

European Defence Bond Label

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1. Purpose and objectives

Recent geopolitical shocks have catalysed a broad rethinking of Europe's defence policy and strategic dependencies. As part of its response, the European Union has initiated significant efforts to revitalise and consolidate its Defence and Security industrial base. Initiatives such as the Permanent Structured Cooperation (PESCO) in 2017, the European Defence Fund in 2021, the Strategic Compass for Security and Defence in 2022, the European Defence Industrial Strategy (EDIS) and the proposed European Defence Industry Programme (EDIP) in 2024, aim to strengthen Europe's military-industrial capabilities.

However, access to long-term private capital remains a structural weakness. Capital markets, and particularly the debt market, can play a transformative role in enabling European Defence and Security companies to scale production, accelerate innovation, and reinforce resilience.

The **European Defence Bond Label** ("EDBL" or "label") is a voluntary, market-driven framework launched by Euronext to support the classification of bonds financing Europe's Defence and Security sector. It provides a set of non-binding recommendations to help investors identify credible Defence and Security-related debt issuances by entities such as European corporates, financials (FIGs), sovereigns, and supranationals. By enhancing transparency and trust, the label seeks to support European Union's security goals and pave the way for potential public support measures.

The main objectives are:

- Introduce a fast-track admission process for debt instruments aligned with the label.
- Establish a common framework to identify and label bonds financing eligible European Defence and Security activities.
- Enhance transparency, consistency, and investor confidence in Defence and Security-related debt instruments.
- Enabling alignment with future European Union-level initiatives, such as financial incentives or regulatory support via instruments like the proposed DSR Bank.
- Support the European Union's strategic autonomy and resilience by facilitating financing of critical Defence and Security capabilities.

2. Definitions and key concepts

- **European Defence Bond (EDB):** A thematic debt instrument issued by companies operating directly in the European Defence and Security sector, and/or companies from other sectors whose net proceeds (or an amount equivalent to the net proceeds) are allocated to financing and/or refinancing, in part or in full, new and/or existing eligible European Defence and Security-related activities (including through the supply of financial services and lending), and/or sovereign or supranational entities that earmark the net proceeds of the bond for the financing of European Defence and Security capabilities, as defined in this label. Use of proceeds may include the financing or refinancing of European Defence and Security-related projects or operations, as further detailed in the "Eligible Use of proceeds and activities" section.
- **European Defence and Security sector:** The European Defence and Security sector encompasses the set of industrial, technological, service-based and institutional actors established within the European Union and associated countries (see eligibility criteria below) whose activities contribute directly or indirectly to the development, production, maintenance, operation or protection of systems, capabilities and infrastructures that support national and collective defence, internal and external security, and the strategic autonomy of Europe. This includes manufacturers of military platforms, systems and equipment (such as vehicles, vessels, aircraft, weapons, sensors and protective technologies), as well as suppliers of critical subsystems and components (including propulsion, electronics, communications, and advanced materials). It also covers cybersecurity, surveillance and intelligence providers involved in protecting digital infrastructure and national sovereignty, as well as operators of dual-use space assets. Entities active in Defence and Security-related R&D, engineering, logistics, maintenance, or the safeguarding of critical infrastructure are also included, alongside financial institutions facilitating dedicated investment or lending to European Defence and Security actors, or to acquisitions or purchases benefiting European countries by reinforcing their military capabilities. The sector also comprises sovereign, quasi-sovereign and supranational bodies funding or conducting missions that enhance European Defence and Security resilience. Activities are included based on their primary purpose and effective contribution to European Defence and Security objectives, and must comply with applicable international laws.
- **Dual-use technologies:** Dual-use technologies refer to products, components, materials, software, and know-how that can be used for both civilian and military purposes. These technologies may be originally designed for civil applications but are also capable of being adapted, integrated or repurposed for defence, security, or intelligence uses – either directly or as part of broader systems. Dual-use domains include, but are not limited to, advanced electronics, quantum technologies, space systems, artificial intelligence, autonomous systems, high-performance computing, cyber technologies, semiconductors, biotechnology, advanced manufacturing, and materials science. Their strategic relevance lies in their potential to enhance both national and European security and economic competitiveness. As such, dual-use technologies are often subject to export/import control regimes and regulatory oversight, in line with international obligations (including the Wassenaar Arrangement and relevant European Union regulations), to prevent the misuse or proliferation of

sensitive capabilities. Within the framework of this label, dual-use technologies are considered eligible only when there is a demonstrable and intentional link between their development or deployment and European Defence and Security objectives. This may include, but is not restricted to, their integration into defence-related systems, partnerships with defence institutions, or contracts with military or security end-users.

- **Issuer:** The legal entity that issues the bond.
- **Fast-track admission process:** For debt instruments aligned with the label, Euronext will prioritise the handling of listing applications to the fullest extent possible within its internal processes. While the ability to fast-track admissions on Multilateral Trading Facilities (MTFs) already exists, the treatment of applications on Regulated Markets remains subject to the timelines and discretion of the relevant National Competent Authorities. Nevertheless, Euronext is committed to ensuring that all EDBL-aligned applications receive prompt and efficient processing on its side. For example, in the case of a first-time issuer, internal steps such as KYC, eligibility checks or due diligence reviews will be prioritised. Euronext will also engage constructively with regulators to facilitate a faster review wherever feasible.

3. Eligibility criteria

The eligibility criteria cover multiple dimensions, including the type of issuer and instrument, geographical and legal requirements, eligible use of proceeds and Defence and Security-related activities, and ESG disclosure expectations, as well as exclusion principles.

3.1 Issuer eligibility and subsequent eligible activities per issuer

3.1.1 NON-FINANCIAL CORPORATES

Eligible non-financial corporations must either:

- Be established in Europe, meaning headquartered or incorporated in a European Union member state, a member of the European Economic Area (Norway, Iceland, Liechtenstein), an associated country with formal cooperation agreements with the European Union (Switzerland, Ukraine, United Kingdom), or a country with a bilateral Security and Defence partnership or in active accession negotiations with the European Union (as of 04/07/2025: Moldova, South Korea, Japan, Albania, North Macedonia and Montenegro), OR
- Generate or incur more than 50% of their revenues, capital expenditures (CAPEX), operating expenditures (OPEX), or payroll expenses within the above-mentioned geographic perimeter.

If the above eligibility criteria are met:

- Proceeds from European Defence Bonds may be allocated to finance or refinance Defence and Security-related or dual-use activities. At least 85% of the net proceeds must be allocated to projects or operations that demonstrably contribute to the development, support, or deployment of European Defence and Security capabilities, in line with the definitions and objectives set out in this label. The remaining 15% may be allocated to other economic activities, provided they do not contradict the objectives of the label.
- In cases where proceeds are used for general corporate purposes rather than project-level allocations, such use is only permissible if the issuer generates more than 50% of its total revenues from Defence and Security-related activities, as defined in this label.

3.1.2 SOVEREIGN, QUASI-SOVEREIGN OR SUPRANATIONAL ENTITIES

Eligible sovereign, quasi-sovereign or supranational entities must be established in Europe, meaning they are member states of the European Union, members of the European Economic Area (Norway, Iceland, Liechtenstein), an associated country with formal cooperation agreements with the European Union (Switzerland, Ukraine, United Kingdom), or a country with a bilateral Security and Defence partnership or in active accession negotiations with the European Union (as of 04/07/2025: Moldova, South Korea, Japan, Albania, North Macedonia and Montenegro). Supranational entities operating under a European mandate originating from an eligible country, as defined above, are also eligible.

If the above eligibility criteria are met, the following activities may be financed or refinanced through the allocation of proceeds from European Defence Bonds:

- Defence and Security-related activities that contribute to the development, reinforcement, or protection of European strategic autonomy and collective security. To be considered eligible, such expenditures must (i) fall within the scope of the European Defence and Security sector as defined in this label, and (ii) be entirely dedicated to capabilities, programmes, infrastructures or beneficiaries located in Europe or serving exclusively European interests.
- Export and import operations strictly authorised under national and international regulations may also qualify as eligible activities, provided that:
 - For exports:
 - The defence equipment is produced by an eligible entity under this label; AND
 - The destination country is authorised under applicable national and European export control regimes; AND
 - The transaction is explicitly approved by the national competent authority (e.g. via an export licence or intergovernmental agreement).
 - For imports:
 - The defence equipment is acquired by a non-financial corporate, sovereign, quasi-sovereign, or supranational entity from a European or non-European supplier duly authorised under European and national procurement rules, and the acquisition demonstrably supports European defence capabilities
- The financing of non-European defence capabilities, including foreign military assets, industrial bases, or strategic interests located entirely outside the European Union, European Economic Area, associated European countries with formal cooperation agreements with the European Union, or countries with a bilateral Security and Defence partnership or in active accession negotiations with the European Union, as defined above, remains excluded from the scope of eligible use of proceeds, unless explicitly authorised under national and European regulations.

3.1.3 FINANCIAL INSTITUTIONS (FIG)

Eligible financial institutions must be established or licensed in Europe, meaning headquartered, incorporated, or operating under a regulatory framework of a European Union member state, a member of the European Economic Area (Norway, Iceland, Liechtenstein), an associated country with formal cooperation agreements with the European Union (Switzerland, Ukraine, United Kingdom), or a country with a bilateral Security and Defence partnership or active accession negotiations with the European Union (as of 04/07/2025: Moldova, South Korea, Japan, Albania, North Macedonia and Montenegro).

If the above eligibility criteria are met, the following activities may be financed or refinanced through the allocation of proceeds from European Defence Bonds:

- Assets (notably including loans, credit lines or structured instruments) that benefit entities such as non-financial corporates, sovereign, quasi sovereign, or supranational entities that:
 - Are primarily active in the European Defence and Security sector, as defined in this label, OR
 - Use the financing for Defence and Security-related activities (CAPEX, OPEX, R&D), as defined in this label
- Export and import operations strictly authorised under national and international regulations may also qualify as eligible activities, provided that:
 - For exports:
 - The defence equipment is produced by an eligible entity under this label, including eligible entities identified according to the Financial institutions' own eligibility assessment methodology, as defined below; AND
 - The destination country is authorised under applicable national and European export control regimes; AND
 - The transaction is explicitly approved by the national competent authority (e.g. via an export licence or intergovernmental agreement).
 - For imports:
 - The defence equipment is acquired by a non-financial corporate, sovereign, quasi-sovereign, or supranational entity from a European or non-European supplier duly authorised under European and national procurement rules, and the acquisition demonstrably supports European defence capabilities
- Assets (notably including loans, credit lines or structured instruments) dedicated to Defence and Security equipment, services contracts and transactions, in domains or activities listed under the "Eligible Use of proceeds and activities" list below.

Where the Financial institution does not have access to granular quantitative data (such as revenue, CAPEX, OPEX, or payroll breakdowns by geography), it must have a documented internal process in place to assess the eligibility of financed entities. This process may rely on credible sources such as:

- Recognised industry lists
- Sectoral associations or industry syndicates
- National or supranational defence registers
- Classification frameworks which reasonably establish that the borrower is active in the European Defence and Security sector, as defined in this label

The financial institution must be able to document its eligibility assessment methodology and ensure traceability of the allocation of proceeds to qualified borrowers, contracts and transactions, in line with the label's objectives of supporting European strategic autonomy, security resilience, and the development of a robust European Defence and Security industrial base.

3.2 Types of instrument

All debt instruments are eligible under the label, irrespective of their structure or seniority. This includes, but is not limited to: senior unsecured and secured bonds, subordinated debt, hybrid instruments, convertible bonds, asset-backed securities, and multi-tranche issuances (with each tranche assessed independently). The label aims to provide a flexible framework that accommodates the full spectrum of debt products used to finance eligible Defence and Security-related activities.

3.3 Operational and legal criteria

The following requirements or recommendations, as the case may be, apply across all eligible issuer categories under this label, unless otherwise specified:

- Issuers are encouraged to demonstrate that 85% of the proceeds, or the general activities of the ultimate beneficiary, are intended to serve European Defence and Security needs, and do not contribute to activities that could undermine European safety or autonomy. This may include a majority of revenues, contracts, or end-user benefits linked to European programmes, institutions, or armed forces.
- All issuers and financed activities must comply with applicable European and national regulations, including those governing the Defence and Security industry, dual-use technologies, trade controls, and export/import restrictions. Exclusions under this label are strictly limited to armament activities prohibited under international treaties ratified by the relevant country.

- When proceeds are intermediated through financial institutions, these entities are expected to ensure, through internal policies and due diligence, that their financed activities also comply with these operational and legal principles.

3.4 Eligible use of proceeds and activities

The following domains or activities are examples of categories and activities that are considered to be eligible use of proceeds. This list is not exhaustive:

- Research, development and industrialisation of defence systems (including prototypes, dual-use technologies, advanced materials, testing, and certification phases).
- Manufacturing, production, assembly and integration of military equipment and platforms (aerial, naval, terrestrial, and space-based), including unmanned systems and autonomous technologies.
- Upgrade and modernisation of existing military platforms or systems (weapons, communications, avionics, propulsion, survivability enhancements, etc.).
- Cyber defence, digital sovereignty, and secure communication systems, including encryption, infrastructure hardening, and zero-trust architectures.
- Surveillance, intelligence, reconnaissance and early-warning systems, including ground-based, airborne, or space-based assets.
- Development and protection of critical infrastructure essential to defence resilience (e.g., defence tech hubs, raw material processors, strategic logistics nodes, sovereign data centres).
- Military logistics, maintenance and operational support chains, including fuel, ammunition, warehousing, transport, and MRO (maintenance, repair and overhaul).
- Infrastructure dedicated to national or collective defence (e.g., training facilities, command centres, hardened military bases).
- Dual-use projects with a clear strategic security purpose (e.g., quantum computing, high-performance computing, robotics, advanced optics, semiconductor fabrication plants).
- Security of supply chains for defence and security purposes, including reshoring or diversification of critical dependencies.
- Space and satellite infrastructure dedicated to secure communications, earth observation, navigation or military operations.
- Civil protection and crisis response capabilities (e.g., CBRN defence, emergency response logistics, resilience against hybrid threats).
- Services directly enabling defence capabilities, such as engineering, simulation, tactical software, or specialist recruitment and training.

Proceeds shall only finance activities or entities that:

- Comply with the European Union's legal and strategic frameworks on defence, security, and civil protection.
- Are consistent with relevant European policies such as the Strategic Compass, the European Defence Fund, the European Peace Facility, or national defence plans aligned with European strategic objectives.

Issuers are encouraged to disclose:

- Internal policies and processes for export/import control compliance.
- The geographical scope of financed activities, especially where exports/imports or dual-use items are involved.
- Any screening mechanisms used to prevent financing of activities that may conflict with European foreign policy, international humanitarian law, or international arms control agreements.

3.5 Exclusions

- Companies involved in the development, production, or trade of nationally or internationally prohibited weapons, including chemical weapons, biological weapons, anti-personnel mines, cluster munitions, and nuclear weapons not compliant with the Treaty on the Non-Proliferation of Nuclear Weapons (NPT), as defined by the relevant international treaties signed and ratified by the issuer's home country.
- Entities listed under European and US sanctions regimes, including individuals or organisations subject to asset freezes or activity bans, as well as entities incorporated in countries that are subject to European Union and US arms embargoes or restrictive measures related to Defence and Security, in alignment with Euronext's AML and Sanctions Policy.
- Projects or activities that are not compliant with international humanitarian law, including those that may contribute to serious violations of the laws of armed conflict, or that raise substantiated ethical concerns, in particular regarding indiscriminate effects, disproportionate harm to civilians, or potential misuse of the financed technology.
- Activities that materially conflict with the European Union's strategic interests, including the indirect reinforcement of non-European military capabilities or the transfer of sensitive technologies to jurisdictions outside the European Union and its associated countries, unless explicitly authorised under European or national regulations.
- Projects or activities that are suspected to be associated with money laundering or terrorist financing.

3.6 Disclosure recommendations

- Issuers are encouraged to disclose policies on human rights, corruption, export/import control and data security, as well as on anti-money laundering and terrorist financing if applicable.
- Issuers are encouraged to report regularly on the allocation of proceeds, where feasible, including information on financed activities and their alignment with the eligibility criteria.

4. Labelling and issuance process

4.1 Obtention of the label

The allocation of the "European Defence Bond" label relies on a self-declaration by the issuer, confirming that the bond issuance complies with the eligibility criteria set out in this label. No second-party opinion or external verification is required to obtain the label, and no additional cost is charged to the issuer for obtaining the label.

The label is granted by Euronext upon receipt and review of the self-declaration form, which must be submitted ahead of the bond's issuance date.

Disclaimer: Euronext's review of the EDBL eligibility criteria is strictly limited to verifying the formal consistency and completeness of the issuer's self-declaration form. It does not constitute any form of certification, validation, or due diligence of the issuer's disclosures.

Label confirmation is typically issued within 1 to 3 business days following submission of the self-declaration. It takes the form of a written confirmation by Euronext (email or formal letter), which may then be referred to in investor documentation (including the prospectus or Final Terms). Issuers are therefore required to clearly include the above disclaimer in their prospectus and promotional materials, to ensure clarity regarding the nature and scope of Euronext's review. To ensure that the label is received in good time, issuers are encouraged to submit their self-declaration prior to filing the bond prospectus for regulatory approval.

While the label is granted based on self-declaration, Euronext retains full discretion to refuse or withdraw the label at any time if:

- Inconsistencies or omissions are identified in the issuer's declaration.
- The use of proceeds is no longer aligned with the label's eligibility criteria.
- The continued use of the label is deemed to undermine market integrity, investor trust, or the strategic objectives of the label.

Issuers are required to submit an annual self-declaration, reaffirming that the use of proceeds and relevant eligibility criteria continue to be met. This reaffirmation is a condition for maintaining the visibility of the labelled bond on Euronext's platforms and communications.

Euronext may request additional documentation or clarification at any time to support the issuer's declaration.

4.2 Visual identity

Labelled bonds benefit from a dedicated visual identity, designed to enhance transparency and visibility for investors interested in supporting European Defence and Security capabilities. The label and branding elements are owned and managed by Euronext, and may be used by issuers in investor communications and marketing materials.

Issuers are authorised to use the label and its visual identity for commercial purposes, including in roadshows, presentations, press releases, and other promotional documents, provided that such use remains consistent with the values and framework of the label.

Labelled bonds will also be featured on a dedicated section of the Euronext website, enhancing discoverability by investors interested in supporting European Defence and Security capabilities.

5. Self-declaration

Euronext will provide eligible issuers with a standardised self-declaration template, designed to confirm compliance with the label. This self-declaration must be completed and signed at the time of listing, as a condition for obtaining the European Defence Bond label. By doing so, the issuer confirms that the bond meets the eligibility criteria defined in the label and that the use of proceeds is consistent with the strategic objectives of supporting European Defence and Security capabilities.

Issuers that have adopted and published a clear internal or external framework outlining the full scope of their policies and practices governing the allocation of proceeds to eligible Defence and Security-related activities may submit the self-declaration once annually, at issuer level, on the anniversary date of their first issuance. This streamlined approach acknowledges the existence of a structured, transparent governance mechanism ensuring ongoing alignment with the label.

By contrast, issuers that do not have such a public and comprehensive framework in place are required to complete the self-declaration for each labelled instrument. In such cases, the self-declaration must be submitted at issuance and renewed annually for each outstanding bond.

In all cases, the annual self-declaration is intended to ensure that bonds remain aligned with the label requirements over time and that any material changes in use of proceeds, bond structure, or issuer eligibility are transparently reported.

A grandfathering clause applies to all bonds that were flagged under a previous version of the label. These instruments will retain their applicable label status for their remaining maturity, provided that the issuer continues to meet the disclosure and reporting requirements applicable at the time of their original listing.

Failure to submit the required annual self-declaration may result in the suspension or withdrawal of the label at Euronext's discretion.

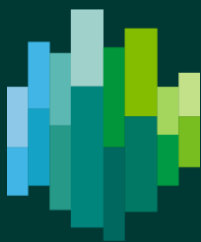
6. Governance and oversight

Euronext will oversee the implementation and administration of the European Defence Bond Label. It has been developed through an open and collaborative dialogue with key stakeholders across the Defence and Security financing ecosystem, including financial institutions, investors, issuers, and other market participants. This inclusive approach reflects the importance of building a credible and workable framework aligned with both market realities and European strategic objectives.

The label is intended to remain adaptable over time and may be revised based on feedback from market participants, policymakers, and regulatory authorities. Any future updates will seek to preserve the balance between transparency, rigour, and flexibility to ensure continued relevance and impact.

The publication of this document does not represent solicitation, by Euronext, of public saving and is not to be considered as a recommendation by Euronext as to the suitability of the investment, if any, herein described or cited. No action should be taken or omitted to be taken in reliance upon information in this document. We accept no liability for the results of any action taken based on the information herein. Euronext refers to Euronext N.V. and its affiliates. Information regarding trademarks and intellectual property rights of Euronext is located at euronext.com/terms-use.

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