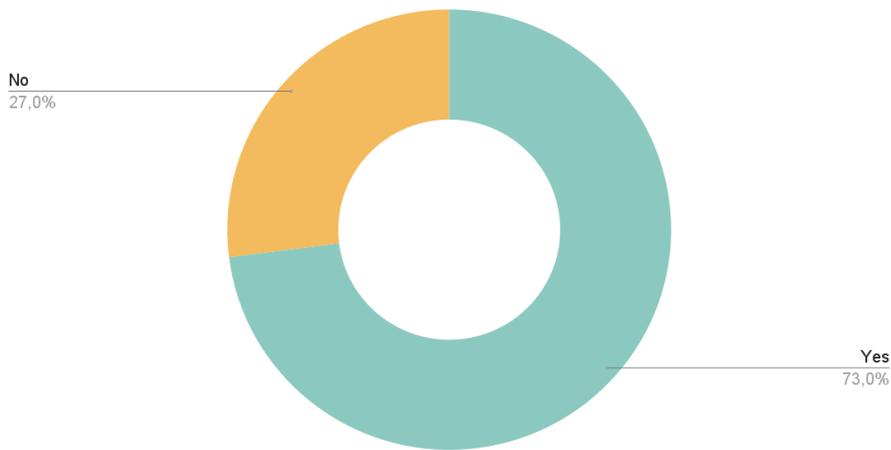
<sup>38</sup> Countries that have ratified the Convention on Cluster Munitions.

<sup>39</sup> Material in this sense means investment or lending to any organisation with an arms related turnover equal or higher than 5%. This does not cover firearms used for hunting, sports and recreation.

73% of GABV members (52 out of 71) have an explicit exclusion policy for the investment or lending in the production or trade in the arms industry. Members without an explicit exclusion policy do not have any material exposure to the

production or trade of arms. In many cases (as explained below) they only lend to local community-based projects in sustainable sectors, and take the exclusion of weapons for granted.

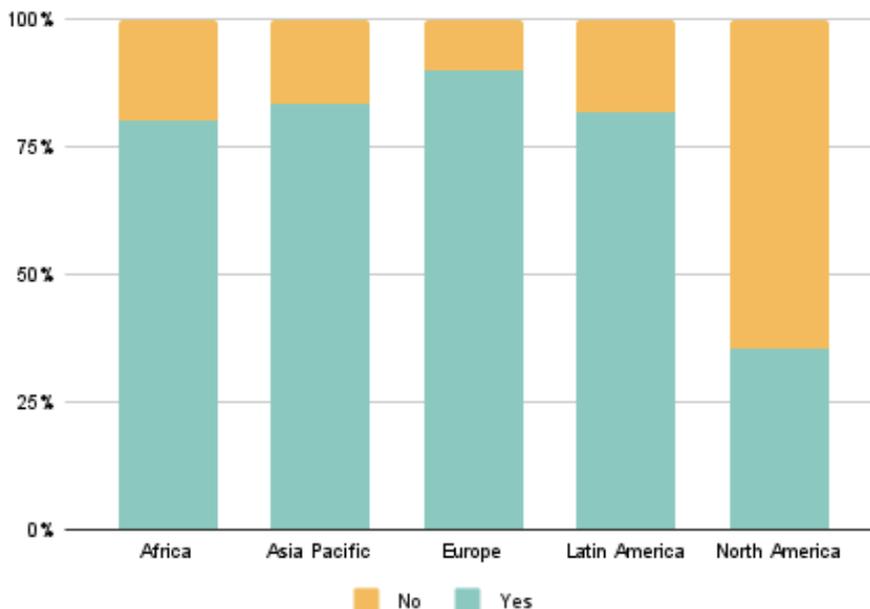
**Does your institution have an explicit exclusion policy for the production or trade in the arms industry?**



The geographic areas in which most GABV members (over 80%) have an exclusion policy regarding weapons are Europe (90%), Asia-Pacific (83%), Latin America (82%)

and Africa (80%). North-America is the only region where the percentage of members who have an exclusion policy is lower than 80% (35%).

**Does your institution have an explicit exclusion policy for the production or trade in the arms industry?**



One reason for the USA’s lower rate of policies may be because in some US States, anti-ESG laws prevent companies from having a policy against lending to or investing in certain industries. This is the case of the HB3 (Anti-ESG Laws) in Florida.

Conversely, some countries - for example, Papua New Guinea, where one GABV member is based - already have very strict firearms laws in place which would make a bank’s policy in this area unnecessary.

Other GABV banks without explicit policies regarding weapons exclude the weapons industry in practice because of strict ethical standards, or because the arms sector is considered a high risk activity, including reputational risk.

Some GABV member financial institutions do not have an explicit exclusion policy nor do they advocate against the finance

of weapons as it simply is not in their scope of work. This is the case of building societies in the UK, community banks in the USA, mutual banks in Australia or microfinance banks in Latin America, to name a few examples. These organisations are focused on financing local community-based projects, small and midsize enterprises (SMEs) or microentrepreneurs. By implementing positive lending policies that prevent financing harmful activities, they ensure they never invest in the defence sector. In these cases exclusion of the arms sector is taken for granted.

In developing countries in Asia, Latin America or Africa, some GABV financial institutions get funding from multilateral development banks or the International Finance Corporation (IFC), which both have strict exclusion criteria on the production and trade of weapons and munitions.

<sup>40</sup> Some of the cases were taken from: Fondazione Finanza Etica, Febea, Fundacion Finanzas Eticas (2023), “6th report of Ethical and value-based finance in Europe”, November 27, 2023.

<sup>41</sup> <https://www.everytown.org/>

<sup>42</sup> <https://amalgamatedbank.com/news/amalgamated-bank-demands-change-sturm-ruger>

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## 7. How GABV members are excluding the defence industry. Some case studies

### Alternative Bank Switzerland (ABS)

ABS excludes the production and trade of armaments and weapons as well as preliminary products and services specifically for the arms industry. In particular, this includes weapons outlawed by the Rome Statute of the International Criminal Court (e.g. NBC weapons, landmines and cluster munitions), weapons systems (e.g. weapons platforms and vehicles) and other military equipment (e.g. radar systems and military transporters). ABS has a policy to publish every single loan, so anyone can see where the money goes.

### Amalgamated Bank (USA)

Amalgamated Bank does not lend to gun, nuclear weapons, or ammunition manufacturers or distributors. The bank partners with many organisations trying to create a safer society and to set the industry standard so that all financial institutions can help keep their communities safe from gun violence. Amalgamated Bank was the first bank to endorse 'Everytown for Gun Safety' principles for responsible practices for gun manufacturers and distributors. In addition, they led a shareholder engagement program with American firearm manufacturing company Sturm Ruger, asking the company to implement Common Sense Reforms as advised by 'Everytown'. It was also the first US bank to announce a policy against nuclear weapons and the only bank to demand background checks and red flag laws in a letter to the U.S. Senate following a string of mass shootings across the United States.

### Australian Mutual Bank (Australia)

Australian Mutual Bank is a mutual organisation (an autonomous association

of persons united voluntarily to meet their common economic needs and aspirations through a jointly-owned and democratically-controlled enterprise), whose activities are designed to enhance the financial well-being of members in a responsible and ethical way. Australian Mutual Bank is committed to sustainable activities and the public reporting of their sustainability performance. In general, they do not provide financial support to individuals or businesses whose activities are deemed detrimental or destructive to the environment, or harmful to members of society. Hence, they do not issue loans to, nor carry any investment issued by companies operating in sectors that directly cause social harm or environmental damage, such as fossil fuels, gambling, armaments (production and supply), persistent chemicals or animal testing.

### Banca Etica (Italy)

The rejection of weapons is in Banca Etica's DNA. Its foundation, in 1999, is intertwined and draws strength from the 'Campagna di pressione alle banche armate' ('Campaign to put pressure on armed banks') to "promote active citizen control over banks' support operations in the arms trade" and to "provide information to associations and individuals for a reconsideration of criteria for managing their savings."

Since then, and up to the present day, a necessary condition to apply for financing from Banca Etica is not being involved in any activities that involve the production and commercialisation of weapons. Etica Funds, Banca Etica's assets manager, has never invested in companies involved in the production, use, maintenance, distribution, and storage of controversial weapons or their key components (such as anti-personnel mines, cluster bombs, or nuclear devices). They also do not invest

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in companies involved in the production of conventional weapons, their key components, and other products or services intended for military use.

### BancoSol (Bolivia)

BancoSol, founded in 1992, was one of the first regulated commercial microfinance banks in the world. Opening the doors of the financial system to sectors that were excluded from formal financing, it fostered the economic and social development of micro and small business and to the progress of Bolivia, contributing to poverty reduction and sustainable development. In its financial statements, BancoSol declares that to strengthen the management of operational, technological and legal risks, several risks are assessed, including the risks of money laundering, financing of terrorism and financing of the proliferation of weapons of mass destruction.

### Bank Australia (Australia)

Bank Australia does not lend to or invest in businesses that produce or sell armaments. As stated in their Responsible Banking Policy, Bank Australia recognises that “arms are a necessary part of defence; however, the sale and manufacture of arms can be problematic when sold to countries with repressive regimes, militia organisations and organised crime syndicates. There are also several types of weapons that are designed and manufactured to cause maximum harm to people who are often civilians. These include nuclear weapons, cluster munitions, biological and chemical weapons and landmines.”

### Bank of Palestine (Palestine)

Bank of Palestine, one of the largest financial institutions in Palestine, incorporates social and environmental risk management systems in all its business functions and activities to protect the environment and human rights. The bank's

annual report states that Bank of Palestine shall not deal with customers involved in illegal manufacturing and trading with weapons, arms and munitions.

In 2008, the bank adopted the International Finance Corporation's (IFC) social and environmental policies, which are applied when granting credit facilitations to any of Bank of Palestine's branches and sub-branches. The IFC Exclusion List defines the types of projects that IFC does not finance. Among them are the production or trade of weapons and ammunition.

### Beneficial State Bank (USA)

Beneficial State Bank implements a positive impact loan policy and does not provide financing to industries and sectors responsible for significant negative impacts to people and the planet. At least 75% of its loans support a more socially-just and environmentally-sustainable world, and none of its loans are counter to this mission. Beneficial State Bank has identified a number of industries, activities and even business transactions that cannot be supported by their lending or deposits. The list includes “semi-automatic weapons, automatic weapons, accessories that enable rapid-fire capability, as well as entities who sell firearms to individuals that are under 21 or have not passed a universal background check.”

### Caja Arequipa (Peru)

Caja Arequipa was first constituted as a non-profit association by the Provincial Municipality of Arequipa, which has been the only shareholder since its foundation. Caja Arequipa is dedicated to micro financial intermediation, increasing coverage and access to financial services not only to urban microenterprises but also to rural ones. Their credit policy includes the prohibition to finance the buying or selling of arms and military equipment and the production or trade of weapons and munitions.

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### ESAF (India)

ESAF started its journey as an NGO during 1992, with a larger vision of sustainable and holistic transformation of the poor and the marginalised. It was one of the pioneers in establishing a formal and structured form of lending through forming mutually trusted groups at the village level in the remote and unbanked/under-banked regions of India.

ESAF has adopted a unique social business strategy, with a triple bottom line approach, emphasising People, Planet and Prosperity. Within its ESG Policy, the bank has a detailed Exclusion List - the 'Exclusion List for Combating ESG Risks' - that defines areas where the bank does not lend. More specifically, the bank does not lend to businesses which are not considered to be ethical and do not fit with the company's policy, such as the production or trade of weapons and munitions.

### FINCA DRC (Democratic Republic of Congo)

FINCA Impact Finance is a worldwide network of 17 community-based microfinance banks and institutions that offer financial services to low-income clients. Founded in 2003, FINCA DRC has been fueling the informal sector and helping thousands of Congolese improve their lives, offering loans, savings and money transfer services throughout the country.

As stated in the exclusion list within its Credit manual, FINCA will not grant loans or provide other types of financial services to individuals engaged in the production or trade of arms and ammunition as the main commercial activity.

### First Microfinance Bank (Afghanistan)

FMFB-A contributes to poverty alleviation and economic development through the provision of sustainable financial services to micro and small businesses and households. They receive funding from multilateral development banks and other

organisations, such as IFC and FMO, which require FMFB-A to align with their policies and apply their exclusion lists, including the production and trade of weapons and munitions. More concretely, FMO requires FMFB-A to apply the European Development Finance Institution (EDFI) 'Principles for Responsible Financing', whose Exclusion List specifically refers to weapons and munitions. Also, according to the Sharia (they became an Islamic bank after the Taliban came to power), weapons are considered a prohibited investment.

### GLS Bank (Germany)

GLS was founded in 1974, at a time when the peace movement was gaining strength in the country. The choice not to finance weapons is in the bank's genes.

GLS Bank excludes financing and investments in the production and/or trade of weapons and armaments, specific components, and services for the military industry. This includes weapons prohibited by the Rome Statute of the International Criminal Court (e.g., weapons of mass destruction, landmines, cluster munitions), weapon systems (e.g., platforms and combat vehicles), and other military equipment (e.g., radar systems and military transporters).

### LAPO Microfinance Bank (Nigeria)

LAPO Microfinance Bank (MfB) is committed to contributing to the development of its operating communities through responsible community investment, collaboration, and partnerships with activities that enhance the socioeconomic development of the people. To ensure that its CSR & Sustainability activities are carried out in a manner that is ethical and in line with global standards, LAPO MfB does not deal with any company or business contained in the International Finance Corporation (IFC) Exclusion list. The Exclusion list includes "production or trade in weapons and munitions" and "production or trade in radioactive materials." The LAPO – IFC Exclusion List supports the proper execution of the assessment of the Social and Environmental framework for LAPO MfB.

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### Merkur (Denmark)

The Danish bank Merkur applies comprehensive selection criteria and minimum requirements to ensure that not only the bank's activities do no harm, but they also lead to positive changes for people, the climate, the environment and biodiversity.

Merkur's minimum criteria exclude customers who produce or sell weapons, weapon parts or weapons-related services. Through its main investment partners (Triodos Investment Management and SDG Invest), Merkur maintains a zero-tolerance policy towards companies involved in the production or distribution of weapons, as well as related services.

### Triodos Bank (Netherlands, Belgium, Germany, Spain, UK)

Triodos Bank excludes companies from financing and investments that:

- Produce or sell weapons, components specifically designed for weapons, and/or provide services related to them.

'Weapons' include both conventional and unconventional arms such as nuclear, chemical, and biological weapons, as well as complete weapon systems.

- Offer financial services to companies that produce or sell weapons or services related to weapons (e.g., maintenance, repair or training for their use).

- Have holdings, equity investments, bonds, and/or provide loans to companies involved in anti-personnel mines, cluster bombs, biological weapons, chemical weapons, and/or nuclear weapons.

Moreover, Triodos Bank conducts ad hoc evaluations of companies involved in the production or sale of technologies that can be used for both civilian and military purposes, to ensure that they are not designed to cause harm to people or animals.

### Umweltbank (Germany)

Weapons and military articles are excluded from both financing (loans) and investments (funds) by Umweltbank. Umweltbank's investment funds exclude any company that generates revenue, regardless of the extent, from the production or distribution of weapons or from services related to weapons.

The bank excludes from investments States that have a military budget exceeding 2% of the Gross Domestic Product, possess nuclear weapons, or have not signed the Treaty on the Non-Proliferation of Nuclear Weapons.

On 1st March 2022, Umweltbank joined a group of church and ethical banks based in Germany (including Triodos Bank) to condemn the Russian aggression in Ukraine, call on all actors in the financial market to take responsibility and urge investors to consider what is being financed with their money and which bank they want to work with

### Vancity (Canada)

Vancity was founded in 1946 as a credit union. In 1986, it offered Canada's first socially responsible mutual fund. Every year 30% of its profits goes back to members and to initiatives that create long-term gains in things like climate change, reconciliation, and financial literacy.

Vancity managed funds don't invest in fossil fuels, military weapons, gambling, nuclear power, pornography or tobacco. The exclusion is made through an ESG screening based on revenue screening. Companies earning 5% or more revenue from direct 'Big 5' (tobacco, gambling, adult entertainment, weapons, and nuclear power) products and service offerings are excluded from investment.

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# About the research

The data on financial investors in the weapon industry at the global level were sourced from various publications by international NGOs, campaigns and institutions. Raw data taken from the Armed Bank Campaign's database were pro-cessed and added by the authors.

According to the methodology of the consulted research, data sources include publicly listed corporate reporting, stock exchange filings, screening-agency information, financial institution reports and websites, specialised financial databases (by Thomson Reuters, Bloomberg, Refinitiv), as well as civil society reports, media reports, archives of trade magazines, local newspapers, the financial press, information from campaigners and other public sources.

Data concerning GABV members were collected between December 2023 and February 2024 through a closed-ended questions survey. The first question posed to banks was: ***“Does your have an explicit exclusion policy for the production or trade in the arms industry?”***

If the answer was negative, they were also asked: ***“In the absence of such a policy, do you have any material exposure to the production or trade in the arms industry?”***

The last question was ***“Does your institution finance any company with involvement in the production of, or trade in, the arms industry with a turnover equal or higher than 5%?”***

Additionally, banks were given the opportunity to provide supplementary information and/or any relevant links or documents. In some cases, the report's authors have found information from publicly available sources. All the information gathered was initially analysed comprehensively and then aggregated according to the geographical location of the banks in five different macro-areas.

The vision articulated in this report represents, and is drawn from, values-based banking practice, but does not necessarily represent each member's view.



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## ANNEX 1: PRINCIPLES OF VALUES-BASED BANKING

Since its founding, the Global Alliance for Banking on Values had clear that a set of common principles were needed to distinguish why values-based banks are different from other forms of banking.

For the majority of banking institutions, the primary or exclusive driver of business decisions is based on the profitability of the services provided, even if the by-products of those decisions do not deliver sustainable economic, environmental or social development.

For GABV members, business decisions start by identifying a human need to be met, and then establish how to meet that need in a way that is sustainable from an environmental, social and economic perspective, including sustainable profitability for the bank. This meant that in agreeing to be a member of the Alliance, each bank would live by these six principles:

### **Principle 1. Social and environmental impact and sustainability are at the heart of the business model**

Values-based banks integrate this approach by focusing simultaneously on people, planet and prosperity. Products and services are designed and developed to meet the needs of people and safeguard the environment. Generating reasonable profit is recognized as an essential requirement of values-based banking but is not a stand-alone objective. Importantly, values-based banks embrace an intentional approach to triple-bottom-line business – they do not just avoid doing harm, they actively use finance to do good.

### **Principle 2. Grounded in communities, serving the real economy and enabling new business models to meet the needs of both**

Values-based banks serve the communities in which they work. They meet the financial needs of these geographic and sector-based communities by financing enterprises and individuals in productive and sustainable economies.

### **Principle 3. Long-term relationships with clients and a direct understanding of their economic activities and the risks involved**

Values-based banks establish strong relationships with their clients and are directly involved in understanding and analysing their economic activities and assisting them to become more values-based themselves. Proper risk analysis is used at product origination so that indirect risk management tools are neither adopted as a substitute for fundamental analysis nor traded for their own sake.

### **Principle 4. Long-term, self-sustaining, and resilient to outside disruptions**

Values-based banks adopt a long-term perspective to make sure they can maintain their operations and be resilient in the face of external disruptions. At the same time, they recognize that no bank, or its clients, is entirely immune to such disruptions.

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### Principle 5. Transparent and inclusive governance

Values-based banks maintain a high degree of transparency and inclusiveness in governance and reporting. In this context, inclusiveness means an active relationship with a bank's extended stakeholder community, and not only its shareholders or management.

embedding these values requires deliberate effort, these banks develop human resources policies that reflect their values-based approach (including innovative incentive and evaluation systems for staff) and develop stakeholder-oriented practices to encourage values-based business models. These banks also have specific reporting frameworks to demonstrate their financial and non-financial impact.

### Principle 6. All of these principles embedded in the culture of the financial institution

Values-based banks seek to embed these principles in the culture of their institutions so that they are routinely used in decision-making at all levels. Recognizing that the process of



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## ANNEX 2: LIST OF GABV'S MEMBERS AS OF JANUARY 2024

3Bank (Serbia)	Finca DRC (Democratic Republic of Congo)
ACBA (Armenia)	First MicroFinance Bank Tajikistan (Tajikistan)
Alternative Bank Schweiz (Switzerland)	First Microfinance Bank-Afghanistan (Afghanistan)
Amalgamated Bank (USA)	Freie Gemeinschaftsbank Genossenschaft (Switzerland)
Australian Mutual Bank (Australia)	G&C Mutual Bank (Australia)
Banca Etica (Italy and Spain)	GLS Bank (Germany)
Banco Ademi (Dominican Republic)	Integral (El Salvador)
Banco Codesarrollo (Ecuador)	Kindred Credit Union (Canada)
Banco de Antigua (Guatemala)	Kompanion Bank (Kyrgyzstan)
Banco Mundo Mujer (Colombia)	LAPO Microfinance Bank (Nigeria)
Banco Popular de Honduras (Honduras)	MagNet Bank (Hungary)
BancoSol (Bolivia)	Merkur Cooperative Bank (Denmark)
Banfondesa (Dominican Republic)	Muktinath Mikas Bank Ltd. (Nepal)
Bank Australia (Australia)	National Cooperative Bank (USA)
Bank Muamalat (Malaysia)	NMB Bank Limited (Nepal)
Bank of Palestine (Palestine)	North East Small Finance Bank (India)
Beneficial State Bank (USA)	Opportunity International Savings and Loans Ghana (Ghana)
BRAC Bank (Bangladesh)	SDB Bank (Sri Lanka)
Caisse d'Économie Solidaire Desjardins (Canada)	SIPEM Banque (Madagascar)
Caja Arequipa (Peru)	Southern Bancorp (USA)
Centenary Bank (Uganda)	SozialBank (Germany)
Center-Invest (Russia)	Spring Bank (USA)
Charity Bank (UK)	Summit Credit Union (USA)
City First Bank (USA)	Sunrise Banks (USA)
Civic Federal Credit Union (USA)	Teachers Mutual Bank Limited (Australia)
Clearwater Credit Union (USA)	TISA - Teachers Savings and Loan Society (Papua New Guinea)
Climate First Bank (USA)	Triodos Bank (Netherlands, Belgium, UK, Spain, Germany)
Cooperativa Abaco (Peru)	Umweltbank (Germany)
Cooperative Bank of Karditsa (Greece)	Unity Trust Bank (UK)
Credit Human (USA)	Vancity Credit Union (Canada)
Credo Bank (Georgia)	vdk bank (Belgium)
Cultura Bank (Norway)	Verity Credit Union (USA)
Dai-Ichi Kangyo Credit Cooperative (Japan)	Visión Banco (Paraguay)
Ecology Building Society (UK)	VSECU/NEFCU (USA)
Ekobanken (Sweden)	XacBank (Mongolia)
ESAF Small Finance Bank (India)	

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# Colophon

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Established in 2009, Merian Research is a strategic consulting firm based in Berlin, Germany, specialising in corporate due diligence, reputational risk analysis, media intelligence, ESG and proxy advisory. Since 2019 Merian Research is Chief Editor of the annual “Report on Ethical and Value-based Finance in Europe”, published by the Banca Etica Group in cooperation with FEBEA (European Federation of Ethical and Alternative Banks). [www.merian-research.com](http://www.merian-research.com)

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