



# DEFENCE INVESTMENTS

## LEGAL READINESS FOR A NEW STRATEGIC ERA

Over the past decade, Defence has moved from the margins of public debate to the heart of European policy. For Belgium, a small, open economy hosting both EU and NATO institutions, this shift is not abstract. It is reshaping budgets, industrial policy and expectations of what our companies, investors and legal frameworks should be able to do.

# LEGAL INSIGHT

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The increasing instability in the global security landscape has driven democratic governments to reevaluate their preparedness, resilience, and industrial capabilities.

As we enter this new era, one key principle stands out: "Si vis pacem, para bellum", "If you want peace, prepare for war." While this Latin adage is frequently quoted, it is less often translated into effective long-term planning. Today, translating this in practice means aligning legal structures, financing frameworks, and industrial partnerships to the realities of Defence innovation and strategic autonomy.



### Delayed Returns, Complex Exit—but Strategic Necessity

Defence investment has traditionally been avoided:

- Returns are slow due to long procurement and R&D cycles.
- Exits are hard due to export controls, government co-ownership, and reputational issues.
- Demand is client-led: ministries, not markets, define the requirements.

However, perception is shifting fast. Europe has clarified the regulatory path; now it's up to law and investment professionals to follow it.



#### ESG Clarity: Not Blocked, Just Misunderstood

#### According to Bruegel:

"Sustainability rules are not a block to EU defence financing—reputational fears are." Bruegel, June 2025.

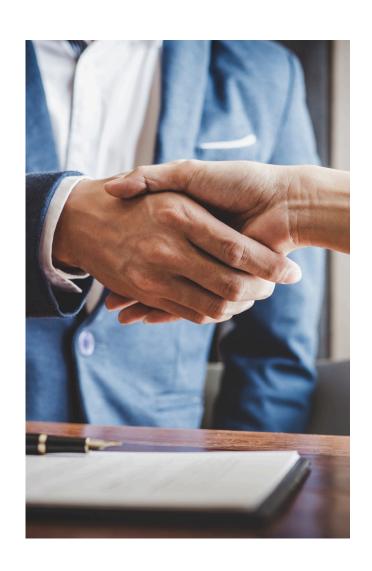
As the European Commission confirmed in June 2025:

- SFDR does not prohibit Defence-aligned investments, except in prohibited weapons.
- EU Taxonomy omits Defence, but includes non-inclusion ≠ exclusion.
- EIF and EIB now fund dual-use and strategic technologies.

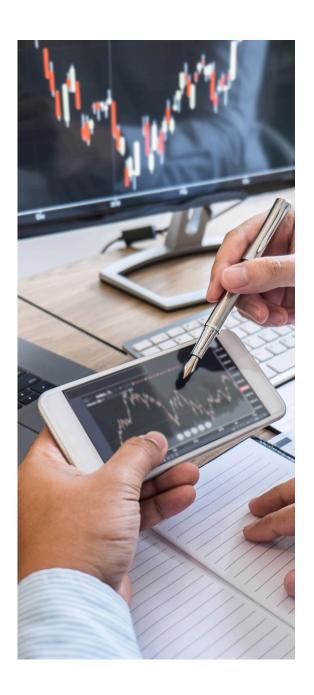
#### Deutsche Bank Research adds:

"There is no legal basis under EU regulation for excluding Defence from ESG funds... The political context may soon force a rethinking of outdated norms."

(DB Sustainability Spotlight, March 2024)







#### Regulatory & Investment Turnaround in Defence ESG

Until recently, Defence companies were largely excluded from ESG-labelled investment funds. But that is rapidly changing:

- Over 35% of European ESG funds now include Defence stocks—up from under 25% in 2021 (<u>LinkedIn</u>)
- The European Commission's June 2025
  guidance clarified that while investments in
  controversial weapons remain excluded,
  Defence investment can qualify as 'sustainable'
  under SFDR (<u>Bruegel</u>)
- Major investors have now lifted bans on militarylinked revenues, allowing Article 8 ESG funds to include many Defence-related equities (<u>Reuters</u>)

This marks a structural shift. The barrier is no longer regulation? it's voluntary exclusion, and that is fading fast as investors reframe Defence as a strategic and democratic necessity.

Building on the broader shift that has brought Defence from the margins of EU policy to its core, the European Parliament has now approved the first-ever European Defence Industry Programme (EDIP), a €1.5 billion scheme running until 2027. EDIP is designed to move Europe towards "defence readiness" by financing joint procurement, scaling up Defence industrial production, and earmarking around €300 million specifically for Ukraine, with a clear "buy European" principle requiringmost components to come from EU or associated countries. For Belgian companies, funds, and dual-use innovators, EDIP will sit alongside national tools such as the SFPIM Defence Fund and Start2DEF, creating a pipeline of EU-backed projects in which legal readiness on governance, IP, export controls, and consortium structuring will be a concrete eligibility factor rather than an afterthought.



#### National Initiatives: Belgium Gears Up

Closer to home, Belgium is aligning itself with this European Defence and dual-use shift. Agencies like VLAIO (Flanders) and Wallonie Invest are actively launching funding calls for dual-use technology projects with both civilian and military applications.

While the EU legal definition of "dual-use" remains unchanged under Regulation (EU) 2021/821, Belgium has streamlined access through targeted support programmes, simplified application processes, and ecosystem facilitation.

This creates a clear call to action: firms must align their legal and strategic posture now, statutes, ESG language, IP ownership, and export control frameworks to fully benefit from what this office unlocks.

#### "Belgium's Dual-Use & Defence Innovation Landscape"

Initiative	Туре	Focus	Region
SFPIM Defence Fund	Strategic public- private fund	Sovereignty, dual-use, industrial tech	Federal
FNX Ventures	VC fund (Wallonie Entreprendre + FN Herstal)	Cyber, AI, sensors, small arms	Wallonia
Seven Capital	VC + Accelerator	Aerospace, drones, robotics, quantum	Brussels
VLAIO Innovation 2025	Public R&D funding	TRL 3–7 dual-use development	Flanders
Dual Nexus	National coordination platform	Civilian-defence technology alignment	National

<sup>\*</sup>This table is illustrative and does not provide an exhaustive list of funds.



# New Flagship for Startups: Start2DEF

The most concrete signal to Belgian startups and small SMEs is the launch of Start2DEF in October 2025, organised by the Royal Higher Institute for Defence (RHID) in collaboration with imec.istart and IGNITY.

- Objective: unlocking the potential of Belgian startups to address today's Defence needs and foster innovation in strategic domains.
- Who: Belgian startups and small SMEs.
- First themes:
  - (Counter) Swarming
  - Cybersecurity for Critical Infrastructure
- Format: Startups can propose a proofof-concept (PoC) around these two key themes, with support and visibility from Defence and the innovation partners.

All participation guidelines and details are available here: <a href="https://start2def.be/">https://start2def.be/</a>

For Belgian founders, investors and corporate legal teams, Start2DEF is a clear message: Defence innovation is no longer something that happens "somewhere in NATO", it now starts with Belgian challenges, Belgian contracts and Belgian export-control questions.







### What Legal Readiness Looks Like

- Review & revise statutes and governance
- Adapt ESG frameworks
- Clarify IP and licensing early
- Enable collaboration
- Balance asymmetrical partnerships

### Immediate Steps for Clients

- Update governance documents for public-private R&D and consortium roles
- Implement ESG language aligned with SFDR and Commission guidance
- Clarify IP rights and export licensing protocols
- Prepare for Article 346 TFEU exemptions and classified procurement issues
- Set legal terms for asymmetrical partnerships



#### Final Word: Legal Infrastructure is Strategic Infrastructure

Defence is not just about coming back; it's about being institutionally embedded in Europe's green and strategic finance policy. The legal frameworks of companies, funds, and institutions must evolve accordingly.

#### The combination of:

- A clearer EU ESG and regulatory framework;
- A maturing Belgian funding and platform ecosystem (SFPIM Defence Fund, regional VC and R&D tools, Dual Nexus);
- A very concrete startup pathway through Start2DEF;
- In addition, Belgian Defence plans to establish ODIN, a dedicated defence innovation organisation that will coordinate and strengthen collaboration among Belgian Defence, regional authorities, and industry.
- Creates a real window of opportunity for Belgian companies and investors.

If Belgium does not build its own legal and industrial readiness, decisions will be made elsewhere, and Belgian actors will remain subcontractors rather than partners.

For Belgian companies, funds and startups that want to be part of this new landscape, the question is no longer if Defence and dual-use will matter, but whether your legal foundations will be ready before the next call, the next Start2DEF edition or the Office for Innovation opens its doors in 2026.

Our corporate and regulatory team helps Belgian and international clients align their legal foundations with this new Defence and dual-use landscape: updating governance and consortium frameworks, structuring SFDR-aligned funds, securing IP and licensing, designing export-control compliance programmes, and integrating Defence into ESG policies and disclosures.

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