

Questions we have received from councillors who are considering proposing the motion

Q: Why should the council do this, isn't it the pension funds job?

We agree it is the funds job; they should have consulted members before making these contentious investments but they have failed to do so.

However, it is also part of the Council's responsibility to consider the wellbeing of its employees. A simple survey could gain valuable insight and help inform the Pension Fund that it may be falling short in its duty to consider member concerns. Given the distressing nature of global events, the Council is in a position to act more quickly than the Fund. Reaching out to scheme members allows them an opportunity to express how this issue affects them, and demonstrates that their employer is willing to listen.

Q: Is the objective "to withdraw all pension funds investment from arms manufacturers" or "to enable employees to have a voice in the investment policy of the pension fund"? It's rather unclear.

The objective is simply to document as much as possible if a group of scheme members are suffering moral injury, anxiety or distress. What the fund does with that information would be a separate follow-on stage.

It is not the intention, or expected that it would ever be the case, that pension fund investment decisions are run "democratically" by some means. But there are some well recognised investment types which we contend do warrant this type of consideration before the fund can properly say they are exercising their discretion, having truly considered the members interests. If you were to ask average people on the street what they think would be an ethically contentious investment, bomb making would be in nearly everyone's list, whether they agreed to invest or not.

It sounds a simple notion but in fact this point, for which we consider there is a sound legal position to back it as being a reasonable part of fulfilling a trustee's fiduciary duty, is omitted from LGPS decision making.

The point rests on first establishing if there is a group who are deeply affected, hence the singular focus of the survey.

Q: Are you focused on those weapons and arms sold to military aggressors or all arms, including those sold to legitimate countries such as Ukraine trying to defend themselves?

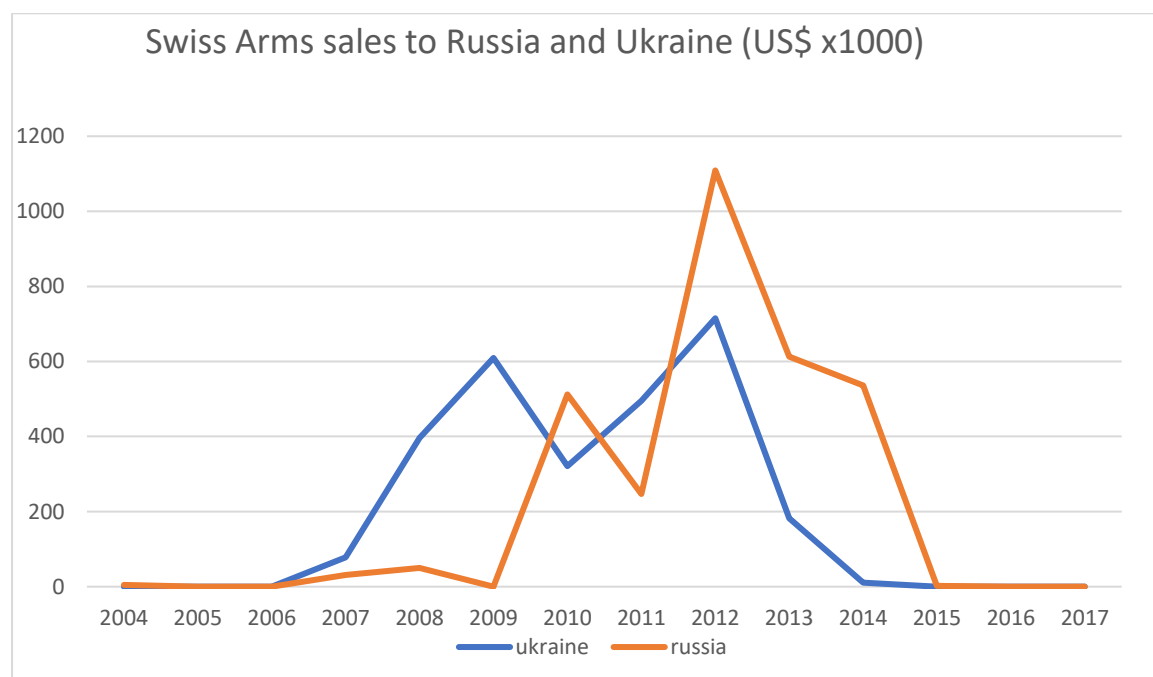
Arms manufacturing is, even when necessary, widely agreed as being a regrettable business. Many believe it is unethical to seek to profit from it, as LGPS pension investments do. People see loss of life on both sides as regrettable, if they haven't dehumanised the opposing soldiers. In the case of Russia, we have all seen videos of young men being rounded up from the streets against their will, and sent to likely die from the weapons the pension fund will be profiting from. All very much regrettable.

Specifically though, Ukraine is trying to defend itself from a Russian military armed by the same companies that now supply Ukraine and who the pension fund is invested in.

Multiple companies the fund invests in supplied Russia to modernise their military in preparation for their invasion of Ukraine. Germany's Rheinmetall built them the most modern military training ground in the world.¹ France's Thales supplied their tanks with thermal imaging night vision. And France's Safran supplied their military aircraft with heads up displays and GNSS denied environment capable navigation systems which would be needed in order to attack NATO. Reports have suggested Thales and Safran continue to supply and support the equipment despite the sanctions.^{2,3} Those companies, and their investors, are now profiting massively from the resulting war. Many would say being a part of that is unethical.

The private arms companies are duty bound to do everything they can to make profit for investors and will sell to anyone unless it is illegal to. The pattern of arming the next enemy before they attack us, or each other, is not new and bound to be repeated if nothing changes.

Swiss made roughly equal arms sales to Ukraine and Russia until the point a war broke out between them.⁴



¹ <https://www.dw.com/en/rheinmetall-poised-to-honor-military-delivery-contract-with-russia/a-17507715>

² <https://english.nv.ua/business/total-isolation-of-russia/military-thermal-imagers-for-the-russian-army-the-french-company-thales-cooperated-with-russia-aft-50247461.html>

³ <https://military.com/en/news/kazakhstan-is-repairing-russian-fighter-jets-to-bypass-sanctions/>

⁴ <https://www.sipri.org/databases/national-reports/Switzerland>

And now they are capitalising on the situation they helped create by selling massively more arms than usual to Ukraine's fearful neighbours:



Within the UK Export Control Act it was deemed acceptable to issue 648 licenses for export to Russia between 1997 and 2006.⁵

Products included: Assault rifles, shotguns, rifles and equipment, sights, ammunition, pistols, armoured all-wheel drive vehicles, military communication equipment, components for combat aircraft; missile handling equipment; technology for military aero-engines; components for frigates, equipment employing cryptography, materials containing enriched uranium, materials containing depleted uranium, materials containing natural uranium, military cargo vehicles, military electronic equipment, natural uranium, nuclear grade graphite, rocket separation mechanisms, semi-automatic pistols, software for the use of test equipment for developmental missile components, substances related to military explosives/propellants, test equipment for developmental missile components, substances related to military explosives/propellants, toxic chemical precursors, tritium, biotechnology process/lab equipment, military utility vehicles, components for air to air missiles, components for surface to air missiles, components for bomb suits, gun silencers, military helmets, military training aircraft, military utility vehicles, sniper rifles, submachine guns, firearm training simulator, helmet mounted display equipment

After 2006 reporting was limited to the small arms sales though undoubtedly the rest would have continued. British arms companies did much the same as the Swiss, selling almost identical amounts of assault and sniper rifles to Russia and Ukraine until the war broke out.

⁵ <https://www.sipri.org/databases/national-reports/United%20Kingdom>

	Rifles inc. assault rifles		Sniper Rifles	
	Russia	Ukraine	Russia	Ukraine
2007	65	53	10	35
2008	75	255	28	115
2009	107	111	10	38
2010	558	159	15	8
2011	74	433	0	74
2012	80	51	49	7
2013	234	150	106	21
total:	1193	1212	218	298

Q: “Do you believe the UK should have any military capability, even for defensive purposes?”

This motion has no relevance to the UK’s right to self-defence. It is about whether pension funds, held in trust for members, should be used to invest, with the aim of profiting from, private arms companies. It does not require a member to be a pacifist to find it morally wrong to hope for an increase in arms sales to boost profits, which is the only way for the investment to be successful.

Q: Does the investment policy include any supplier to companies that develop or manufacture arms, or is it only the producer of the final product?

This would be for the fund to consider when they are exercising their discretion once they have received views from members on this issue.

In other cases where activity-based exclusions are made, in cases where there is no wish to be invested in them, the level used is often *de minimis*, usually said to be around 5% of revenue derived from the activity. In the case of weapons manufacturing most arms companies are primarily involved with arms manufacture for the reason of them being typically disliked investments. Regular companies know it will affect the attractiveness to investors if they start producing weapons, so companies tend to do a lot or none.

Q: “Which arms manufacturers is the pension fund currently invested in that makes this a cause for concern?”

Without an exclusion criterion it is certain that many of the major arms manufacturers are invested in. Most funds have between 0.3 and 1% of their portfolio in arms. We have not found any fund which is not invested in General Dynamics - which makes the 2,000lb bombs dropped on Gaza - Rheinmetall, Thales and Safran.

The chart on the following page shows in which of Brunel’s funds the arms companies are typically located though they fluctuate. Which companies a particular pension fund has holdings of can be known by knowing which of the Brunel funds it has a part of. Many funds also have active investments in some arms companies. Large holdings of Safran bonds are common.

It will be very similar for all of the LGPS funds and pool companies as they take their investment advice from the same sources.

[illegible]

Q: “If you have heard from employees that they do not wish to see contributions invested in arms manufacturers, then why do you need a short survey?”

Because we’ve only heard from some members. A survey will help the council and the fund determine how widespread those concerns are. The law requires public decision-makers to act fairly and take into account relevant factors. Moral injury and ethical belief are relevant factors and a survey is one way of documenting them.

Q: Do you think a simplistic short survey is the best way of securing views from a large number of employees across many areas in what is a complex political, economic and societal matter?

The survey isn’t simplistic; it is pinpointed on the one thing that is needed to be established first and something where it seems legally the funds are remis in failing to consider.

It would be good to have wider public understanding of the true impact these investments have on our security and global peace, as currently there is a lot of misinformation and propaganda. But initially it would be sufficient to gauge the current level of feeling about the investments.

Q: “Are you suggesting that the short survey is limited to being a non-binding consultation with no requirement for the results to be actioned?”

We believe the funds should already have gauged the feeling on this well known to be a highly impactful issue and should have incorporated it into their decision making. We believe that saying their hands are tied by fiduciary duty to be invested in every sector and to put financial maximisation ahead of all else appears as an inappropriate fettering of their discretion. But this point is arguable with valid seeming opinions on both sides. First it needs to be established if indeed there is support for the arms investments that have been made without regard of members, other than their financial wellbeing.

Q: “How will you propose to manage employee expectations of a non-binding consultation where there may be strong and opposing views?”

If the motion passes, communication will be clear: the survey is a way of understanding member views. But when strong and opposing views exist, consultation becomes more important, not less. Otherwise, the fund risks making decisions that ignore or injure one group unfairly. That’s what public law is designed to prevent.

It is the case that the Stewardship Code 2020 which many funds and pool companies are signatories of, expect engagement with beneficiaries and then the fund must report "how outcomes of engagement have informed investment decisions (buy, sell, hold)". It is neither unusual for engagement to take place or for funds to communicate how it was incorporated into their decision making.

Q: “Why not ask if members want to have the option of a separate ethical LGPS fund so any members wanting to exercise ethical restraint can opt for that, and the rest of the fund can continue as it is with no regard for ethics or morality.”

Before the question of how to manage investments in relation to impact on the beneficiaries, the existence of impact must be established. How to resolve that will then be up to the pension fund, which is autonomous from the council.

It is also worth considering that our society would be worse off if each time a call is made to be moral and ethical we force those calling to the good to split off from the rest of society as though morals and ethics are an unwelcome niche concern. Judging by existing surveys the result will be overwhelmingly against arms investments, a proportion not minding either way, the smallest proportion being in favour. The largest group though will be the non-respondents. “The silent majority” is such a fact of life that they have a name. It would be strange indeed if the next largest group were forced to split off and the silent majority were then tied to and guided by the smallest group.

Any scheme members in favour of investing in the arms trade would not be losing out financially if the fund ceased investing (the impact on the fund would be insignificant to none and it is a defined benefit scheme) but there would be nothing stopping them from making additional independent investments in the arms sector if they wish.

Q: “What if only a minority of people say they are emotionally impacted?”

It could be argued that fairness is not tied to numbers but to impact. If a minority are strongly negatively impacted it should still be weighed against the financial impact of the funds investments and what it would mean to the fund to save those members from harm. In the case of LGPS where the financial impact will likely be immaterial, though it isn't the typical opinion in the field, it could be argued that the fund should still cater for a minority position.