



**Disarmament through divestment:
A guide for Scotland
(2021 edition)**

by Don't Bank on the Bomb Scotland



www.nukedivestmentscotland.org

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With thanks to

Susi Snyder, PAX, who supplied the research covered in sections 6 and 7
and reviewed the report prior to publication.



About Don't Bank on the Bomb Scotland

Don't Bank on the Bomb Scotland is a network of organisations that campaigns for Scottish banks, pension funds and public bodies to divest from companies involved in the production of nuclear weapons. Our member organisations are partners of the International Campaign to Abolish Nuclear Weapons.



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Introduction

Since the last edition of this guide was published in 2019, a number of developments have underscored the urgent need to rid the world of nuclear weapons. At the same time, entry into force of a historic international treaty has brought us a vital step closer towards achieving that goal.

Heightened nuclear risk

2020 began with “World War III” trending on social media, following the US assassination of Iran’s most powerful military commander, Qasem Soleimani, on January 3. Since then, tensions between the two nations have remained worryingly high. The US has repeatedly flown nuclear-capable B-52 bombers along Iran’s border and Iran has resumed enriching uranium to levels beyond those agreed under the 2015 Joint Comprehensive Plan of Action (Iran Nuclear Deal).¹

May 2020 saw the beginning of deadly clashes between Indian and Chinese forces in a disputed region of the western Himalayas. A military stand-off between the nuclear-armed nations continued throughout the year. While both India and China say that they have a no-first-use policy regarding nuclear weapons, there is a risk that a war between the two nations would lead to a nuclear exchange.² Millions of civilians would be killed by the immediate effects of such a conflict. Millions more would be endangered by the climactic consequences that would follow.³

Later in the year it was revealed that the US National Nuclear Security Administration, which maintains the country’s nuclear weapons stockpile, had been subjected to a sophisticated cyber-attack.⁴ Experts have repeatedly warned about the vulnerability of nuclear weapons systems to hacking and the potential for this to lead to nuclear weapons use.⁵

Then, in March 2021, the UK government announced that it would increase the number of nuclear warheads in its stockpile by up to 44%. The shocking decision, set out in the integrated defence review,⁶ reverses 30 years of warhead reductions, violates the UK’s disarmament obligations under the Treaty on the Non-Proliferation of Nuclear Weapons and threatens to escalate the nuclear arms race.⁷ The integrated review also lowers the threshold for nuclear weapons use, stating that the UK may use nuclear weapons in response to an attack using “emerging technologies” if that attack could have a comparable impact to a nuclear attack.⁸

It seems that these decisions were made with little regard for the catastrophic consequences of nuclear weapons use. As Scientists for Global Responsibility warned, “launching the warheads

¹ Iran had agreed to limit uranium enrichment to 3.67% purity under the Joint Comprehensive Plan of Action (JCPOA) but resumed enrichment to 20% in January 2021. The US withdrew from the JCPOA in 2018.

² <https://carnegieendowment.org/2020/10/29/after-border-clash-will-china-india-competition-go-nuclear-pub-83072>.

³ See section 3.3.2 of Don’t Bank on the Bomb Scotland’s report, *Nuclear Weapons, the Climate and Our Environment*: <https://nukedivestmentscotland.org/climate-consequences-of-nuclear-war/>.

⁴ <https://www.politico.com/news/2020/12/17/nuclear-agency-hacked-officials-inform-congress-447855>.

⁵ See ICAN’s briefing paper: https://www.icanw.org/briefing_emerging_technologies_and_nuclear_weapon_risks and P Ingram, *Hacking UK Trident: A Growing Threat* (BASIC, May 2017): <https://basicint.org/publications/stanislaw-abaimov-paul-ingram-executive-director/2017/hacking-uk-trident-growing-threat>.

⁶ *Global Britain in a Competitive Age: the Integrated Review of Security, Defence, Development and Foreign Policy* (March 2021): <https://www.gov.uk/government/publications/global-britain-in-a-competitive-age-the-integrated-review-of-security-defence-development-and-foreign-policy>.

⁷ See, eg, Hans Kristensen, “British Defense Review Ends Nuclear Reductions Era”: <https://fas.org/blogs/security/2021/03/british-defense-review-2021/>.

⁸ See p 77 of the Integrated Review: <https://www.gov.uk/government/publications/global-britain-in-a-competitive-age-the-integrated-review-of-security-defence-development-and-foreign-policy>.

carried by just one Trident submarine would be more than enough to cause a catastrophic ‘nuclear winter’ threatening human civilisation as we know it”.⁹

Security, not WMD

If these developments reminded us of the dangers that we face as long as nuclear weapons exist, other key events have demonstrated the futility of nuclear arsenals in the face of the most serious threats to our security.

Early in 2020, the Covid-19 virus began to spread rapidly around the world. By the end of the year more than 80 million people had contracted the virus and nearly two million had died as a result.

The pandemic has highlighted the warped priorities of governments that spend vast amounts of taxpayer money on weapons of mass destruction, while health and social care services are under-resourced. In the UK, where the government spends around £7 billion a year on nuclear weapons,¹⁰ a shortage of critical care beds and ventilators put the lives of patients at risk. Medical staff and care-home workers were forced to care for Covid sufferers without adequate personal protective equipment, putting their own lives at risk.

As the pandemic raged, the climate emergency continued apace. Greenhouse house gas concentrations in the atmosphere remained at record high levels, despite a temporary decline caused by a reduction in travel and economic activity during the Covid-related lockdowns.¹¹ 2020 was the joint hottest year on record.¹²

Nuclear weapons cannot protect us from a deadly virus, nor from the catastrophic impacts of climate change. In fact, nuclear arsenals act as a drain on resources that could be directed towards measures that address these threats.¹³ The UK government’s announcement of a nuclear warhead increase came shortly after nurses had been offered a pay rise of just 1%, causing widespread outrage.

Nuclear weapons are banned

Thankfully, only a minority of states cling to the myth that nuclear weapons make the world safer. In 2017, 122 states adopted the Treaty on the Prohibition of Nuclear Weapons. The treaty received its fiftieth ratification in October 2020 and entered into force on 22 January 2021. All the nuclear weapons activities covered by the treaty, including development, production, testing, use and threat of use, are now prohibited under international law (see section 1.2).

The treaty has increased the financial risks associated with investing in nuclear weapons (see section 1.3). As a result, more and more investors are choosing to exclude nuclear weapons producers from their portfolios.¹⁴

This report highlights the Scottish organisations that continue to invest in nuclear weapons producers, despite the humanitarian, environmental and financial risks. It contains guidance and resources for anyone who wants to take action on divestment.

By taking a few simple steps, you will be helping to advance the ultimate goal of the nuclear ban treaty: the total elimination of nuclear weapons.

⁹ See <https://www.sgr.org.uk/resources/brexit-britain-s-security-policy-cutting-aid-spend-weapons> and P Webber and S Parkinson, *UK nuclear weapons: a catastrophe in the making?* (SGR, September 2015): <https://www.sgr.org.uk/publications/uk-nuclear-weapons-catastrophe-making>.

¹⁰ See *Enough is Enough: 2019 Global Nuclear Weapons Spending* (ICAN, 2020): <https://tinyurl.com/y7ngqkee>.

¹¹ <https://public.wmo.int/en/media/press-release/united-science-report-climate-change-has-not-stopped-covid19>.

¹² The global average surface temperature of Earth in 2020 tied with 2016 as the warmest year on record: <https://www.nasa.gov/press-release/2020-tied-for-warmest-year-on-record-nasa-analysis-shows>.

¹³ See ICAN’s comparison of nuclear weapons spending and healthcare costs: https://www.icanw.org/healthcare_costs and section 1 of Don’t Bank on the Bomb Scotland’s report, *Nuclear Weapons, the Climate and Our Environment* (L Pearson, 2020): <https://nukedivestmentscot.files.wordpress.com/2020/08/nwce-report-final-1.pdf>.

¹⁴ M Beenes, *Beyond the Bomb: Global Exclusion of Nuclear Weapons Producers* (PAX, 2019): <https://www.paxforpeace.nl/publications/all-publications/beyond-the-bomb>.

What's new in this edition?

- Updated figures throughout
- Expanded “Why divest?” section, including new section 1.3 on the financial risks of investing in nuclear weapons and updated section 1.2 on international law
- New information on the Scottish local authority pension funds’ approach to managing environmental, social and governance (ESG) issues is included in section 3A
- Updated template letters in the Appendix

Overview of findings

This report covers the nuclear weapons investments and investment policies of the Scottish Local Government Pension Scheme, the Scottish Parliamentary Pension Scheme, three Scottish financial institutions and the top 10 universities in Scotland. We found that these organisations together hold investments worth **£7.2 billion** in nuclear weapons producers.

Methodology and disclaimer

The research in sections 3, 4 and 5 (on the Scottish Local Government Pension Scheme, the Scottish Parliamentary Pension Scheme and Scottish universities) covers investments in 30 companies that are known to be involved in nuclear weapons work (see section 2 for a full list). The amounts listed for each organisation represent the market value of shares held in these companies as at 30 September 2020. This information was drawn either from an asset list published on the organisation’s website, or an asset list obtained under freedom of information (as noted in each organisation’s section). The figures on financial institutions in sections 6 and 7 were drawn from data provided to us by PAX covering the period January 2018 to January 2020.

The number of shares held by each of the organisations covered in sections 3–5 and the market value of the shares held may have changed since 30 September 2020. In addition, each organisation may have sold its shares in a company that is listed or bought shares in another nuclear weapons producer since that date. Similarly, the number and value of investments held by the financial institutions covered in sections 6 and 7 may have changed since January 2020.

Scottish financial institutions

We found that three Scottish financial institutions — NatWest Group, Lloyds Banking Group and Standard Life Aberdeen — together invested **£7 billion** in nuclear weapons producers between January 2018 and January 2020 (see section 6).

Scottish financial institution’s nuclear weapons investments: 2018–2020

FINANCIAL INSTITUTION	TOTAL INVESTED (£ million)
Lloyd’s Banking Group	3,409.2
NatWest Group	2,020.4
Standard Life Aberdeen	1,555.1
TOTAL	£6,984.7

Scottish Local Government Pension Scheme

Scotland's largest public pension fund, the Scottish Local Government Pension Scheme, held shares worth over **£275 million** in 20 nuclear weapons companies (see section 3) as at 30 September 2020. A growing list of Scottish local authorities are challenging these investments (see section 3A.3).

FUND	TOTAL INVESTED £
Dumfries and Galloway	not known
Falkirk	4,079,404
Fife	3,569,195
Highland	5,980,807
Lothian	125,732,872
Orkney Islands	none
North East Scotland	6,297,280
Scottish Borders	none
Shetland	not known
Strathclyde	120,200,000
Tayside	9,818,685
TOTAL	£275,678,243

Scottish universities

Many Scottish universities already take an ethical approach towards arms industry investment. Out of the 10 universities researched, only two (University of Glasgow and University of Strathclyde) hold direct investments in nuclear weapons producers with a total value of **£2.4 million**. Six of the universities that we looked at have policies that either explicitly, or implicitly, restrict investment in nuclear weapons producers.

FUND	TOTAL INVESTED £
University of Glasgow	1,928,830
University of Strathclyde	473,633
TOTAL	£2,402,463

Scottish Parliamentary Pension Scheme

The Scottish Parliamentary Pension Scheme currently has no investments in nuclear weapons companies. Baillie Gifford, which manages the fund, sold the fund's holding in Rolls Royce in 2020. However, without a change in investment policy, the scheme could invest in nuclear weapons producers again in future.

Action

Suggested actions are included throughout the report and in separate sections on the Scottish Local Government Pension Scheme (section 3A.4) and on banks and pension funds (section 8).

1. Why Divest?

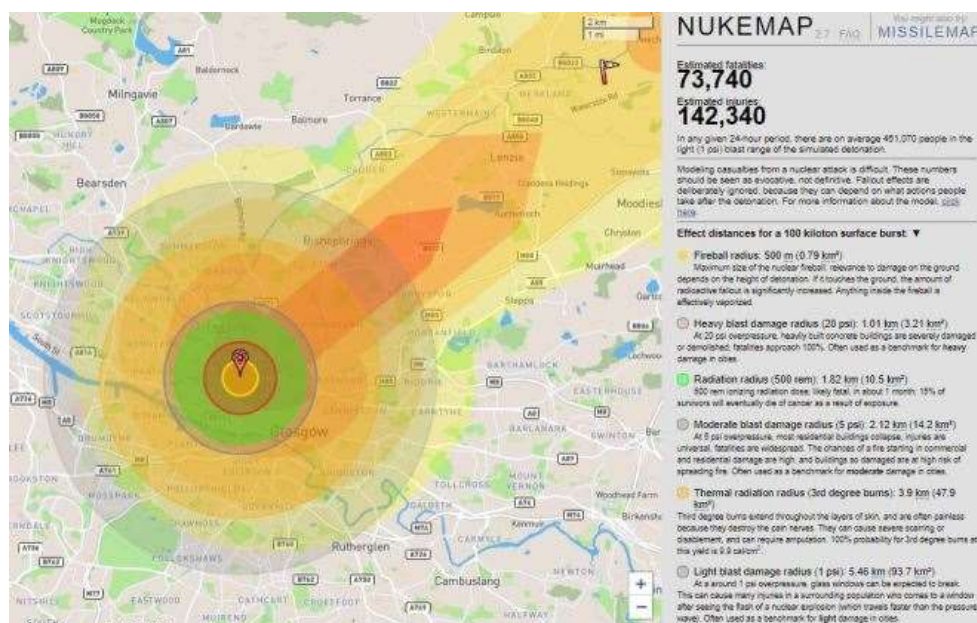
1.1 It's wrong to invest in weapons of mass destruction

Nuclear weapons are inherently indiscriminate and inhumane. The risk of nuclear war threatens the survival of humanity.

If just one nuclear weapon were detonated over a large city, millions of civilians would be killed by the immediate effects.¹⁵ Many more would die as a result of exposure to ionising radiation, either from radiation sickness or from serious illnesses, such as cancer and leukaemia, that would develop later.

Hiroshima survivor, Setsuko Thurlow, has told of how her fellow schoolchildren were “carbonized or vaporized” in heat of up to a million degrees Celsius when the US dropped an atomic bomb on the Japanese city in 1945.¹⁶ Radiation affected survivors of the initial blast “in mysterious and random ways”, Setsuko says “with some dying instantly, and others weeks, months or years later by the delayed effects”.

What would happen if a nuclear bomb was detonated over Glasgow?



NUKEMAP Modelling of a surface burst nuclear detonation in Glasgow city centre: <https://nuclearsecrecy.com/nukemap/>

Today, nine states together possess nearly 13,500 nuclear weapons, most of them several times more powerful than the bomb dropped on Hiroshima in 1945. These states are currently engaged in a nuclear arms race¹⁷ that is bringing the world ever closer to doomsday.¹⁸

¹⁵ See, eg: https://www.youtube.com/watch?v=5iPH-br_eJQ&v=en-GB.

¹⁶ Statement to the Second Conference on the Humanitarian Impact of Nuclear Weapons, Mexico, 13-14 February 2014: <http://www.reachingcriticalwill.org/images/documents/Disarmament-fora/nayarit-2014/statements/Hibakusha-Thurlow.pdf>.

¹⁷ See A Pytlak and R Acheson (eds), *Assuring Destruction Forever: 2020 edition* (Reaching Critical Will, 2020): <https://reachingcriticalwill.org/resources/publications-and-research/publications/14711-assuring-destruction-forever-2020-edition>.

¹⁸ The Doomsday Clock is currently set at 100 seconds to midnight: <https://thebulletin.org/doomsday-clock/current-time/>.

Studies have shown that a nuclear war using just 100 Hiroshima-sized nuclear weapons would cause a sharp drop in global temperatures and rainfall that would last for years.¹⁹ This would impact food production in some regions, putting two billion people at risk of starvation.²⁰ A larger nuclear war would likely bring about a “nuclear winter”, with global average temperatures dropping to levels last seen during the Ice Age. Food production would be impossible and “most of us would be sentenced to death by famine”.²¹

There is widespread awareness of the catastrophic consequences of nuclear weapons use in Scotland, yet Scottish organisations continue to invest in the companies that make them. Excluding nuclear weapons producers from investment is the only ethical option, and the best way for investors to mitigate the risk of nuclear weapons use.

1.2 Nuclear weapons are prohibited under international law

The Scottish organisations that choose to invest in nuclear weapons producers are out of step with international law on nuclear weapons.

Nuclear Non-Proliferation Treaty

Nuclear armed nations are currently spending vast sums of money maintaining and upgrading their nuclear arsenals.²² Most of the companies covered by this report are profiting from these “modernisation” programmes. Some are involved in the development of new types of nuclear weapons.²³

Nuclear-armed nations the UK, US, Russia, France and China are members of the 1968 Nuclear Non-Proliferation Treaty (NPT). Under Article VI of the NPT, member states agreed to pursue “negotiations in good faith on effective measures relating to cessation of the nuclear arms race at an early date and to nuclear disarmament”. The current “modernisation” programmes are clearly at odds with these obligations.

Organisations that invest in nuclear weapons producers are thus supporting activities that contravene commitments made under the NPT.

Treaty on the Prohibition of Nuclear Weapons

International law on nuclear weapons has been strengthened by the entry into force in January 2021 of the UN Treaty on the Prohibition of Nuclear Weapons (TPNW). The treaty prohibits the development, production, testing, possession, transfer, use and threat of use of nuclear weapons.

Importantly for investors, article 1(e) of the treaty prohibits state parties from assisting with any activity prohibited under the treaty. Article 5 obligates state parties to “take all appropriate legal, administrative and other measures, including the imposition of penal sanctions” to prevent and suppress acts prohibited by the treaty. Several other longstanding disarmament treaties contain a similarly worded prohibition, and there is an established understanding in international law that unlawful assistance includes financial assistance.

¹⁹ A Robock et al, “Climatic consequences of regional nuclear conflicts” (Atmos. Chem. Phys., 7, 2003–2012, 2007): <https://acp.copernicus.org/articles/7/2003/2007/>.

²⁰ Ira Helfand, MD, *Nuclear Famine: Two Billion People at Risk? Global Impacts of Limited Nuclear War on Agriculture, Food Supplies, and Human Nutrition* (2nd ed, 2013): <http://www.psr.org/assets/pdfs/two-billion-at-risk.pdf>.

²¹ Alan Robock, quoted here: <https://nukedivestmentscotland.org/climate-consequences-of-nuclear-war/>.

²² <https://reachingcriticalwill.org/resources/publications-and-research/publications/14711-assuring-destruction-forever-2020-edition>.

²³ See S Snyder, *Producing Mass Destruction – Private companies and the nuclear weapons industry* (PAX, 2019) which profiles 28 companies’ involvement with nuclear weapons: https://www.dontbankonthebomb.com/wp-content/uploads/2019/05/2019_Producers-Report-FINAL.pdf.

States that are not party to the treaty, such as the UK, are not legally bound by its provisions. Nevertheless, the TPNW establishes a global norm against nuclear weapons. Experience with similar treaties suggests that the TPNW will influence the actions of governments and shape the policies of financial institutions within states not party to the treaty (see further the discussion of financial risk in section 1.3 below).²⁴

Nuclear weapons violate the right to life

In another significant legal development, the UN Human Rights Committee issued a General Comment in 2018 stating that the threat or use of nuclear weapons violates the right to life.²⁵ The right to life is enshrined in art 6(1) of the 1966 International Covenant on Civil and Political Rights. The committee's General Comments are regarded as authoritative interpretations of treaty law and contribute to the development of customary international law.²⁶

There is growing momentum worldwide among governments to require companies to undertake human rights due diligence, ensuring that companies are not complicit in human rights violations. These range from preventing human trafficking or modern slavery, to conflict-sourced minerals, to regulation of fisheries and other non-financial reporting directives.²⁷

Scottish financial institutions and public bodies should take heed of these developments. Most describe themselves as responsible investors but this claim does not square with continued investment in weapons of mass destruction that are condemned by the international community.

1.3 Divesting from nuclear weapons makes financial sense

Entry into force of the Treaty on the Prohibition of Nuclear Weapons (TPNW) (see section 1.2) has increased the regulatory and reputational risks facing companies that continue to be involved in nuclear weapons production.

The TPNW has increased the stigma associated with nuclear weapons and it is anticipated that, as more and more states ratify the treaty, the demand for nuclear weapons will eventually decrease.²⁸ In addition, companies that continue to undertake work on banned weapons may experience reputational damage which will affect their profitability and share value. The reputation of their investors will be affected too.

This makes nuclear weapons producers a risky long-term investment choice. It is not surprising, therefore, that a growing number of financial institutions are choosing to end their ties with the nuclear weapons industry.²⁹

Then there is the catastrophic risk that nuclear weapons pose to the local and global economy. The detonation of just one nuclear weapon in a major city like Glasgow would destroy infrastructure and businesses across a wide area.³⁰ A nuclear war would make economic activity, and potentially human existence, impossible (see section 1.1 above).

²⁴ I.e. treaties banning cluster munitions and landmines: see https://www.icanw.org/entry_into_force_briefing_paper.

²⁵ https://tbinternet.ohchr.org/Treaties/CCPR/Shared%20Documents/1_Global/CCPR_C_GC_36_8785_E.pdf.

²⁶ <http://www.unfoldzero.org/un-human-rights-committee-condemns-the-threat-or-use-of-nuclear-weapons-and-other-wmd/>.

²⁷ UN Human Rights "Issues Paper" on legislative proposals for mandatory human rights due diligence by companies (June 2020): https://www.ohchr.org/Documents/Issues/Business/MandatoryHR_Due_Diligence_Issues_Paper.pdf.

²⁸ The demand for landmines and cluster munitions fell following entry into force of the Mine Ban Treaty (MBT) in 1999 and the Convention on Cluster Munitions (CCM) in 2010 and production has nearly ceased: https://www.icanw.org/entry_into_force_briefing_paper.

²⁹ 77 financial institutions had policies restricting investment in nuclear weapons in 2019, up from 54 in 2016 (the year before the TPNW was adopted): M Beenes, *Beyond the Bomb: Global Exclusion of Nuclear Weapons Producers* (PAX, 2019): <https://www.paxforpeace.nl/publications/all-publications/beyond-the-bomb>.

³⁰ <https://nukedivestmentscotland.org/what-would-happen-if-a-nuclear-weapon-detonated-in-glasgow/>.

Ultimately, there is no point in investing in the nuclear weapons industry in anticipation of future returns if our future is destroyed by nuclear war.

The best way for financial institutions to guard against these risks is to divest from the companies that make nuclear weapons. This may actually result in financial gains. A recent report found that indexes of stocks that exclude nuclear weapons tend to track the overall economy and sometimes produce higher returns.³¹ Dutch pension fund ABP's exclusion of nuclear weapons producers led to an improved risk-return profile for the fund.³²

1.4 Scotland opposes nuclear weapons

The Scottish organisations that invest in nuclear weapons companies are supporting the production and maintenance of weapons of mass destruction that are prohibited under international law. This is out of step with Scottish public opinion and inconsistent with the position of the Scottish government.

"The Scottish Government is firmly opposed to the possession, threat and use of nuclear weapons and we are committed to pursuing the safe and the complete withdrawal of all nuclear weapons from Scotland."

First Minister Nicola Sturgeon endorsing the Scottish Women's Covenant on the Treaty on the Prohibition of Nuclear Weapons (20 January 2021)

A majority of Scots opposed Trident renewal³³ and the Scottish government is firmly opposed to nuclear weapons. First Minister Nicola Sturgeon has signed a pledge to work for the signature and ratification of the Treaty on the Prohibition of Nuclear Weapons,³⁴ as have a majority of Members of the Scottish Parliament and a majority of Scottish MPs at Westminster.³⁵

At the 2019 SNP conference, the party voted unanimously to develop a roadmap for the removal of Trident "at the very earliest opportunity on Scotland regaining our independence".

Other evidence suggests that most Scots would support nuclear weapons divestment. A March 2018 poll found that 72% of Scots believe that the Scottish Parliamentary Pension Scheme should not be allowed to invest in arms manufacturers.³⁶

1.5 Divestment can help achieve a world without nuclear weapons

The aim of divestment is to give companies an incentive to stop producing nuclear weapons. More broadly, divestment increases the stigma associated with nuclear weapons and undermines the legitimacy of arguments that are used to justify nuclear arsenals.

³¹ M Bolton, *Nuclear Weapons are a Risky Business* (International Disarmament Institute Discussion Paper, December 2019): <https://cpb-us-w2.wpmucdn.com/blogs.pace.edu/dist/0/195/files/2020/01/Nuclear-Weapons-are-a-Risky-Business-011620.pdf>.

³² <https://www.dontbankonthebomb.com/how-a-dutch-pension-funds-exclusion-of-nuclear-weapon-producers-was-a-smart-business-choice/>.

³³ <https://survation.com/wp-content/uploads/2016/03/Full-Scornibus-III-Tables-100316DCCH-1c0d5h1-1803.pdf>.

³⁴ <https://www.commonspace.scot/articles/11973/nicola-sturgeon-signs-pledge-support-nuclear-weapons-ban-treaty>.

³⁵ <http://www.icanw.org/projects/pledge/>.

³⁶ <https://www.heraldscotland.com/news/16063941.call-stop-3m-msp-pension-fund-investments-weapons-tobacco-dirty-fuel-poll/>.

1.5.1 How can this work?

Like most companies, nuclear weapons producers rely on loans and credit facilities from banks to finance their day-to-operations. If banks stop providing financing to companies because of their involvement with nuclear weapons, those companies will be unable to access the financing that they need.

Divestment by banks, pension funds and public bodies can also harm a company's reputation. This may affect the company's share price and hurt its ability to attract new business.

“By divesting from nuclear weapon producers, we can make it harder for those that profit from weapons of mass destruction and encourage them to cut the production of nuclear weapons from their business strategies.”

Beatrice Fihn, Executive Director of the International Campaign to Abolish Nuclear Weapons and Nobel Peace Prize Winner

Divestment thus gives companies a powerful incentive to stop producing nuclear weapons.

At a broader level, each decision to divest, brings renewed focus onto the indiscriminate and inhumane nature of nuclear weapons. The more that nuclear weapons are stigmatised, the harder it will be for states, like the UK, to justify possessing them. In this sense, divestment helps to advance the ultimate goal of nuclear disarmament.

1.5.2 Cluster munitions case study

The Stop Explosive Investments campaign demonstrated that divestment can change the behaviour of weapons companies and governments.

Until relatively recently, the use of cluster munitions was considered legitimate by many states, including the UK. Cluster munitions were used extensively by the US and the UK in the 1999 NATO bombing of Yugoslavia and in the wars in Iraq and Afghanistan.³⁷ However, concerns about the indiscriminate effects of the weapons and the long-term threat posed to civilians led to the negotiation of the 2008 Cluster Munitions Convention, which prohibits all use, production, transfer and stockpiling of cluster munitions. The convention entered into force in 2010 and gave campaigners a powerful tool to persuade financial institutions to divest from cluster munitions producers.

By 2012, four major British financial institutions had banned shareholdings in companies that were involved in making or supplying cluster munitions, including major US manufacturers, Lockheed Martin and Textron.³⁸ This action brought fresh attention onto the harm caused by cluster munitions and intensified the pressure on companies to cease production.

Consequently, Lockheed Martin stopped producing cluster munitions components by the end of 2013.³⁹ In 2016, the last remaining US manufacturer of the weapons, Textron, said that it would also cease production. In a 2016 statement to the US Securities and Exchange Commission, Textron said that demand for cluster munitions had diminished and the “current political environment has made it difficult” to obtain the government approvals necessary for sales.⁴⁰

Some states still produce cluster munitions and they are still being used to kill and maim civilians. However, production has been cut dramatically and the stigma attached to cluster munitions has made it harder for many states to justify having or using them and for companies to produce them.

³⁷ <http://www.stopclustermunitions.org/en-gb/cluster-bombs/use-of-cluster-bombs/a-timeline-of-cluster-bomb-use.aspx>.

³⁸ <https://www.theguardian.com/business/2012/apr/09/uk-banks-blacklist-cluster-bomb-manufacturers>.

³⁹ https://www.banktrack.org/show/news/leading_financial_institutions_invest_in_producers_of_banned_cluster_bombs.

⁴⁰ Textron's 2016 statement to the US Securities and Exchange Commission: <http://d1lge852tjigow.cloudfront.net/CIK-0000217346/57f0bc04-5bf0-40d3-ab7c-159cbfc34be5.pdf?noexit=true>.

2. Companies covered by this guide

Our research covers 11 Scottish local authority pension funds (section 3), 3 financial institutions (section 6), 10 Scottish Universities (section 5) and the Scottish Parliamentary Pension Scheme (section 4). We looked for investments held by these organisations in the world's top 28 nuclear weapons producers.⁴¹

We found investments in the companies in **bold**:

Aerojet Rocketdyne	Charles Stark Draper Laboratory	L3 Harris	Raytheon
Airbus Group	Constructions Industrielles de la Méditerranée	Larsen and Toubro	Safran
BAE Systems	Fluor	Leidos	Serco ⁴²
Bechtel	General Dynamics	Leonardo	Textron
Bharat Dynamics Ltd	Honeywell Int'l	Lockheed Martin	Thales
Boeing	Huntington Ingalls Industries	Moog	United Technologies Corporation
BWX Technologies	Jacobs Engineering	Northrop Grumman	Walchandnagar Industries Ltd

We have also included information about investments in **Rolls Royce** and **Babcock International**⁴³ where we found them, because these companies play a key role in Britain's nuclear weapons programme.

Rolls Royce was involved in the development of Britain's current fleet of nuclear-armed Vanguard class submarines and has been working with Babcock International and BAE Systems on the development of the successor, Dreadnought class, submarines since 2007. Rolls Royce has a billion-pound contract to manufacture the submarines' new PWR3 reactors, plus several other contracts related to the Ministry of Defence's nuclear projects worth over three and a half billion pounds.⁴⁴

Babcock International maintains the British Navy's nuclear submarines and is a member of the ABL Alliance, which is contracted to provide support for the Trident nuclear weapons system at Coulport and Faslane.⁴⁵ Babcock also manufactures Missile Tube Assemblies as part of the Common Missile Compartment project for the Dreadnought submarines.⁴⁶

Rolls Royce and Babcock International are blacklisted by several financial institutions because of their involvement with nuclear weapons.⁴⁷

⁴¹ As defined in S Snyder, *Producing Mass Destruction – Private companies and the nuclear weapons industry* (PAX, 2019): https://www.dontbankonthebomb.com/wp-content/uploads/2019/05/2019_Producers-Report-FINAL.pdf. This report contains information about how each of these companies is involved with nuclear weapons.

⁴² Serco is a member of the consortium that runs the UK Atomic Weapons Establishment (AWE). The UK government has announced that it will take AWE back under public control on 30 June 2021, at which point Serco will no longer be classed as a nuclear weapons producer: <https://www.serco.com/media-and-news/2020/involvement-of-awe-management-ltd-in-the-atomic-weapons-establishment>.

⁴³ Investments in Babcock International are not included in section 6 because the company was not included in the research provided to us by PAX.

⁴⁴ <https://www.nao.org.uk/wp-content/uploads/2018/05/The-Defence-Nuclear-Enterprise-a-landscape-review.pdf>.

⁴⁵ <https://www.awe.co.uk/about-us/our-locations/>.

⁴⁶ <https://www.babcockinternational.com/news/babcock-awarded-multimillion-pound-missile-tube-contract-extension-by-electric-boat/>.

⁴⁷ <https://www.paxforpeace.nl/publications/all-publications/beyond-the-bomb>.

3. Scottish Local Government Pension Scheme

Structure

The Scottish Local Government Pension Scheme (LGPS) is the largest public pension scheme in Scotland, with nearly 600,000 members and £48 billion in assets.⁴⁸ The scheme is comprised of 11 local authority pension funds. Each fund covers employees of one, or more than one, council and a range of other local employers, with one council acting as the administering authority.

This table lists the local council(s) that are covered by each fund, with the administering authorities in italics:

Name of Pension fund	Councils covered
Dumfries and Galloway: http://www.dumgal.gov.uk/pensions	<i>Dumfries and Galloway</i>
Falkirk: http://www.falkirkpensionfund.org/	<i>Clackmannanshire, Falkirk, Stirling</i>
Fife: https://www.fifepensionfund.org/	<i>Fife</i>
Highland: http://www.highlandpensionfund.org/	<i>Comhairle nan Eilean Siar, Highland</i>
Lothian: http://www.lpf.org.uk/	<i>City of Edinburgh, East Lothian, Midlothian, West Lothian</i>
North East Scotland: http://www.nespf.org.uk/	<i>Aberdeen City, Aberdeenshire, Moray</i>
Orkney Islands: http://www.orkney.gov.uk/Service-Directory/S/pensions.htm	<i>Orkney Islands</i>
Scottish Borders: https://www.scottishborderscouncilpensionfund.org/	<i>Scottish Borders</i>
Shetland Islands: https://www.shetlandpensionfund.org/	<i>Shetland Islands</i>
Strathclyde: http://www.spfo.org.uk/	<i>Argyll and Bute, East Ayrshire, East Dunbartonshire, East Renfrewshire, Glasgow City, Inverclyde, North Ayrshire, North Lanarkshire, Renfrewshire, South Ayrshire, South Lanarkshire, West Dunbartonshire</i>
Tayside: http://www.taysidepensionfund.org/	<i>Angus, Dundee City, Perth and Kinross</i>

Local authority pension funds are governed by **pensions committees**, which are generally comprised of councillors from the administering authority and sometimes union representatives. Pensions committees act in a quasi-trustee capacity and are responsible for setting the pension fund's investment strategy. **Pension boards** scrutinise the decisions of pensions committees.

Membership lists for the pensions committees and pension boards of each of the 11 funds can be found via these links:

Dumfries and Galloway

Pensions committee members:

<https://dumfriesgalloway.moderngov.co.uk/mgCommitteeMailingList.aspx?ID=162>

Pension board members: <https://dumfriesgalloway.moderngov.co.uk/mgCommitteeDetails.aspx?ID=147>

⁴⁸ Scottish Local Government Pension Scheme Advisory Board (SAB) Annual Report 2018-2019: <https://lgpsab.scot/wp-content/uploads/2020/02/SAB-Annual-Report-2019.pdf>.

Falkirk

Pensions committee members: <http://www.falkirkpensionfund.org/falkirk-council-pension-fund/about-us/the-pension-committee/>

Pension board members: <http://www.falkirkpensionfund.org/falkirk-council-pension-fund/about-us/local-pension-board/>

Fife

Pensions committee and pension board members:

<https://www.fifedirect.org.uk/news/index.cfm?fuseaction=committee.detail&servid=921A1591-E7FE-C7EA-07A9978E8A066E68>

Highland

Pensions committee, board and investment sub-committee members:

<http://www.highlandpensionfund.org/highland-pension-fund/about-us/the-pension-committee/>

Lothian

Pensions committee and pension board members:

<https://www.lpf.org.uk/us/governance?documentId=29&categoryId=6#:~:text=The%20Pensions%20Committee%20decides%20the,monitors%20and%20reviews%20investment%20arrangements>

North East Scotland

Pensions committee members: <https://www.nespf.org.uk/about/who-runs-the-pension-fund/pension-committee/>

Pension board members: <https://www.nespf.org.uk/about/who-runs-the-pension-fund/pension-board/>

Orkney Islands

Pensions committee members: <https://www.orkney.gov.uk/Council/C/pension-fund-sub-committee.htm>

Pension board members: <https://www.orkney.gov.uk/Service-Directory/S/pension-fund-sub-committeepension-board.htm>

Scottish Borders

Pensions committee members: <https://www.scottishborderscouncilpensionfund.org/scottish-borders-council-pension-fund/about-us/the-pension-committee/>

Pension board members <https://www.scottishborderscouncilpensionfund.org/scottish-borders-council-pension-fund/about-us/local-pension-board/>

Shetland Islands

Pensions committee: <https://www.shetlandpensionfund.org/shetland-islands-council-pension-fund/about-us/the-pension-committee/>

Pension board members: <https://www.shetlandpensionfund.org/shetland-islands-council-pension-fund/about-us/local-pension-board/>

Strathclyde

Pensions committee members: <https://www.spfo.org.uk/index.aspx?articleid=16036>

Pension board members: <https://www.spfo.org.uk/index.aspx?articleid=15814>

Tayside

Pensions committee members: <http://www.taysidepensionfund.org/tayside-pension-fund/about-us/the-pension-committee/>

Pension board members: <http://www.taysidepensionfund.org/tayside-pension-fund/about-us/local-pension-board/>

Investments

Our research shows that the 11 Scottish local authority pension funds together held shares worth over **£275 million** in 20 companies that undertake work related to nuclear weapons as at 30 September 2020.⁴⁹

⁴⁹ This report only covers the investments of Scottish local authority pension funds. Scottish councils may have other investments in nuclear weapons producers.

Lothian Pension Fund was the largest investor in nuclear weapons, holding shares worth nearly **£126 million** (1.7% of the fund) in five nuclear weapons producers. This includes £102 million invested in the world's largest arms company, Lockheed Martin. Strathclyde Pension Fund came in a close second, holding shares worth **£120 million** in 16 companies.

See sections 3.1 to 3.11 below for details of each fund's investments and investment policy.

**Scottish Local Government Pension Scheme's
nuclear weapons investments: 2020**

FUND	TOTAL INVESTED £
Dumfries and Galloway	not known
Falkirk	4,079,404
Fife	3,569,195
Highland	5,980,807
Lothian	125,732,872
Orkney Islands	none
North East Scotland	6,297,280
Scottish Borders	none
Shetland	not known
Strathclyde	120,200,000
Tayside	9,818,685
TOTAL	£275,678,243

Note: The total value of the Scottish Local Government Pension Scheme's investments in nuclear weapons companies is lower in 2020 than in the previous years that this report was published (2018 and 2019). This is mainly due to five funds (Highland, Orkney, Scottish Borders, Strathclyde, Tayside) disposing of shares in Rolls Royce, and to a fall in the company's share price during the research period which affected the value of remaining holdings. In 2019, seven local authority pension funds held shares worth £62 million in Rolls Royce.⁵⁰ In September 2020, three funds held shares worth just over £3 million in the company.⁵¹

Action

Most Scottish local authority pension funds are reluctant to exclude harmful industries from investment. However, a growing number of Scottish councils are taking a stand against nuclear weapons investments by passing a resolution that calls on their pension fund to divest from nuclear weapons producers (see section 3A.3). One fund, Scottish Borders, already has a policy that restricts investment in controversial weapons, including nuclear weapons.

Please contact your local councillors and ask them to support a resolution on nuclear weapons divestment, unless they have already done so: see sections 3A.3 and 3A.4. If you are a member of a Scottish local authority pension fund, see also section 8.3 for information on what you can do to encourage your fund to divest from nuclear weapons.

⁵⁰ Falkirk, Highland, North East Scotland, Orkney, Scottish Borders, Strathclyde, Tayside: see <https://nukedivestmentscot.files.wordpress.com/2018/09/working-to-eliminate-nuclear-weapons-through-divestment-a-guide-for-scotland1.pdf>.

⁵¹ Falkirk, North East and Lothian. Lothian is the only fund that has bought shares in Rolls Royce since 2019.

3.1 Strathclyde

With £24 billion in assets, Strathclyde Pension Fund is Scotland's largest local authority pension fund. The fund's 250,000 members include employees of 12 different local authorities (see section 3) and more than 150 other organisations, such as Scottish Water, the Strathclyde Partnership for Transport, the University of West of Scotland and several colleges.⁵²

A list of assets made available to us under freedom of information showed that Strathclyde Pension Fund held shares with a market value of **£120 million** (0.5% of the fund) as at 30 September 2020 in 16 companies that are involved in nuclear weapons work:

Company	Value of shares (£ million)*
Airbus	27.3
BAE Systems	30.9
Boeing	2.0
General Dynamics	0.8
Honeywell International	9.9
Huntington Ingalls Industries	0.1
Jacobs Engineering	0.3
L3 Harris	0.9
Larsen and Toubro	0.6
Leidos	0.3
Lockheed Martin	2.2
Northrop Grumman	1.1
Raytheon	1.9
Safran	39.3
Serco	2.4
Textron	0.2
Total	120.2 million

**Strathclyde provided figures rounded to the nearest tenth of a million as shown here.*

Visit the resources page of our website to download our Strathclyde Pension Fund briefing sheet:

<https://nukedivestmentscotland.org/template-letters-2/>

A more recent asset list shows that Strathclyde Pension Fund no longer has direct holdings in 10 of the companies listed above.⁵³ However, the fund still holds direct investments in six producers⁵⁴ (worth a total of £124 million) and still invests in the other producers via pooled funds.⁵⁵

⁵² <https://www.spfo.org.uk/index.aspx?articleid=14493>.

⁵³ Dated 31 December 2020: <https://www.spfo.org.uk/CHttpHandler.ashx?id=52481&p=0>.

⁵⁴ Airbus, BAE Systems, Safran, Honeywell, Larsen and Toubro, Serco.

⁵⁵ A representative of Strathclyde Pension Fund explained via email that the fund moved its North American passive equity strategy into pooled funds in the fourth quarter of 2020. So while the fund no longer has direct holdings in the 10 companies, it now owns "units in the pooled funds and those funds own the underlying companies". This is "a structural

Policy

Strathclyde Pension Fund's statement of investment principles says that the fund is a "responsible investor and adopts policies and practices which acknowledge the importance of environmental, social and governance (ESG) issues".⁵⁶ The pensions committee has rejected divestment as an option,⁵⁷ preferring to "engage" with companies on ESG issues (see section 3A.1 for more on Strathclyde's engagement activities). This policy allows the fund to continue investing in harmful industries, such as arms and fossil fuels.

There is growing support for a different approach among Strathclyde Pension Fund's members, however. Four member councils, Renfrewshire, West Dunbartonshire, East Ayrshire and Inverclyde have now passed a resolution calling on the fund to divest from nuclear weapons companies.⁵⁸ In April 2021, Glasgow City Council passed a resolution calling on the fund to divest from fossil fuels (see section 3A.4 for more on this).⁵⁹

Action

If you live in any of the other eight council areas covered by Strathclyde Pension Fund (Argyll and Bute, East Dunbartonshire, East Renfrewshire, Glasgow City, North Ayrshire, North Lanarkshire, South Ayrshire or South Lanarkshire), please urge your local councillors to support a nuclear weapons divestment resolution: see section 3A.4.

3.2 Lothian

Lothian Pension Fund is one of the largest in the UK, with 84,000 members and assets worth £7.5 billion.⁶⁰ Employers covered by the fund include the City of Edinburgh, East Lothian, Midlothian and West Lothian Councils, plus 84 other public and charitable bodies. These include Scottish Water, Edinburgh Napier University, Heriot-Watt University, Donaldson's Trust and Edinburgh Leisure.

Lothian Buses Pension Fund was merged with Lothian Pension Fund in February 2019. Lothian Pension Fund also manages the Scottish Homes Pension Fund.

A list of assets taken from the fund's website shows that Lothian Pension Fund and the Scottish Homes Pension Fund together held shares worth nearly **£126 million** (1.7% of the fund) in five companies that are involved in nuclear weapons work as at 30 September 2020:⁶¹

Company	Value of shares (£)
BAE Systems	15,063,811
General Dynamics	4,064,028
Lockheed Martin	102,474,021
Rolls Royce	992,558
Thales	3,138,454
Total	125,732,872

change, not 'divestment'", according to the fund. See also: <https://theferret.scot/pension-fund-accused-of-hiding-investments/>.

⁵⁶ <http://www.spfo.org.uk/CHttpHandler.ashx?id=12617&p=0>.

⁵⁷ <https://www.heraldscotland.com/news/15567786.scotlands-biggest-public-pension-scheme-happy-to-keep-investment-in-arms-traders-but-cant-say-who-they-sell-to/>.

⁵⁸ In the case of Inverclyde, the resolution calls on Strathclyde to divest from the arms industry as a whole: <https://nukedivestmentscotland.org/local-authority-divestment-resolutions/>.

⁵⁹ <https://foe.scot/press-release/climate-activists-celebrate-glasgow-city-council-support-for-campaign-to-end-500-million-fossil-fuel-investment/>.

⁶⁰ <https://www.lpf.org.uk/downloads/file/57/annual-report-and-accounts%20f>.

⁶¹ <https://www.lpf.org.uk/downloads/file/79/fund-investments>.

Visit the resources page of our website to download our Lothian Pension Fund briefing sheet which contains more information about each of these companies: <https://nukedivestmentscotland.org/template-letters-2/>.

This means that Lothian Pension Fund had more money invested in nuclear weapons producers than any other Scottish local authority pension fund as at 30 September 2020.

In June 2019, City of Edinburgh Council, which administers Lothian Pension Fund, became the fourth British local authority to pass a resolution in support of the Treaty on the Prohibition of Nuclear Weapons.⁶² The treaty, which entered into force on 22 January 2021, prohibits the development, production, testing and use of nuclear weapons (see section 1.2).

Lothian Pension Fund's continued investment in nuclear weapons producers is clearly at odds with the City's strong support for the treaty.

Policy

Representatives of Lothian Pension Fund say that the fund cannot divest from companies for non-financial reasons, as this would conflict with the fund's fiduciary duty to its members (see section 3A.2 for a rebuttal of this argument). The pensions committee views the management of environmental, social and governance (ESG) issues as "a question of identifying and mitigating material financial risks, not a question of ethics"⁶³. Fund managers aim to "encourage responsible behaviour" through company engagement (see section 3A.1 on the limitations of this approach).⁶⁴

This policy has allowed the fund to continue investing in harmful industries, including armaments, fossil fuel and tobacco.

Action

Fund members are already challenging Lothian Pension Fund investments in nuclear weapons. Midlothian Council passed a resolution calling on the fund to divest from nuclear weapons producers in 2019.⁶⁵

If you live in West Lothian, East Lothian or the City of Edinburgh, please contact your local councillors to urge them to support a divestment resolution: see section 3A.4.

3.3 Tayside

Tayside Pension Fund is worth over £3.7 billion and has over 51,000 members, including employees of Angus Council, Dundee City Council and Perth and Kinross Council.⁶⁶ The fund also covers Perth College UHI, Police Scotland and the Scottish Fire and Rescue Service (non-uniformed staff), Tayside Contracts and a range of other employers.

A list of investments obtained via freedom of information shows that Tayside Pension Fund held shares worth nearly **£10 million** (0.3% of the fund) in three nuclear weapons producers as at 30 September 2020:

⁶² <https://www.nuclearpolicy.info/news/nfla-welcomes-further-council-resolutions-supporting-treaty-prohibition-nuclear-weapons-and-divestment/>.

⁶³ <https://www.lpf.org.uk/downloads/file/129/statement-of-responsible-investment-principles>.

⁶⁴ <https://www.lpf.org.uk/downloads/file/62/statement-of-investment-principles>.

⁶⁵ <https://www.nuclearpolicy.info/news/nfla-welcomes-further-council-resolutions-supporting-treaty-prohibition-nuclear-weapons-and-divestment/>.

⁶⁶ <https://www.taysidepensionfund.org/media/5731/tpf-audited-annual-report-and-accounts-2019-20-certified.pdf>.

Company	Value of shares (£)
Airbus	£7,590,322
Babcock International	£1,785,427
Moog	£442,936
Total	£9,818,685

Policy

Tayside Pension fund's policy on Environmental, Social and Corporate Governance (ESG) suggests that the pensions committee has a slightly broader interpretation of fiduciary duty than some other local authority pension funds.

The policy states the fund is required to "take a responsible approach, grounded in industry best practice, to administer their investment programmes and exercise their fiduciary duty to guard against extremes or selective interpretation of the legal principles which might unduly restrict the consideration of ESG and other wider factors which may influence the choice of investments so long as that does not risk material financial detriment to the Fund".⁶⁷ This language is taken from a 2016 letter⁶⁸ by the Scottish Local Government Pension Scheme's advisory board, which accompanied legal advice⁶⁹ on the application of the legal principles of fiduciary duty (see section 3A.2 for more on this).

Tayside's ESG policy goes on to say that "it is the Fund's aim (where circumstances permit) to disinvest from tobacco stocks".⁷⁰ If fund managers wish to invest in the tobacco industry, they must produce a business case which demonstrates "that there are no suitable alternatives at that time that better meet the criteria to meet their investment objectives". There is no mention of restrictions relating to other harmful industries in the statement.

This policy falls well short of a blanket exclusion and the fund still holds shares in tobacco. However, the existence of the policy is encouraging, as it shows that Tayside pensions committee is at least willing to support the idea of divestment from harmful industries.

Action

If you live in one of the three council areas covered by Tayside Pension Fund (Angus, Dundee City or Perth and Kinross), please contact your local councillor about the fund's investments in nuclear weapons and urge them to support a resolution that calls on the fund to divest: see section 3A.4.

3.4 Falkirk

Members of Falkirk Pension Fund include employees of Clackmannanshire Council, Falkirk Council, Stirling Council, the Scottish Environment Protection Agency, plus around 30 other public and charitable bodies in central Scotland. The fund holds assets worth over £2.3 billion.⁷¹

A list of investments taken from the fund's website shows that Falkirk Council Pension Fund held shares worth **£4 million** (0.2% of the fund) in two companies that undertake nuclear weapons work as at 30 September 2020:⁷²

⁶⁷ <https://www.taysidepensionfund.org/media/3948/194-2018-esg-040618.docx>.

⁶⁸ <http://lgpsab.scot/wp-content/uploads/2016/06/Letter-to-Funds-on-Fiduciary-Duty.pdf>.

⁶⁹ http://lgpsab.scot/wp-content/uploads/2016/06/Report-National-Scheme-Advisory-Board-v4-updated-23_2_16.pdf.

⁷⁰ <https://www.taysidepensionfund.org/media/3948/194-2018-esg-040618.docx>.

⁷¹ <https://www.falkirkpensionfund.org/media/5867/fcpf-accounts-final-signed.pdf>.

⁷² https://www.falkirkpensionfund.org/media/5869/assets-listing_300920.pdf.

Company	Value of shares (£)
BAE Systems	2,555,058
Rolls Royce	1,524,346
Total	4,079,404

Policy

Falkirk Pension Fund's statement of investment principles states that "the Fund's investment managers are required to integrate [environmental, social and governance] analysis into their decision-making, including those related to climate change" but the pensions committee prefers "engaging with companies to reduce risk, rather than divesting".⁷³ See section 3A.1 for a discussion of the limitations of this approach.

Action

If you live in any of the council areas covered by Falkirk Pension Fund (Clackmannanshire, Falkirk or Stirling), please contact your local councillor about the fund's investments in nuclear weapons and urge them to support a resolution calling on the fund to divest: see section 3A.4.

3.5 Highland

Highland Pension Fund is valued at nearly £2 billion. The fund's 32,000 members include employees of Highland Council, Comhairle Nan Eilean Siar and a range of other organisations, such as local colleges and tourist boards, NHS Highland and the Hebridean Housing Partnership.⁷⁴

A list of assets taken from the fund's website shows that Highland Council Pension Fund held shares worth nearly **£6 million** (0.3% of the fund) in one nuclear weapons producer as at 30 September 2020:⁷⁵

Company	Value of shares (£)
General Dynamics	5,980,807
Total	5,980,807

The fund previously held shares in Rolls Royce until at least June 2020.⁷⁶

Policy

Section 16 of Highland Pension Fund's statement of investment principles⁷⁷ says that the fund "recognises that social, environmental and ethical considerations are among the factors which Investment Managers will take into account, where relevant, when selecting investments for purchase, retention or sale". However, the fund does not appear to have any policies that exclude harmful industries.

Instead, fund managers are encouraged to influence companies on social, environmental and ethical issues through meetings, correspondence and the exercise of voting rights at annual general meetings. See section 3A.1 for a discussion of the limitations of this approach.

⁷³ Statement of Investment Principles: <https://www.falkirkpensionfund.org/media/4690/statement-of-investment-principles.pdf>.

⁷⁴ https://www.highland.gov.uk/downloads/file/22881/audited_accounts_april_2019_to_march_2020%209.

⁷⁵ https://www.highlandpensionfund.org/media/6011/bid_ask_positions_query_for_website_30_09_2020.xlsx.

⁷⁶ https://www.highlandpensionfund.org/media/5524/bid_ask_positions_query_for_website_30_06_2020.xlsx.

⁷⁷ <https://www.highlandpensionfund.org/media/3463/sip-approved-at-pc0-8-02-18.pdf>.

Action

If you live in either of the council areas covered by Highland Pension Fund (Comhairle nan Eilean Siar or Highland), please contact your local councillors about the fund's investments in nuclear weapons and urge them to support a resolution calling on the fund to divest: see section 3A.4.

3.6 Fife

Fife Pension Fund has over 36,000 members, including employees of Fife Council, Fife College, Fife Housing Association and a range of other public and charitable bodies in the local area.⁷⁸

Fife Pension Fund is worth over £2.5 billion. A list of assets supplied under freedom of information shows that the fund held shares worth more than **£3.5 million** (0.1% of the fund) in four nuclear weapons producers as at 30 September 2020:

Company	Value of shares (£)
BAE Systems	789,245
General Dynamics	737,137
Lockheed Martin	1,471,479
Thales	571,334
Total	3,569,195

In September 2019, Fife Council became the fifth local authority in the UK to pass a resolution in support of the Treaty on the Prohibition of Nuclear Weapons as part of the ICAN Cities Appeal initiative.⁷⁹ The treaty, which entered into force on 22 January 2021, prohibits the development, production, testing and use of nuclear weapons (see section 1.2).

Fife Pension Fund's investments in four major nuclear weapons producers are clearly at odds with Fife Council's support for the treaty.

Policy

Fife Pension Fund's statement of investment principles says that fund managers should consider environmental, climate change, social and governance issues when making investment decisions as part of "a holistic analysis of financially material issues".⁸⁰ The pensions committee believes that "mechanistic divestment is inconsistent with the Fund's fiduciary duty to members and employers" and instead employs Hermes Equity Ownership Services to undertake engagement on the fund's behalf.

We contend that engagement is unlikely to change company behaviour in relation to nuclear weapons (see section 3A.1), while nuclear weapons investments are incompatible with fiduciary duty (see section 3A.2).

In order to be consistent with the council's support for the Treaty on the Prohibition of Nuclear Weapons, Fife Pension Fund should exclude nuclear weapons producers from investment.

Action

If you live in Fife, please ask your local councillors to support a resolution that calls on Fife Pension Fund to divest from nuclear weapons: see section 3A.4.

⁷⁸ http://publications.fifedirect.org.uk/c64_FifeCouncilPensionFundAnnualReport2019-20-draft.pdf.

⁷⁹ <https://www.nuclearpolicy.info/news/international-day-eliminate-nuclear-weapons-fife-council-5th-uk-council-support-treaty-prohibit-nuclear-weapons/>.

⁸⁰ http://publications.fifedirect.org.uk/c64_FifeCouncilPensionFundAnnualReport2019-20-draft.pdf.

3.7 North East Scotland

North East Scotland Pension Fund has over 69,000 members, including employees of Aberdeen City Council, Aberdeenshire Council, Moray Council and around 50 other public and charitable bodies in the area. These include Scottish Water, Visit Scotland, Moray College and Robert Gordon University.

North East Scotland Pension Fund is valued at over £4.4 billion.⁸¹ A list of investments taken from the fund's website shows that the fund held shares with a market value of over **£6 million** (0.1% of the fund) in two company that are involved in nuclear weapons work as at 30 September 2020:⁸²

Company	Value of shares (£)
Rolls Royce	573,280
Serco	5,724,000
Total	6,297,280

Policy

North East Scotland Pension Fund rejects divestment as an option and “seeks to adopt a policy of risk monitoring and engagement (versus screening) in order to positively influence company behaviour and enhance shareholder value”.⁸³ This policy means that fund managers are not precluded from investing in harmful industries and the fund currently holds shares in tobacco and fossil fuel companies, as well as Rolls Royce and Serco.

See section 3A.1 for more on the limitations of “engagement”.

Action

If you live in any of the three council areas covered by North East Pension Fund (Aberdeen City, Aberdeenshire, Moray) please contact your councillors about the fund's investments in nuclear weapons and encourage them to support a divestment resolution: see section 3A.4.

You can also join local activists who are already working on divesting North East Pension Fund from harmful industries. If you would like to get involved, email Don't Bank on the Bomb Scotland at nukedivestmentscotland@gmail.com and we will put you in touch with them.

3.8 Scottish Borders

Scottish Borders Council Pension Fund has over 11,000 members, including employees of Scottish Borders Council, Borders College, Scottish Borders Housing Association and several other public and charitable organisations in the area.⁸⁴ The fund holds £712 million in assets.

The response to our freedom of information request shows that Scottish Borders Council Pension Fund held no investments in nuclear weapons producers as at September 2020. The fund previously held shares in Rolls Royce until at least 2019.⁸⁵

Policy

Scottish Borders Council Pension Fund's statement on responsible investment suggests that the fund adopts a broader interpretation of fiduciary duty than some other Scottish local authority pension

⁸¹ https://www.nespf.org.uk/media/ja3bbshq/2019-20_nespf_annual_report_and_accounts_audited.pdf.

⁸² <https://www.nespf.org.uk/media/uydptohg/holdings-sep-2020.csv>.

⁸³ <https://www.nespf.org.uk/media/3lppgm2/corporate-governance-statement.pdf>.

⁸⁴ 2020 unaudited accounts available here: <https://www.scottishborderscouncilpensionfund.org/scottish-borders-council-pension-fund/about-us/forms-and-publications/>.

⁸⁵ <https://nukedivestmentscot.files.wordpress.com/2018/09/working-to-eliminate-nuclear-weapons-through-divestment-a-guide-for-scotland1.pdf>.

funds. The statement says that as well as seeking to enhance long-term returns on its investments, the fund seeks to “ensure that [it] minimises any harm to the environment and society”.⁸⁶

The fund requires investment managers to uphold eight overarching principles which are set out in the statement under the headings “environment”, “social responsibility” and “corporate governance”. Principle 2.2.4, under the social responsibility heading, states:

“When companies are involved in certain controversial activities, we may refrain from investment in those companies. For example, we may decide to exclude companies which are involved in the production of controversial weapons.”

Councillor David Parker, the Chair of Scottish Borders Council pensions committee and a member of the Scottish Local Government Pension Scheme’s advisory board, confirmed that this policy covers nuclear weapons. Councillor Parker told us that the committee, in fact, instructs its external fund managers to try to avoid shareholdings in the arms industry altogether as these investments are considered to be unethical. If the committee retrospectively becomes aware of a holding in that area, it may instruct the fund manager to disinvest.

We note, however, that the fund still own shares in Meggitt Plc, a company that gets about a third of its sales from military equipment.

While principle 2.2.4 policy does not comprehensively prohibit the fund from owning shares in nuclear weapons companies, it is commendable that Scottish Borders Council Pension Fund has recognised the harmful effects of controversial weapons. The policy is also notable for the fact that it is the only reference to controversial weapons that we found in the policy documents of all 11 Scottish local authority pension funds.

Action

If you live in the Scottish Borders and you think that the fund’s policy should be strengthened to comprehensively preclude investment in nuclear weapons companies, please contact your local councillors: see section 3A.4.

3.9 Orkney Islands

Orkney Islands Council Pension Fund has over 4,000 members, including employees of Orkney Islands Council, Orkney Tourist Board, Orkney Ferries Ltd and Orkney Enterprise.⁸⁷ The fund is valued at £377 million.

The response to our freedom of information revealed no shareholdings in nuclear weapons producers as at September 2020. The fund, which is managed by Baillie Gifford, previously held shares in Rolls Royce until at least 2019.⁸⁸

Policy

Orkney Islands Council Pension Fund’s statement of investment principles says that the pensions committee “recognises that ESG issues including social, environmental and ethical considerations are among the factors which investment managers will take into account, where relevant, when selecting investments for purchase, retention or sale”.⁸⁹ Management of the fund is delegated to investment managers, Baillie Gifford, and Baillie Gifford sets the ESG policies that apply to the fund.

⁸⁶ <https://scottishborderscouncilpensionfund.org/media/4372/181130-statement-of-responsible-investment-approved.pdf>.

⁸⁷ https://www.orkney.gov.uk/Files/Finance/2019-2020/Pension_Accounts_2019_2020.pdf.

⁸⁸ <https://nukedivestmentscot.files.wordpress.com/2018/09/working-to-eliminate-nuclear-weapons-through-divestment-a-guide-for-scotland1.pdf>.

⁸⁹ http://www.orkney.gov.uk/Files/Committees-and-Agendas/Pension_Fund_Sub_Committee/PEN2018/21-11-2018/109_Statement_of_Investment_Principles.pdf.

There is no indication that harmful industries are excluded from investment; the list of assets provided to us shows that the fund holds shares in fossil fuels and tobacco.

Action

If you live in the Orkney Islands and you're concerned about Orkney pension fund's investments, please contact your local councillors: see section 3A.4.

3.10 Dumfries and Galloway

Dumfries and Galloway Council Pension Fund has over 16,600 members including employees of Dumfries and Galloway Council, Dumfries and Galloway College, Dumfries and Galloway Housing Partnership, the Scottish Agricultural College and several other local public and charitable bodies. The fund was valued at £825.5 million as at March 2020.⁹⁰

Dumfries and Galloway Council Pension Fund's statement of investment principles states that the pensions committee "take the view that non-financial factors should not drive the investment process at the cost of financial return on the Fund". The fund "does not actively disinvest in companies for ethical, social or environmental reasons".⁹¹

We requested a list of the companies that Dumfries and Galloway Council Pension Fund holds shares in under freedom of information. However, the council declined and instead sent us a list of pooled funds. We have been unable to obtain a complete list of shareholdings for each of these funds so we cannot verify whether Dumfries and Galloway Council Pension Fund has investments in nuclear weapons.

Action

If you live in Dumfries and Galloway and you're concerned about Dumfries and Galloway Council Pension Fund's investments, please contact your local councillors: see section 3A.4

3.11 Shetland Islands

Members of Shetland Islands Council Pension Fund include employees of Shetland Islands Council, Orkney and Shetland Valuation Joint Board, Lerwick Port Authority, Shetland Islands Tourism and several other public and charitable bodies in the Shetland Islands. The fund was valued at £461 million in 2020.⁹²

Shetland Islands Council Pension Fund's statement of investment principles says that fund managers are expected to take into account environmental, social and governance factors "to the extent that these may materially affect the long-term prospects of such companies" and to engage with companies "in relation to the pursuance of socially responsible business practices".⁹³

We asked Shetland Islands Council for a list of the pension fund's investments but the council rejected our request on the grounds that the fund "does not hold any shares in individual companies". We have therefore been unable to establish whether or not Shetland Islands Council Pension Fund holds investments in nuclear weapons producers.

The fund's annual report shows that it is managed by five external investment fund managers: Blackrock; KBI Global Investors; M&G; Newton; and Schroders.⁹⁴ Each of these fund managers has a separate mandate that covers, amongst other things, "investment objectives and restrictions".

⁹⁰ https://www.dumgal.gov.uk/media/23546/Pension-Fund-annual-accounts-2019-20/pdf/D_G_Pension_Fund_-_Audited_Accounts_web.pdf?m=637366367014770000.

⁹¹ Ibid.

⁹² <https://www.shetlandpensionfund.org/media/5840/sic-pension-fund-audited-accounts-2019-20.pdf>.

⁹³ <https://coins.shetland.gov.uk/viewSelectedDocument.asp?c=e%97%9Dd%91r%82%8C>.

⁹⁴ <https://www.shetlandpensionfund.org/media/5840/sic-pension-fund-audited-accounts-2019-20.pdf>.

We asked Shetland Islands Council for a copy of the mandates to see whether they contain any restrictions regarding nuclear weapons investments. This request was rejected too, on the grounds that disclosure would “prejudice substantially the commercial interests of fund managers”.

Action

If you live in the Shetland Islands and you’re concerned about the fund’s investments, please contact your local councillors: see section 3A.4.

3A How can we divest the Scottish Local Government Pension Scheme from nuclear weapons?

3A.1 The limitations of “engagement”

Most local authority pension funds say that they address environmental, social and governance (ESG) issues through “engagement” with the companies that they invest in. Fund managers claim that engagement is more effective than divestment at changing company behaviour.

However, it is important to understand the limitations of this approach. The engagement undertaken by the local authority pension funds that we have looked at **does not, nor is it intended to, address fundamental concerns about the ethics of investing in harmful industries**. Rather, it is only concerned with managing the financial risks related to ESG issues.

For example, Lothian Pension Fund’s Statement of Responsible Investment Principles emphasises that the fund is a “responsible”, not an ethical, investor⁹⁵. It states that “the management of ESG issues is a question of identifying and mitigating material financial risks, not a question of ethics”.

While nuclear weapons investments do, in fact, present a financial risk to pension funds (see section 1.3), we contend that divestment from nuclear weapons can (see section 3A.2) and should be carried out for ethical reasons. It is simply wrong for local authority pension funds to profit, through their investments, from the production of indiscriminate, inhumane weapons of mass destruction.

What is engagement?

Investor engagement takes various forms, including correspondence and meetings with company managers, filing shareholder resolutions and voting at shareholder meetings. Correspondence between Don’t Bank on the Bomb Scotland, Nuclear Free Local Authorities and Strathclyde Pension Fund has shed more light on the nature of this engagement.

Strathclyde Pension Fund employs a company called Sustainalytics to carry out engagement on its behalf. The overall purpose of this engagement is to “manage financially-material reputational risk and increase corporate accountability”.⁹⁶

Sustainalytics monitors company activity to identify risks and rates the risk on a scale of 1 to 5.⁹⁷ Where a risk is identified, Sustainalytics may engage with the company concerned. This engagement may have a “specific change objective” or it may “take the form of a dialogue on risk”.⁹⁸

The engagement process is “controversy based”, that is it is largely triggered by news flow about the company’s activities, “including reports of new contracts, products or lawsuits”.⁹⁹ This suggests that a company’s ongoing involvement in a harmful activity will not necessarily trigger engagement by Sustainalytics.

⁹⁵ See p 1: <https://www.lpf.org.uk/downloads/file/129/statement-of-responsible-investment-principles>.

⁹⁶ Letter from Strathclyde Pension fund dated 17 July 2020.

⁹⁷ Ibid.

⁹⁸ Ibid.

⁹⁹ Ibid.

Strathclyde Pension Fund told us that “association with the provision of key products or services for nuclear weapons” has been listed as a controversy since 2012 and engagement regarding nuclear weapons is currently in the category of a dialogue on risk. However, the fund did not provide us with any examples of Sustainalytics’ engagement in this area.¹⁰⁰ The fund did note that no recent engagement has been reported in relation to Boeing’s nuclear weapons work.¹⁰¹

We also asked Lothian Pension Fund whether, in the last five years, it has carried out engagement with any of the nuclear weapons producers that it invests in regarding the involvement of those companies with nuclear weapons. The response stated: “There has been no such engagement with any of the named companies in this period.”¹⁰²

It is clear that engagement is limited in both scope and aim and, as currently approached, is unlikely to result in the cessation of nuclear weapons work by any of the companies listed in section 2. The example of cluster munitions discussed in section 1.5.2 suggests that divestment is a more effective way to curb the production of controversial weapons.

3A.2 What about fiduciary duty?

Local authority pension funds are subject to a “fiduciary duty” (legal obligation) to act in the best interests of fund members. Representatives of the funds often say that this precludes them from divesting from harmful industries.

This argument is based on a narrow construction of fiduciary duty that is limited to financial return on investments. Fund managers cannot take into account non-financial considerations in their investment decisions, it is claimed, because this would conflict with their fiduciary duty.

However, a legal opinion on fiduciary duty commissioned by the Scottish local government pension scheme’s advisory board makes it clear that funds can take into account non-financial factors in their investment decisions, “so long as that does not risk material financial detriment to the Fund”.¹⁰³ Two Scottish funds appear to have done so already (see below). Moreover, the letter from the advisory board that accompanied the opinion emphasised the importance of guarding “against extremes or selective interpretation of the legal principles by Pension Committees and Pension Boards, for instance which might unduly restrict the consideration of ESG and other wider factors”.¹⁰⁴

Examples of funds that restrict investment in harmful industries

Scotland’s two largest local authority nuclear weapons investors, Lothian and Strathclyde pension funds, both maintain that divesting from companies for ethical reasons would conflict with their fiduciary duty. However, Scottish Borders Council and Tayside pension funds have adopted interpretations of fiduciary duty that are more in line with the advice of the Scottish local government pension scheme’s advisory board (see above).

Scottish Borders’ statement on responsible investment says:

“Fiduciary duty goes beyond simply enhancing long term returns, and in order to act prudently in the best interest of the scheme members, trustees should consider the impact of their investment decisions on risks such as climate change and other ESG related issues

¹⁰⁰ Ibid.

¹⁰¹ See: <https://www.dontbankonthebomb.com/boeing/>.

¹⁰² Email from the Information Compliance Team, City of Edinburgh Council dated 15 December 2020.

¹⁰³ <http://lgpsab.scot/wp-content/uploads/2016/06/Letter-to-Funds-on-Fiduciary-Duty.pdf>.

¹⁰⁴ <http://lgpsab.scot/wp-content/uploads/2016/06/Letter-to-Funds-on-Fiduciary-Duty.pdf>. It is also useful to note that in 2020 the Palestine Solidarity Campaign successfully challenged the legality of UK government guidance that restricted the ability of English local authority pension funds to pursue “divestment and sanctions against foreign nations and UK defence industries ... other than where formal legal sanctions, embargoes and restrictions have been put in place by the government”: <https://theferret.scot/palestinian-boycott-divest-sanctions-pension-divest/>.

that can have an impact on sustainability and the value of the assets of the Fund over the long term.”

Tayside Pension fund’s policy on Environmental, Social and Corporate Governance uses language from the advisory board’s letter (cited above), stating that the fund should “exercise their fiduciary duty to guard against extremes or selective interpretation of the legal principles which might unduly restrict the consideration of ESG and other wider factors”.

Both Tayside and Scottish Borders have policies which restrict investment in certain harmful industries (see sections 3.3 and 3.8) and there are examples of councils pursuing divestment strategies in England. In 2016, Waltham Forest became the first local authority to announce that it would divest its £735 million pension fund from fossil fuels.¹⁰⁵ This was followed by a similar commitment from Southwark Council.¹⁰⁶

Accepting that divestment is possible

Scottish local authority pension funds are under growing pressure to accept that fiduciary duty does not preclude divestment from harmful industries. In April 2021, Glasgow City Council passed a resolution calling on Strathclyde Pension Fund to completely divest from fossil fuel companies as quickly as possible.¹⁰⁷ The resolution recognises the role of fossil fuel industries in “driving the climate and ecological emergencies and perpetuating global inequalities” and notes that “many other major public and private institutions have already made and acted on commitments to fossil fuel divestment, demonstrating leadership on the climate emergency at the same time as protecting the long-term interests of their individual investors”.

The resolution came a few months after publication of the council’s Climate Emergency Implementation Plan, which proposed that the council “work with pension investment funds in the city to encourage the development of divestment strategies from the fossil fuel sector”.¹⁰⁸ The plan states that pension funds should consider not only “how the future is likely to impact on their ability to meet long-term liabilities” but also “their members’ ability to live in a world that is worth living in” – an implicit reference to fiduciary duty.

Divesting from nuclear weapons producers

We contend that divestment from the nuclear weapons industry is not only possible under fiduciary duty but would, in fact, be fully in line with that duty.

Divestment would ensure that fund members’ pensions would not be exposed to the financial risks of investing in companies that make banned weapons (see section 1.3). Divestment would also help to mitigate the risk of a nuclear war that would have devastating consequences for fund members, and for everyone else (see section 1.1).

Surely this would be in the best interests of pension fund members?

3A.3 Councils can pass a resolution supporting divestment

Don’t Bank on the Bomb Scotland and Nuclear Free Local Authorities UK have created a model resolution on nuclear weapons divestment:

¹⁰⁵ <https://democracy.walthamforest.gov.uk/documents/s59084/Investment%20Strategy%20-%2028%2011%2017.pdf>.

¹⁰⁶ <https://www.theguardian.com/public-leaders-network/2017/nov/13/southwark-council-pension-fund-divesting-12bn-from-fossil-fuels>.

¹⁰⁷ Text of resolution: <https://www.glasgow.gov.uk/councillorsandcommittees/agenda.asp?meetingid=17375>. Report by Friends of the Earth Scotland: <https://foe.scot/press-release/climate-activists-celebrate-glasgow-city-council-support-for-campaign-to-end-500-million-fossil-fuel-investment/>.

¹⁰⁸ <https://www.glasgow.gov.uk/CHttpHandler.ashx?id=50623&p=0#:~:text=Glasgow%20looks%20to%20become%20one,e nergy%20efficiency%20and%20local%20generation.>

“Model resolution encouraging Council Pension Funds to divest from companies involved in the production, maintenance or development of nuclear weapons in the UK or other Nuclear Weapon States

- **[If applicable:** Council is a member of the Nuclear Free Local Authorities (NFLA) and / or Mayors for Peace, the national / international body of Councils working for almost four decades to promote multilateral nuclear disarmament and a more peaceful world. Council passed **[name of resolution]** on **[date]** calling on the UK government to cancel Trident replacement plans and support the 2017 Treaty on the Prohibition of Nuclear Weapons (TPNW).]
- **[Name of pension fund]** manages the pension contributions of Council employees. **[Name of pension fund]** is known to hold shares in companies that are involved in the production or maintenance of nuclear weapons or their delivery systems, **[if applicable]** including some that undertake work on the UK’s nuclear weapons programme.
- **[If applicable:** Any investments in nuclear weapons producers are at odds with Council’s support for the TPNW and Council’s opposition to Trident renewal.] Such investments [also] present a growing risk to **[name of pension fund]**. The TPNW has increased the stigma associated with nuclear weapons and companies which continue to produce nuclear weapons after the treaty enters into force will face damage to their reputation which could affect their value.
- Council calls on **[name of pension fund]** to:
 1. Work towards eliminating current and future financial exposure to companies that are involved in the production or maintenance of nuclear weapons and their delivery systems, giving due regard to fiduciary duty.
 2. Council asks the Chief Executive to write to the convenor of **[name of pension fund]**’s pensions committee to urge them to take full consideration of this resolution.”

In May 2019, Renfrewshire became the first council in the UK to pass this resolution, calling on Strathclyde Pension Fund to divest from nuclear weapons.¹⁰⁹ West Dunbartonshire, Midlothian and East Ayrshire councils passed similar resolutions in 2019¹¹⁰ and in March 2021, Inverclyde Council passed a resolution that calls on Strathclyde Pension Fund to divest from the arms industry.¹¹¹

These resolutions do not bind local government pension funds but they are an important statement of support for nuclear weapons divestment from councillors, who are fund members. The more councils that adopt resolutions, the greater the pressure will be on funds to divest.

3A.4 ACTION: What you can do

A growing number of Scottish local authorities want their pension fund to divest from nuclear weapons producers. We need your help to persuade other councils to support nuclear weapons divestment:

1. Check section 3 of this guide to see whether the local government pension fund that covers your area has investments in nuclear weapons companies.

¹⁰⁹ Renfrewshire: <http://www.nuclearpolicy.info/news/nfla-welcomes-renfrewshire-council-resolution-nuclear-weapons-divestment-scottish-forum-discusses-just-transition-low-carbon-local-energy/>.

¹¹⁰ West Dunbartonshire: <https://www.nuclearpolicy.info/news/nfla-welcomes-west-dunbartonshire-council-prohibition-nuclear-weapons-climate-emergency-divestment-fossil-fuels/>. Midlothian: <https://www.nuclearpolicy.info/news/nfla-welcomes-further-council-resolutions-supporting-treaty-prohibition-nuclear-weapons-and-divestment/>.

¹¹¹ Inverclyde: <https://www.nuclearpolicy.info/news/nfla-welcomes-inverclyde-councils-resolution-urging-strathclyde-pension-fund-commit-ethical-investments/>.

2. Write to your local councillors explaining why you think that the fund should divest (see Appendix for our template letter). Include a copy of our model resolution on divestment with the appropriate information inserted (see section 3A.3 above) and suggest that this is put to the council, unless the council has passed a resolution already.
You can find out who your local councillors are at www.writetothem.com. This site also allows you to email your councillors using an online form.
3. You should also request that your councillors pass on your concerns about nuclear weapons investments to the convenor of the pensions committee, which administers the fund.
4. If you do not receive a satisfactory response, request a meeting with your councillors or attend one of their regular surgeries.
5. Let us know how you get on. If you get stuck, we can help:
nukedivestmentscotland@gmail.com.

You could also contact members of the pensions committee directly, as they have the power to change the fund's statement of investment principles. See section 3 above for a link to the list of pensions committee members for each fund.

If you are a member of the Scottish Local Government Pension Scheme, see section 8.3 for information on what you can do to encourage your fund to divest from nuclear weapons.

4. Scottish Parliamentary Pension Scheme

The Scottish Parliamentary Pension Scheme manages the pension contributions of Members of the Scottish Parliament. The scheme is overseen by a board of trustees, most of whom are MSPs. Its investments are currently held in two pooled funds managed by private investment firm, Baillie Gifford.

The scheme does not have a policy that prohibits investment in nuclear weapons producers or other harmful industries. In 2014, a response to a question to the Scottish Parliamentary Corporate Body by Scottish Greens MSP, John Finnie, revealed that nearly a tenth of the scheme was invested in fossil fuel, tobacco and arms companies, including Rolls Royce.¹¹² Rolls Royce is one of the world's largest defence contractors and one of four key contractors involved in Britain's Trident nuclear weapons programme (see section 2).

The fund continues to hold shares in tobacco and fossil fuel companies, however, Baillie Gifford sold the Rolls Royce holding in the third quarter of 2020.¹¹³ This decision was not taken for ethical reasons but because fund managers decided that the company – which gets a significant proportion of its revenue from the civil aviation sector – was no longer a profitable investment. The Baillie Gifford quarterly report for the relevant period notes that the company was already struggling to “deliver operating margins necessary to make [it] an attractive investment” and states that “any hopes of recovery have been dashed by the dramatic decline in demand for flying by the Covid-19 pandemic”.

We welcome the news that the Scottish Parliamentary Pension Scheme no longer invests in Rolls Royce. However, without an ethical investment policy there is nothing to prevent the scheme being reinvested in Rolls Royce or any another nuclear weapons contractor in future.

Moving in a more ethical direction?

The scheme's trustees have come under pressure to adopt a more ethical position from organisations such as Don't Bank on the Bomb Scotland and Friends of the Earth Scotland. In late 2019 it was revealed that the trustees were considering transferring some of the scheme's assets into a third fund “with the aim of incorporating a higher ethical, environmental, social or governance approach into the investment strategy”.¹¹⁴

This is a positive sign that the scheme's trustees are taking ethical concerns seriously, however, if implemented, the proposal would still allow the scheme to be invested in harmful industries through the other two funds. The whole scheme should be invested in a fund or funds that comprehensively exclude nuclear weapons and other harmful industries from investment.

This would likely be a popular move. A March 2018 Survation poll found that nearly three quarters of Scots believe that the Scottish Parliamentary Pension Scheme should divest from arms, tobacco and fossil fuels.¹¹⁵

¹¹² Meeting of the Scottish Parliament 13 November 2014 – Official Report:

<http://www.parliament.scot/parliamentarybusiness/report.aspx?r=9622&i=87435#ScotParlOR>.

¹¹³ Baillie Gifford, Scottish Parliamentary Contributory Pension Fund: Report for the quarter ended 30 September 2020.

¹¹⁴ See minutes of the June 2019 trustees' meeting:

https://www.parliament.scot/StaffAndManagementResources/2019_09_17_Minutes_final.pdf and reporting by *The Ferret*: <https://theferret.scot/pension-fund-ethical-review-shell/>. A subsequent meeting of the trustees took place on 22 January 2020, however, the Scottish Parliament declined to provide us with a copy of the minutes as requested under freedom of information in November 2020, as the minutes had not yet been approved by a subsequent meeting. When approved, the minutes will be available here: <https://external.parliament.scot/msps/25847.aspx>.

¹¹⁵ http://www.heraldscotland.com/news/16063941.Call_to_stop_3m_MSP_pension_fund_investments_in_weapons_tobacco_and_dirty_fuel_after_poll/?ref=twtrrec.

4.1 ACTION: What you can do

Please write to your MSPs to explain why the Scottish Parliamentary Pension Scheme should adopt an ethical investment policy. Request that that they pass on your concerns to the chair of the scheme's trustees.

You can find out who your MSPs are at www.writetothem.com. This site also allows you to email your MSPs using an online form. You can use our template letter (see Appendix) or compose your own.

If you do not get a satisfactory response, you can seek a meeting with your MSPs at their local surgery.

You can also email your MSPs directly about the scheme's fossil fuel investments at <https://act.foe.scot/msp-divest-scotland>.

5. Scottish universities

This section examines the endowment investments and investment policies of the top 10 universities in Scotland.¹¹⁶ Our findings suggest that there is widespread recognition within the Scottish higher education sector that investing in nuclear weapons is not socially responsible.

Of the 10 institutions that we researched, we found only two that hold direct investments in nuclear weapons producers. The **University of Glasgow** held shares worth **£1.9 million** in 16 nuclear weapons companies as at 30 September 2020, while the **University of Strathclyde** held shares worth **£473,633** in two companies.

FUND	TOTAL INVESTED £
University of Glasgow	1,928,830
University of Strathclyde	473,633
TOTAL	£2,402,463

At least six universities have policies that either explicitly (Aberdeen and Edinburgh) or implicitly (St Andrews, Dundee, Stirling and West of Scotland) restrict investment in nuclear weapons producers. Some of these policies are not comprehensive and in some instances we have been unable to verify how the policies are being applied.

Nevertheless, it is clear that the University of Glasgow and the University of Strathclyde are outliers when it comes to nuclear weapons investments in the Scottish higher education sector.

Action

Past campaigns have demonstrated that sustained student activism can persuade a university to change its arms industry investment policy (see section 5.1 on Edinburgh and section 5.4 on St Andrews). If you are a student at either the University of Glasgow or the University of Strathclyde, we encourage you to take action in support of divestment. An energetic campaign is already underway at the University of Glasgow (see section 5.2).

If you are a student at an institution that is *not* covered in this section, you can do some research to find out whether your place of study has a policy relating to nuclear weapons producers and whether it invests in them. People and Planet publishes an ethical scorecard for each UK university which may contain information about your institution's investments and investment policy.¹¹⁷

Once you know where the university is investing its money, you can contact the university's principal as in individual or organise with like-minded students to push for divestment.¹¹⁸ You can also get involved with the CAAT Universities Network, which aims to highlight and dismantle the financial and business links between universities and the arms trade. These include the investments that universities make in arms companies, but also the funding that arms companies provide for courses and research. Email: scotland@caat.org.uk.

¹¹⁶ As listed in the Times Higher Education World University Rankings 2019: https://www.timeshighereducation.com/world-university-rankings/2019/world-ranking#!/page/0/length/-1/sort_by/rank/sort_order/asc/cols/stats.

¹¹⁷ <https://peopleandplanet.org/university-league>.

¹¹⁸ CAAT Universities has some useful resources: <https://caatunis.net/campaigns/clean-investment/>.

5.1 University of Edinburgh

In 2016, the University of Edinburgh changed its policy on arms investments in response to a five-year responsible investment campaign led by students.

In May 2015, protesters from People and Planet occupied Charles Stewart House, the university's main financial office, to demand that the university fully divest from arms and fossil fuels. In response to this pressure, the university announced in October 2015 that it "has not and will never" invest in "controversial armaments".¹¹⁹ The university's definition of controversial armaments¹²⁰ includes nuclear weapons but, at this time, the university still held shares in Rolls Royce (see section 2 for information on Rolls Royce's involvement with nuclear weapons).

The student campaigners responded that this policy was "nowhere near good enough", as it still permitted investment in lethal weapons.¹²¹ The university continued to hold shares in drone company Meggit plc and Martin Marietta, a subsidiary of Lockheed Martin, as well as the shares in Rolls Royce.

In February 2016, the university changed its policy, announcing that it would no longer invest in coal or tar sands or in companies that get 20% or more of their revenue from arms sales.¹²² In April 2016, the university told student campaigners that it no longer held investments in arms companies.¹²³

A list of investments on the University's website shows that the university had no direct holdings in the companies listed in section 2 of this guide as at 31 July 2020.¹²⁴ However, the university may have indirect holdings in nuclear weapons through its investments in external funds and, as it stands, the policy still allows investment in companies which get less than 20% of revenue from arms sales.

Action

University of Edinburgh students wishing to get involved in the divestment campaign can contact People and Planet Edinburgh: <https://www.facebook.com/edunipeopleandplanet/>.

5.2 University of Glasgow

The University of Glasgow has been criticised for investing heavily in the arms industry while claiming to be "committed to socially responsible investment".¹²⁵ A list of investments supplied to us under freedom of information shows that the university held **£1.9 million** worth of shares in 16 nuclear weapons companies as at 30 September 2020:

Company	Value of shares (£)
Airbus	95,431
BAE Systems	523,987
Boeing	208,876
Fluor	28,274
Honeywell International	187,045

¹¹⁹ <http://www.studentnewspaper.org/university-of-edinburgh-arms-investment-policy-condemned-by-activists/>.

¹²⁰ <https://www.ed.ac.uk/about/sustainability/themes/responsible-investment/reviews/armaments>.

¹²¹ <http://www.studentnewspaper.org/university-of-edinburgh-arms-investment-policy-condemned-by-activists/>.

¹²² <http://www.studentnewspaper.org/edinburgh-university-revises-ethical-investment-policy-following-push-from-students/>.

¹²³ <https://investethically.wordpress.com/2016/04/04/a-year-on-and-edinburgh-university-still-has-commitment-issues/>.

¹²⁴ https://www.ed.ac.uk/files/atoms/files/list_of_investments_2020_m07_jul_31.pdf.

¹²⁵ <https://www.gla.ac.uk/myglasgow/sustainability/ethicalinvestment/>.

Jacobs Engineering	40,687
L3 Harris	30,479
Leidos	39,513
Leonardo	16,985
Lockheed Martin	155,648
Northrop Grumman	79,068
Raytheon	169,976
Rolls Royce	244,234
Safran	57,368
Textron	33,974
Thales	17,285
Total	1,928,830

The University of Glasgow has committed to divesting from oil and gas sectors by 2024 and fund managers are instructed not to invest in the tobacco industry. Fund managers are also required to “take account of any serious breaches of international law committed by companies”, according to the university’s Statement on Socially Responsible Investment.¹²⁶ However, there is no mention of weapons within the statement.

Action

In October 2019, six university societies came together to form the Glasgow University Arms Divestment Coalition (GUADC).¹²⁷ The coalition aims to persuade the university to divest completely from the arms industry.

GUADC held its first protest on 23 October at an arms trade recruitment fair at the university.¹²⁸ The university’s then-rector, lawyer Aamer Anwar, praised the students’ action, saying “if we really want to be ‘world changers’, the University of Glasgow should divest immediately from any company accused of complicity in war, misery and death”.¹²⁹

After GUADC made representations to the University urging it to divest from the arms industry, the University of Glasgow Court (the governing body of the university) deliberated on the matter in June 2020. The University Court agreed to ban investment in companies that contravene international arms trade treaties to which the UK is party, and to write to the UK government to express concern about UK-made arms being exported to countries where human rights abuses are taking place¹³⁰. However, the University Court rejected the call to comprehensively divest from the arms industry, concluding that these investments are “not contrary to the University’s value systems”.

GUADC stated that while it was “incredibly disappointed” with the University Court’s decision, “this is not the end of our campaign and we are committed to pursuing full divestment in line with the beliefs of the University of Glasgow community and the University’s own stated policy”.

¹²⁶ https://www.gla.ac.uk/media/media_597480_en.pdf.

¹²⁷ Amnesty International, Extinction Rebellion, Student Action for Refugees (STAR), the Palestine Society, the Glasgow Refugee and Asylum Seeker Solidarity (GRASS) and the Green Anti-Capitalist Front. See <https://tinyurl.com/yaluznc6>.

¹²⁸ <https://www.scotsman.com/news/politics/arms-trade-recruitment-fair-glasgow-university-set-attract-protesters-1404510>.

¹²⁹ <https://twitter.com/AamerAnwar/status/1187067864907505665>.

¹³⁰ <https://www.facebook.com/GUADC/posts/272775877482352>.

If you are a student at the University of Glasgow, we encourage you to connect with GUADC. The coalition posts details of its regular meetings on social media:

- Twitter [@GU_ADC](https://twitter.com/GU_ADC)
- Facebook www.facebook.com/GUADC/
- Instagram www.instagram.com/gu_adc

5.3 University of Aberdeen

The University of Aberdeen's sustainable investments policy states that the university "will not *directly* invest" its endowment funds in "companies *whose business has a significant interest in ...* the manufacture of controversial weapons including cluster bombs, landmines, nuclear weapons (systems or components) and companies that manufacture civilian firearms" (our emphasis).¹³¹

This wording is not as strong as an earlier version of the policy which stated that the "the Funds will not invest in companies involved in the manufacture of controversial weapons including cluster bombs, landmines, nuclear weapons (systems or components), biological/chemical weapons systems or components) and depleted uranium weapons manufacturers".

The addition of the words in italics weakens the policy, as it allows the university to make indirect investments in nuclear weapons producers and to invest in companies that get some of their revenue from nuclear weapons production (see section 8.1 below on the importance of having a comprehensive policy). It is not clear why the university changed its policy.

We have been unable to establish how the policy operates in practice, as the university rejected our request for a list of its investments on the grounds that it does not hold this information. The University did send as a list of the pooled funds where its investments are held, but we have been unable to obtain a complete list of assets for each of these funds.

Action

If you are a student at the University of Aberdeen and you are concerned about the University's investments, you can write to the university's principal to request more detailed information. You can also contact Campaign Against Arms Trade (CAAT) Scotland about getting involved in the divestment activities of the CAAT Universities Network: scotland@caat.org.uk.

5.4 University of St Andrews

The University of St Andrews first introduced a sustainable investment policy in 2006 in response to three years of student activism.¹³² Formed in 2003, the St Andrews Ethical Investment Campaign worked to raise awareness of the issue among students, organised protests and negotiated directly with the university. A referendum in 2003 found that 91% of students were in favour of ethical investment.

The University of St Andrews' current financial operating procedure on "sustainable and responsible investing" states that "the University believes that its investments should mirror its own desire to be sustainable and promote sustainability".¹³³ To this end, investment managers are required to consider several criteria when making investment decisions, including the "promotion of international co-operation and an end to international conflict including a prohibition of companies which produce armaments". Since nuclear weapons are classed as armaments, this prohibition excludes nuclear weapons producers from investment.

¹³¹ <https://www.abdn.ac.uk/staffnet/documents/policy-zone-sustainability/Sustainable-Inv-Policy.pdf>.

¹³² <https://thetab.com/uk/stand/2011/10/26/ethical-investment-students-students-98>.

¹³³ <https://www.st-andrews.ac.uk/media/finance/documents/fops/sustainable-investment-policy.pdf>.

A list of the university's investments dated 31 July 2020 shows that it held no investments in the companies listed in section 2 of this report.¹³⁴

5.5 University of Dundee

The University of Dundee has an ethical investment policy which does not mention nuclear weapons specifically but states that “companies producing weapons and weapon systems, including cluster munitions and anti-personnel landmines” and “companies whose main business includes the supply of strategic components (such as weapons guidance systems), military vehicles and services” are excluded.¹³⁵

A consolidated valuation report for the university covering 1 May 2020 to 31 July 2020 reveals no investments in companies that are involved in the production of nuclear weapons, their delivery systems or delivery platforms.¹³⁶ However, the university's ethical investment policy could be strengthened in two ways to ensure that nuclear weapons producers are comprehensively excluded: 1) addition of a reference to nuclear weapons in the list of “companies producing weapons and weapon systems”; 2) deletion of the word “main” so that the policy excludes all companies whose business includes the supply of strategic components, military vehicles and services.

Action

If you are a student at the University of Dundee and you think that the university's investment policy should be strengthened, consider contacting the university's principal. You can also contact Campaign Against Arms Trade (CAAT) Scotland about getting involved in the divestment activities of the CAAT Universities Network: scotland@caat.org.uk.

5.6 Heriot-Watt University

In response to our freedom of information request, Heriot-Watt University told us that its endowment funds are held in CCLA Investment Management Ltd's COIF Charities Investment Fund. The fund has a policy which excludes companies that produce cluster munitions or landmines from investment, however, the policy does not mention nuclear weapons.¹³⁷

The University declined to send us a list of its shareholdings on the grounds that this information is held by CCLA, not the university. A portfolio statement in the COIF Charities Investment Fund's 2019 annual report shows that the fund held shares in one nuclear weapons producer, Honeywell International (see section 2 above).¹³⁸

Action

If you're a student at Heriot-Watt University and you're concerned about the university's investments, you can write to the university's principal. You can also contact Campaign Against Arms Trade (CAAT) Scotland about getting involved in the divestment activities of the CAAT Universities Network: scotland@caat.org.uk.

You could also contact CCLA's Head of Ethical and Responsible Investment, James Corah, to suggest that the company adopts a comprehensive policy prohibiting investment in nuclear weapons producers: james.corah@ccla.co.uk.

¹³⁴ <https://www.st-andrews.ac.uk/media/finance/documents/financial-statements/investment-list-31-july-2020.pdf> found at <https://www.st-andrews.ac.uk/staff/money/financialstatements/>.

¹³⁵ <https://www.dundee.ac.uk/corporate-information/ethical-investment-policy>.

¹³⁶ <https://tinyurl.com/ycu3mrus>.

¹³⁷ <https://www.ccla.co.uk/sites/default/files/COIF%20Investment%20Fund%20August%202018.pdf>.

¹³⁸ <https://www.ccla.co.uk/sites/default/files/6760%20CCLA%20COIF%20Investment%20Fund%20Annual%202019%20%2810%29.pdf>.

5.7 University of Stirling

The University of Stirling's socially responsible investment policy states that the university "will not invest directly (or through collective funds) in fossil fuel companies, arms companies or corporations complicit in the violation of international law".¹³⁹ The exclusion of arms companies implicitly covers nuclear weapons producers.

We commend the university for having a policy that excludes arms companies from investment. However, we have been unable to verify whether this policy has been comprehensively applied. We requested a list of companies that the university invests in under freedom of information but the university only sent us a list of the trusts and funds where its investments are held.

Action

If you're a student at the University of the Stirling and you're concerned about the university's investments, you can contact Campaign Against Arms Trade (CAAT) Scotland about getting involved in the divestment activities of the CAAT Universities Network: scotland@caat.org.uk.

5.8 University of Strathclyde

The University of Strathclyde describes itself as a "as a socially-progressive, values-driven organisation" but does not have an ethical investment policy.¹⁴⁰ The response to our freedom of information request shows that the university held shares worth nearly half a million pounds in two nuclear weapons producers as at 30 September 2020:

Company	Value of shares (£)
BAE Systems	328,724
Thales	144,909
Total	473,633

BAE Systems is one of the world's largest arms companies and produces key components for nuclear weapons deployed by the UK, the US and France. BAE is also constructing Britain's four new nuclear-armed "Dreadnought" class submarines. Thales is involved in the production of nuclear-armed medium-range air-to-surface missiles for the French military and has other contracts relating to the country's nuclear weapons programme.¹⁴¹

Action

If you are a student at the University of Strathclyde, we suggest you contact the university's principal to explain why the university should adopt a policy that excludes nuclear weapons producers from investment (see section 1 for points that you could include). You can also contact Campaign Against Arms Trade Scotland for information about how to get involved with the divestment activities of the CAAT Universities Network: scotland@caat.org.uk.

¹³⁹ <https://www.stir.ac.uk/media/stirling/services/finance/documents/Socially-Responsible-Investment-Policy.docx>.

¹⁴⁰ We asked the university whether it has an ethical investment policy under freedom of information. The response stated that it does not. The university has, however, announced that approximately 7% of its investment portfolio from direct investments will be transferred to a sustainable fund portfolio in order to reduce the carbon intensity of the portfolio: <https://www.strath.ac.uk/whystrathclyde/news/strathclydecommittosustainableinvestmentplanand70carbonemissionscutby2025/>.

¹⁴¹ S Snyder, *Producing Mass Destruction – Private companies and the nuclear weapons industry* (PAX, 2019): https://www.dontbankonthebomb.com/wp-content/uploads/2019/05/2019_Producers-Report-FINAL.pdf.

5.9 University of the West of Scotland

The University of the West of Scotland provided its Ethical Investment Statement to us under freedom of information. The statement says that the university “recognises its responsibility to operate in an ethical manner and to take account of social, environmental and ethical considerations in all activities including financial investment”. The statement goes on to say that “the University will not hold any *direct* investments in companies involved in arms, tobacco, and pornography and in the extraction and production of oil, gas and other fossil fuels” (our emphasis).

We commend the university for excluding arms companies (and implicitly nuclear weapons producers) from direct investment. However, we have been unable to verify how this policy has been applied as the university rejected our request for a list of its investments. The response to our freedom of information request stated that “release of information relating to our spend into the public domain would be detrimental to our commercial interest as it would allow other educational institutes in direct competition with us to use this information when determining their financial business models”.

Additionally, the policy on arms companies only covers *direct* investments so the university may hold *indirect* investments in nuclear weapons producers.

Action

If you’re a student at the University of the West of Scotland and you think that the university’s policy should be strengthened, you can contact the university’s principal. You can also contact CAAT Scotland for information about how to get involved with the CAAT Universities Network’s divestment activities: scotland@caat.org.uk.

5.10 Edinburgh Napier University

Edinburgh Napier University is a registered charity. The university’s Ethical Financial Investment Policy states that the trustees of the charity (the university) are under a duty to exclude investments that conflict with the objects of the charity, or those that would inhibit the purpose of the charity. However, the policy says that the university “would not wish to be proscriptive” and investment decisions are left to investment fund managers who are required to consider “social responsibility parameters before making any investment”.¹⁴²

Edinburgh Napier University provided us with a list of the companies and funds that it invests in as at 30 September 2020. The list revealed no direct investments in nuclear weapons producers, however, the university may have indirect investments through some of the funds listed.

Action

If you are a student at Edinburgh Napier and you think that the university’s policy should be strengthened, consider contacting the University’s principal. You can also contact Campaign Against Arms Trade (CAAT) Scotland for information about how to get involved with the divestment activities of the CAAT Universities Network: scotland@caat.org.uk.

¹⁴² [https://staff.napier.ac.uk/services/facilities/sustainability/Documents/Ethical%20Financial%20Investment%20Policy%20Amended%20\(FCC%2006%2001\).doc](https://staff.napier.ac.uk/services/facilities/sustainability/Documents/Ethical%20Financial%20Investment%20Policy%20Amended%20(FCC%2006%2001).doc).

6. Scottish financial institutions financing nuclear weapons

This section presents findings from research undertaken by PAX on nuclear weapons investments held by three financial institutions: Lloyds Banking Group, NatWest Group (formerly RBS Group) and Standard Life Aberdeen.¹⁴³ The investments of other UK financial institutions are covered in section 7.

Lloyds Banking Group, which includes subsidiary Bank of Scotland, invested **£3.4 billion** in 10 of the nuclear weapons producers listed in section 2 between January 2018 and January 2020, while NatWest Group invested **£2 billion** in 15 companies. Most of these investments were made in the form of loans and the underwriting of bond issuances.

Standard Life Aberdeen owned shares worth over **£1.5 billion** in 20 nuclear weapons producers as of March 2020.

Scottish financial institution's nuclear weapons investments: 2018–2020

FINANCIAL INSTITUTION	TOTAL INVESTED (£ million)
Lloyd's Banking Group	3,409.2
NatWest Group	2,020.4
Standard Life Aberdeen	1,555.1
TOTAL	£6,984.7

Irresponsible banking

Both Lloyds and NatWest Group are founding signatories to the UN Principles of Responsible Banking (UNPRB).¹⁴⁴ The UNPRB's signature document states: "We believe that only in an inclusive society founded on human dignity, equality and the sustainable use of natural resources, can our clients and customers and, in turn, our businesses thrive."¹⁴⁵

This is a worthy sentiment that is undermined by the banks' continued investment in nuclear weapons producers. The nuclear weapons industry is founded on human suffering, nuclear colonialism and environmental destruction.¹⁴⁶

Uranium mining has contaminated Indigenous lands and poisoned precious water resources.¹⁴⁷ Nuclear testing destroyed whole islands and released harmful radioactive particles into the

¹⁴³ See the forthcoming report by S Snyder, *Problematic Profiteering: Private company involvement in nuclear weapon production and their financial backers* (PAX, 2021) which will be published at <https://www.dontbankonthebomb.com/>. The figures in this section differ from the figures used in the global report published by PAX because the latter uses a reporting threshold: only share and bond holdings larger than 0.5% of the total outstanding shares or bonds of the nuclear weapon producing companies are listed. However, we have included all of the investments in PAX's research in order to give a fuller picture of Scotland's investments in the nuclear weapons industry. Questions about PAX's research can be sent to info@dontbankonthebomb.com.

¹⁴⁴ NatWest Group was then known as RBS Group. See: <https://www.unepfi.org/banking/bankingprinciples/signatories/>.

¹⁴⁵ <https://www.unepfi.org/wordpress/wp-content/uploads/2019/07/FINAL-PRB-Signature-Documents-2-Interactive-22-07-19.pdf>.

¹⁴⁶ See, eg, L Pearson, *Nuclear Weapons, the Climate and Our Environment* (Don't Bank on the Bomb Scotland, 2020): <https://nukedivestmentscot.files.wordpress.com/2020/08/nwce-report-final-1.pdf>.

¹⁴⁷ <https://nukedivestmentscotland.org/environmental-harm-caused-by-nuclear-weapons-production/>.

atmosphere, with far-reaching consequences.¹⁴⁸ Hazardous nuclear waste presents a grave risk to people and the environment for thousands of years.¹⁴⁹

These activities have left a legacy of serious disease, such as cancer and leukaemia, among those exposed to radiation.¹⁵⁰ Indigenous people have been disproportionately harmed while women are more susceptible than men to the health impacts of ionising radiation, as the UN Treaty on the Prohibition of Nuclear Weapons (TPNW) acknowledges.

Furthermore, if nuclear weapons were ever used in war it is unlikely that anyone would thrive in the society that would be left to deal with the aftermath (see section 1.1). As the TPNW states, the catastrophic consequences of nuclear weapons “cannot be adequately addressed, transcend national borders, pose grave implications for human survival, the environment, socioeconomic development, the global economy, food security and the health of current and future generations”.

Both NatWest Group and Lloyds Banking Group state that they will not finance companies that are involved in the production of cluster munitions or landmines – weapons which are banned by international treaty.¹⁵¹ The entry into force of the TPNW in January 2021 puts nuclear weapons into the same category.

The only responsible course of action for these banks is to stop financing nuclear weapons producers too.

Action

If you are a customer of any of the financial institutions covered in sections 6 and 7, please let them know that you oppose their investments in nuclear weapons and ask them to adopt a comprehensive exclusion policy. See the information specific to each financial institution included in the sections below.

6.1 NatWest Group (formerly RBS Group)

NatWest Group is headquartered in Edinburgh and holds £800 billion in assets.¹⁵² The bank was known as RBS Group until July 2020. Key subsidiaries of the group include Royal Bank of Scotland, NatWest and Ulster Bank, as well as private banking subsidiaries Coutts & Co, Adam and Company, and Drummonds Bank.¹⁵³

NatWest Group has a policy which only partially restricts investment in nuclear weapons producers (see section 6.1.1) and the group held investments worth **£2 billion** in 15 companies between January 2018 and January 2020:¹⁵⁴

¹⁴⁸ For example, a recent study found that atmospheric changes caused by US and Soviet testing in the 1960s altered rainfall patterns in the Shetland Islands, thousands of kilometres from the test sites: R Harrison et al, “Precipitation Modification by Ionization” Phys. Rev. Lett. 124, 198701 (13 May 2020): <https://doi.org/10.1103/PhysRevLett.124.198701>.

¹⁴⁹ See section 3.1 of *Nuclear Weapons, the Climate and Our Environment*: <https://nukedivestmentscot.files.wordpress.com/2020/08/nwce-report-final-1.pdf>.

¹⁵⁰ See section 3 of *Nuclear Weapons, the Climate and Our Environment*: <https://nukedivestmentscot.files.wordpress.com/2020/08/nwce-report-final-1.pdf>.

¹⁵¹ NatWest’s Policy can be found on this page: <https://www.natwestgroup.com/our-purpose/downloads.html>. Lloyd’s policy: https://www.lloydsbankinggroup.com/globalassets/our-group/responsible-business/reporting-centre/lbg_sector_statements_updated-jul-2018.pdf.

¹⁵² See p 85 of NatWest Group’s Annual Report and Accounts 2020: https://investors.natwestgroup.com/~/_media/Files/R/RBS-IR-V2/results-center/19022021/natwest-group-annual-report-accounts-2020.pdf.

¹⁵³ <https://www.natwestgroup.com/our-brands.html>.

¹⁵⁴ S Snyder, *Problematic Profiteering: Private company involvement in nuclear weapon production and their financial backers* (PAX, 2021), forthcoming. For details of how each of these companies is involved with nuclear weapons, see S

Company	Amount (£ million*)
Airbus	252.5
BAE Systems	75.3
Bechtel	173.9
Boeing	98.0
General Dynamics	16.6
Honeywell International	359.7
Huntington Ingalls Industries	1.3
Jacobs Engineering	76.2
L3 Harris	22.9
Leonardo	116.5
Rolls Royce	521.8
Safran	119.4
Serco	0.4
Thales	116.5
United Technologies Corp	69.4
Total	2,020.4

* The GBP amounts in this column were converted from USD amounts using the exchange rate 1 USD = 0.762 GBP and are approximate due to rounding of the original USD amounts.

These investments were made primarily in the form of loans and through the underwriting of bond issuances. Shareholdings make up a small proportion of the total.¹⁵⁵

6.1.1 NatWest Group's policy

NatWest Group's defence sector Environmental, Social and Ethical Risk (ESE) Policy treats companies differently according to where they are based and which nuclear weapons programme they are involved with.¹⁵⁶ The policy states:

- The bank does "not support customers and/or transactions involved in prohibited activities". Prohibited activities include the "financing of companies involved in the manufacture, sale, trade, servicing or stockpiling of Nuclear Weapons in jurisdictions outside NATO countries and that are not officially involved in and accredited to the national nuclear weapons programmes of UK, US or France".
- Companies involved in restricted activities "undergo enhanced due diligence including review by a reputational risk committee or approver and re-evaluation every one or two years". Restricted activities include the "financing of companies involved in the manufacture, sale, trade, servicing or stockpiling of Nuclear Weapons and the manufacture

Snyder, *Producing Mass Destruction – Private companies and the nuclear weapons industry* (PAX-ICAN, 2019): https://www.dontbankonthebomb.com/wp-content/uploads/2019/05/2019_Producers-Report-FINAL.pdf.

¹⁵⁵ <https://nukedivestmentscot.files.wordpress.com/2021/04/nw-2018-to-2020.pdf>.

¹⁵⁶ https://www.natwestgroup.com/content/dam/natwestgroup_com/natwestgroup/pdf/defence-sector.pdf.

or sale of Bespoke Components in NATO countries and are officially involved in and accredited to the national nuclear weapons programmes of only UK, US or France”.

This policy is not comprehensive (see section 8.1) because:

- companies that are involved in “restricted” nuclear weapons activities, such as BAE Systems and Lockheed Martin, are not automatically excluded from NatWest Group investment;
- the policy only covers NatWest Group’s lending and investment banking operations, not its asset management activities, meaning that the bank can invest in companies involved in “prohibited” activities on behalf of third parties;
- the policy does not exclude entire companies – the bank only restricts financing of certain nuclear weapons-related activities.¹⁵⁷

Campaign

Don’t Bank on the Bomb Scotland has been working with our partners, the International Campaign to Abolish Nuclear Weapons (ICAN), Netherlands-based peace organisation PAX, and the UK Nuclear Weapons Financing Research Group to try to persuade NatWest Group to strengthen its policy.

Meetings were held with the bank in 2020 and in March 2021 we sent an open letter to NatWest Group’s CEO, Alison Rose. The letter draws attention to the catastrophic humanitarian and environmental consequences of nuclear weapons and highlights the recent entry into force of the Treaty on the Prohibition of Nuclear Weapons. It calls on the bank to comprehensively exclude nuclear weapons from investment and was co-signed over 40 civil society organisations, including trade union councils, faith organisations and environmental NGOs.¹⁵⁸



Action

If you are a customer of Bank of Scotland or another NatWest Group subsidiary, please write to NatWest Group using the template email at <https://investinginchange.uk/action/natwest-2/>. You can encourage others to do the same by sharing the customisable posts on this page using the hashtags #ChangeNatWest and #nuclearban: https://www.icanw.org/change_natwest.

6.2 Lloyds Banking Group (including Bank of Scotland)

Lloyds Banking Group plc was formed by the merger of Halifax Bank of Scotland and Lloyds TSB in 2009 and is one of Britain’s largest banks. The Group’s operational headquarters are in London but it also has registered headquarters in Edinburgh, and most of subsidiary Bank of Scotland’s customers are based in Scotland.

¹⁵⁷ M Beenes, *Beyond the Bomb: Global Exclusion of Nuclear Weapons Producers* (PAX, 2019): <https://www.paxforpeace.nl/publications/all-publications/beyond-the-bomb>.

¹⁵⁸ https://www.icanw.org/change_natwest.

Lloyds Banking Group invested **£3.4 billion** in 10 nuclear weapons producers between January 2018 and January 2020.¹⁵⁹

Company	Amount (£ million)
Airbus	87.7
BAE Systems	69.0
Bechtel	23.5
Boeing	562.8
Fluor	179.9
General Dynamics	1,497.2
Honeywell International	45.7
Lockheed Martin	384.2
Northrop Grumman	41.2
Rolls Royce	518.0
Total	3,409.2

** The GBP amounts in this column were converted from USD amounts using the exchange rate 1 USD = 0.762 GBP and are approximate due to rounding of the original USD amounts.*

These investments were made primarily in the form of loans and through the underwriting of bond issuances. Shareholdings make up a very small proportion of the total.¹⁶⁰

Don't Bank on the Bomb Scotland asked Lloyds Banking Group whether Bank of Scotland provides financing to any of the nuclear weapons producers listed in the table above. The bank's Responsible Business and Inclusion unit declined to provide this, citing customer confidentiality.

Lloyd's Banking Group's policy

Lloyd's Banking Group's defence sector policy states that the group will not support businesses "involved in the manufacture, sale, trade, servicing or stockpiling of nuclear weapons other than when these activities are undertaken in connection with the national nuclear weapons programmes of the UK, US or France".¹⁶¹ Companies that may be involved in the manufacture, trading, storage or servicing of nuclear weapons for the UK, US or France are subject to "robust due diligence". This policy applies to Lloyds' subsidiaries, including Bank of Scotland.

This policy is not comprehensive (see section 8.1) because:

- nuclear weapons producers are not excluded under the policy unless they are involved in the nuclear weapons programme of a non-NATO state;
- the policy only covers lending and does not cover the Group's asset management activities.

¹⁵⁹ S Snyder, *Problematic Profiteering: Private company involvement in nuclear weapon production and their financial backers* (PAX, 2021), forthcoming. For details of how each of these companies is involved with nuclear weapons, see S Snyder, *Producing Mass Destruction – Private companies and the nuclear weapons industry* (PAX-ICAN, 2019): https://www.dontbankonthebomb.com/wp-content/uploads/2019/05/2019_Producers-Report-FINAL.pdf.

¹⁶⁰ <https://nukedivestmentscot.files.wordpress.com/2021/04/lloyds-2018-to-2020.pdf>.

¹⁶¹ <https://www.lloydsbankinggroup.com/assets/pdfs/who-we-are/responsible-business/downloads/sector-statements/lbg-external-sector-statements.pdf>.

Action

Lloyds Banking Group should stop financing the production of weapons of mass destruction.

Please email the Group to request that its policy is strengthened so that it comprehensively excludes nuclear weapons producers from investment. You can use the template email at www.investinginchange.uk/action/lloyds/ or compose your own and send it to the Group's CEO, Antonio Horte-Osorio: antonio.osorio@lloydsbanking.com.

See also section 8 of this report which contains a step-by-step guide on how to engage with financial institutions.

6.3 Standard Life Aberdeen

Investment company Standard Life Aberdeen was created by the merger of Standard Life and Aberdeen Asset Management in 2017. Headquartered in Edinburgh, Standard Life Aberdeen is reported to be Europe's second biggest fund manager.¹⁶²

Standard Life Aberdeen offers customers some socially responsible investment funds that exclude nuclear weapons producers¹⁶³ but most of its funds do not. The company owned or managed shares worth over **£1.5 billion** in 20 of the world's top 28 nuclear weapons producers between January 2018 and January 2020:¹⁶⁴

Company	Amount (£ million*)
Airbus	100.9
BAE Systems	371.4
Boeing	182.6
Fluor	1.5
General Dynamics	73.2
Honeywell	97.9
Huntington Ingalls Industries	7.6
L3 Harris	12.4
Larsen and Toubro	48.9
Leidos	14.0
Leonardo	11.3
Lockheed Martin	58.9
Northrop Grumman	28.5
Raytheon	180.8
Rolls Royce	221.0

¹⁶² <https://www.independent.co.uk/news/business/news/standard-life-aberdeen-asset-management-merger-deal-11-billion-a7892316.html>.

¹⁶³ <http://lib.standardlife.com/library/uk/invsria.pdf>.

¹⁶⁴ S Snyder, *Problematic Profiteering: Private company involvement in nuclear weapon production and their financial backers* (PAX, 2021), forthcoming. For details of how each of these companies is involved with nuclear weapons, see S Snyder, *Producing Mass Destruction – Private companies and the nuclear weapons industry* (PAX-ICAN, 2019): https://www.dontbankonthebomb.com/wp-content/uploads/2019/05/2019_Producers-Report-FINAL.pdf.

Safran	16.0
Serco	6.6
Textron	5.6
Thales	33.2
United Technologies Corp	82.8
Total	1,555.1

* The GBP amounts in this column were converted from USD amounts using the exchange rate 1 USD = 0.762 GBP and are approximate due to rounding of the original USD amounts.

These investments are a mixture of share and bondholdings.

Action

Standard Life Aberdeen should stop investing in weapons of mass destruction. Please email Standard Life Aberdeen to request that the company adopts a policy that comprehensively excludes nuclear weapons producers from investment. You can use the template email at www.investinginchange.uk/action/standardlife/.

See also section 8 of this report which contains a step-by-step guide on how to engage with financial institutions.

7. Other British financial institutions' investments in nuclear weapons

If you live in Scotland and you are not a customer of NatWest Group, Lloyds Banking Group or Standard Life Aberdeen you may be a customer of another British financial institution that is heavily invested in the nuclear weapons industry. Research by PAX shows that 31 British financial institutions together invested at least **£33 billion** in weapons producers between January 2018 and January 2020.¹⁶⁵

Britain's largest Bank, HSBC, held investments worth **£7.6 billion** in nuclear weapons producers during this period.¹⁶⁶ HSBC has a policy covering the defence sector which states that the bank will not provide financing to companies that manufacture or sell anti-personnel mines or cluster bombs and the bank "does not provide financial services to customers who solely or primarily manufacture or sell other weapons".¹⁶⁷ This means that the bank can still finance companies that are heavily involved in weapons work, but that also undertake other activities, and the policy does not specifically restrict the financing of nuclear weapons producers.

Barclays has a policy which states that it will not "finance trade in, or manufacture of, nuclear, chemical, biological or other weapons of mass destruction".¹⁶⁸ However, the policy is not comprehensive and the bank made more than **£6 billion** available to nuclear weapons producers between January 2018 and January 2020.¹⁶⁹

¹⁶⁵ S Snyder, *Problematic Profiteering: Private company involvement in nuclear weapon production and their financial backers* (PAX, 2021), forthcoming.

¹⁶⁶ Ibid.

¹⁶⁷ <https://www.hsbc.com/-/files/hsbc/our-approach/risk-and-responsibility/pdfs/200218-defence-equipment-sector-policy.pdf?download=1>.

¹⁶⁸ <https://home.barclays/content/dam/home-barclays/documents/citizenship/our-reporting-and-policy-positions/policy-positions/Barclays-Statement-on-the-Defence-Sector.pdf>.

¹⁶⁹ S Snyder, *Problematic Profiteering: Private company involvement in nuclear weapon production and their financial backers* (PAX, 2021), forthcoming.

Action

British financial institutions should stop supporting the production of weapons of mass destruction. Please contact your bank and pension fund to urge them to adopt an investment policy that comprehensively excludes nuclear weapons producers from investment.

You can email most major British financial directly at www.investinginchange.uk/action/. See also section 8 of this report which contains a step-by-step guide on how to engage with financial institutions.

8. ACTION: Banks and pension funds

Anyone can get involved the international movement for nuclear disarmament by asking their bank and pension fund to divest from companies that make nuclear weapons. Divestment has the potential to be a particularly effective tool in Scotland, where there is already widespread opposition to nuclear weapons.

This section contains information about how you can engage with your bank (section 8.2) and pension fund (section 8.3) on nuclear weapons divestment.

8.1 Aim: to persuade the financial institution to adopt a comprehensive policy

Divestment is intended to create an incentive for companies to stop producing nuclear weapons by cutting off their access to financing. This incentive is created when financial institutions adopt a *comprehensive* policy that prohibits any financial involvement with nuclear weapons producers.

Comprehensiveness is key. Why? Banks sometimes make money available to a company on the condition that it is not used for nuclear weapons activities, but “[t]here is no way to prevent a company from reallocating money once it’s been invested”.¹⁷⁰ Therefore, “[t]he only way to make sure the investments do not facilitate the production of nuclear weapons or key components of nuclear weapons is to exclude the company as a whole”.

If a bank has a policy which only prohibits the financing of specific nuclear weapons projects, or if the policy only covers some of the bank’s activities, nuclear weapons producers will still be able to access financing. This will not create enough of an incentive for them to stop producing nuclear weapons.

Don’t Bank on the Bomb defines a comprehensive policy as one that meets the following criteria:¹⁷¹

1. Excludes all nuclear weapon associated companies

The policy excludes:

- whole companies, not only nuclear weapons related projects
- companies associated with nuclear weapons, including through joint ventures
- companies regardless of their country of origin
- companies regardless of their country of operation

2. Excludes all nuclear weapon associated activities

The policy excludes companies associated with:

- development, testing, production, maintenance or trade of nuclear weapons related technology, parts, products or services
- delivery systems such as missiles, that are specifically developed for nuclear tasks. This includes technology that is designed for “dual use” (military and civilian) but excludes technology that is not designed for, but can be used in nuclear warfare. It does not include delivery platforms such as bombers and submarines. As an exception to this general rule, Don’t Bank on the Bomb Scotland’s includes Rolls Royce and Babcock as companies that should be excluded by the policies of Scottish organisations due to the key role that they play in the production and maintenance of the UK’s nuclear weapons delivery platform, submarines (see section 2).

¹⁷⁰ <https://www.dontbankonthebomb.com/no-excuses-for-profiting-from-armageddon/>.

¹⁷¹ M Beenes, *Beyond the Bomb: Global Exclusion of Nuclear Weapons Producers* (PAX, 2019): <https://www.paxforpeace.nl/publications/all-publications/beyond-the-bomb>.

3. Applies to all the institution's products and services – commercial banking, investment banking and asset management

The institution applies the policy:

- across all entities within the group, including subsidiaries
- in all markets
- to all types of financing and investments, including passive and active, internally and externally
- to all existing and future investments.

According to Don't Bank on the Bomb's research, 36 financial institutions from a range of countries currently have comprehensive policies.¹⁷²

8.1.1 Example of a comprehensive policy: Co-operative Bank

Does the policy:		
Exclude all producers ✓	Exclude all activities ✓	Apply to all financial products ✓

The Co-operative Bank is the only British Financial Institution with a comprehensive policy that is listed by Don't Bank on the Bomb. The bank's Ethical Policy prohibits the financing of the "manufacture or transfer of indiscriminate weapons", which includes nuclear weapons.

The policy is not limited to the financing of nuclear weapons-related projects but prohibits the bank from *any* financial involvement with companies that are involved in nuclear weapons production. The policy covers *all* The Co-operative Bank's products and services.

8.1.2 Example of a policy that is *not* comprehensive: NatWest Group

Does the policy:		
Exclude all producers X	Exclude all activities X	Apply to all financial products X

NatWest Group's defence sector Environmental, Social and Ethical Risk (ESE) Policy states that the Group will not finance companies that are involved in nuclear weapons programmes, other than the programmes of the UK, US or France.¹⁷³ Companies involved in the nuclear weapons programmes of the UK, US and France "undergo enhanced due diligence including review by a reputational risk forum or approver and evaluation every one or two years".

This means that major nuclear weapons producers like BAE Systems and Lockheed Martin that are involved in the nuclear weapons programme of one or more of the three nations are not automatically excluded from NatWest Group investment. Moreover, the policy only covers NatWest's lending and investment banking operations, not its asset management activities, meaning that the bank can invest in companies involved in "prohibited" activities on behalf of third parties. In addition, NatWest does not exclude entire companies – the bank only restricts financing of certain nuclear weapons-related activities.

¹⁷² <https://www.dontbankonthebomb.com/2019-hall-of-fame/>.

¹⁷³ https://www.natwestgroup.com/content/dam/natwestgroup_com/natwestgroup/pdf/defence-sector.pdf.

The example of NatWest Group illustrates the need for financial institutions to adopt comprehensive policies that prohibit any financial involvement with nuclear weapons producers. Without such a policy, investments in nuclear weapons can continue.

8.2 Tell your bank to stop financing nuclear weapons producers

If you have money in a British bank account, there's a good chance that it is being used to fund nuclear weapons. A total of 31 British financial institutions together invested **£33 billion** in nuclear weapons companies between January 2018 and January 2020.¹⁷⁴ See section 6 above for details of the Scottish banks which finance nuclear weapons.

Four steps towards divestment

Step 1: do your research

Find out:

- Whether your bank is financing nuclear weapons producers (check Don't Bank on the Bomb's Hall of Shame).¹⁷⁵
- Whether your bank has a policy restricting the financing of nuclear weapons producers and whether the policy is comprehensive (check Don't Bank on the Bomb's Hall of Fame and Runners-Up list¹⁷⁶).

If your bank is not covered by Don't Bank on the Bomb's research, you can write to the bank yourself to ask whether it has a policy that covers investment in nuclear weapons producers.¹⁷⁷

Step 2: express your concerns

If the bank either does not have a comprehensive policy or does have a comprehensive policy but is still financing nuclear weapons producers, write to the bank's Chief Executive to express your concerns. You can use the template emails at www.investinginchange.uk/action/ or compose your own with the following points:

- Say that you're an account holder.
- Say that you are aware of the bank's financing of nuclear weapons producers and explain why you believe that the bank should end its relationship with these companies (see section 1 for arguments you can use in favour of divestment).
- If the bank does not have a comprehensive policy, request that it adopts one. There are many examples of comprehensive policies which you can point to in the Hall of Fame.¹⁷⁸ If the bank already has a policy that is not comprehensive, you can ask the bank to strengthen its existing policy.¹⁷⁹
- Let them know that you expect a response and say that you will move your money if the bank does not adopt a comprehensive policy.

Step 3: arrange a meeting

If the bank is unwilling to divest, try to arrange a meeting. You may wish to look for like-minded account holders and approach the bank as a group. Go as high as you can, so try to get a meeting with a member of the board of directors or someone who is in a position to influence internal

¹⁷⁴ S Snyder, *Problematic Profiteering: Private company involvement in nuclear weapon production and their financial backers* (PAX, 2021), forthcoming.

¹⁷⁵ Check here: www.dontbankonthebomb.com/investors.

¹⁷⁶ <https://www.paxforpeace.nl/publications/all-publications/beyond-the-bomb>.

¹⁷⁷ https://www.dontbankonthebomb.com/wp-content/uploads/2015/10/2015_campaigner_guide-web.pdf.

¹⁷⁸ <https://www.paxforpeace.nl/publications/all-publications/beyond-the-bomb>.

¹⁷⁹ Ibid.

company policies. See the DBOTB Campaigner Guide for guidance on who you should approach (page 18), along with tips on how to negotiate and how to rebut common arguments against divestment (pages 21 to 24).¹⁸⁰

Step 4: move your money

If you can't persuade your bank to change its policy, consider moving your money to a bank with a comprehensive policy. Tell your previous bank that you have closed your account because of its involvement with nuclear weapons producers. You can also post about your decision on social media to spread the word and encourage others to take action.

8.3 Tell your pension fund to stop investing in nuclear weapons producers

Since 2008, all UK-based employers have had a statutory obligation to offer their employees a workplace pension scheme. An estimated £3 trillion is managed by private pension funds in the UK, giving us enormous collective financial power. If enough of us take action, we can persuade our pension funds to divest from companies that make nuclear weapons. Those companies would then be forced to reconsider their involvement in nuclear weapons production.

Pensions can be complex. It may be necessary to do some research to find out where your pension contributions are invested and who you should contact about the fund's policy. ShareAction is a charity that promotes responsible investment and has lots of useful resources for people who want to promote divestment. ShareAction's Pension Power Toolkit explains different types of pension funds, offers tips on how you can find out where your pension contributions are invested and includes a step-by-step guide for influencing pension fund policy.¹⁸¹

ShareAction's Education and Organising Team is available to provide further assistance and can be contacted via phone or email: 020 7403 7800; info@shareaction.org.

Four steps towards divestment

Step 1: do your research

Find out:

A. What type of pension you have and whether divestment is possible

If you're a member of a statutory pension scheme, for example if you work for NHS Scotland or teach in a state school, divestment will not be possible. Contributions to these schemes are not invested in stocks but held by the exchequer in a 'notional audited scheme fund' and when you retire, your pension is drawn directly from taxes.

If you work for a local authority, you will be a member of one of the 11 funds in the Scottish Local Government Pension Scheme (see section 3 above). These funds invest in shares so divestment is possible and there is scope to influence your fund's policy.

If you work for another type of employer, you should be enrolled in a workplace pension scheme. This might be a scheme specific to your company or something like the National Employment Savings Trust (NEST), which is a workplace pension scheme that can be used by any UK employer. These schemes invest in equities so divestment is possible.

If your employer has not given you information about what type of pension you have, you should request it. You can also contact ShareAction to help you with this: info@shareaction.org; 020 7403 7800; <https://shareaction.org>.

¹⁸⁰ https://www.dontbankonthebomb.com/wp-content/uploads/2015/10/2015_campaigner_guide-web.pdf.

¹⁸¹ ShareAction Pension Power Toolkit: <https://shareaction.org/wp-content/uploads/2016/09/MissionPensionPower.pdf>.

B: Whether the fund has investments in nuclear weapons producers

Check Don't Bank on the Bomb's Hall of Shame,¹⁸² the pension fund's website or write to the fund.¹⁸³ If you work for a local authority or any of the other bodies covered by the Scottish local government pension scheme, you can check section 3 of this guide to see whether your pension fund is invested in nuclear weapons.

C. Whether the fund has a comprehensive policy prohibiting investments in nuclear weapons producers

Check Don't Bank on the Bomb's Hall of Fame,¹⁸⁴ the pension fund's website or write to the fund.

Step 2: express your concerns

Write to your pension fund's managers to explain your concerns, request that the fund divest from nuclear weapons producers and adopt a comprehensive policy. You can include the following points:

- Say that you are a member of the fund.
- Say that you are aware of the fund's investments in nuclear weapons and explain why you believe that the fund should divest (see section 1 for arguments that you can use).
- Request that the fund adopt a comprehensive policy prohibiting investment in nuclear weapons producers. There are many examples of comprehensive policies in Hall of Fame¹⁸⁵ that you can point to.
- Let them know that you expect a response and say that you will move your money if the fund does not adopt a comprehensive policy.

Alternatively, if your pension fund is listed at <https://investinginchange.uk/action/>, you can contact the fund using one of the template emails provided.

Step 3: arrange a meeting

Seeking a face-to-face meeting with representatives of the fund is the best way to effect change, according to ShareAction. ShareAction also recommends forming a group with like-minded fund members and approaching the fund collectively.

You will need to decide who the best person is to approach for your fund and ShareAction's Pension Power Toolkit gives some suggestions.¹⁸⁶ It could be the fund's trustees, asset managers or designated responsible investment officers. You can also contact your trade union, as there will often be union representatives serving as trustees of the pension fund.

Step 4: move your money

Workplace pension schemes often offer a choice of funds and you may be able to move your pension into an ethical fund with a policy relating to nuclear weapons. You can check whether the policy is comprehensive and whether the fund has investments in nuclear weapons producers as per step 1 above.

¹⁸² <https://www.dontbankonthebomb.com/investors>.

¹⁸³ You can also check the UK Nuclear Weapons Financing Research Group's *Investing In Change* report as this has additional information about UK pension funds on p 8: <https://investinginchange1.files.wordpress.com/2020/11/09086-banking-briefing-6.pdf>.

¹⁸⁴ <https://www.paxforpeace.nl/publications/all-publications/beyond-the-bomb>.

¹⁸⁵ Ibid.

¹⁸⁶ <https://shareaction.org/wp-content/uploads/2016/09/MissionPensionPower.pdf>.

Appendix - Template letters

1. Letter to local councillors

Dear Councillor **[Name]**

I am a resident of **[name of your ward]** and I am writing to express my concern about **[name of pension fund]**'s investments in the nuclear weapon industry. I believe it's wrong for **[name of pension fund]** to support the production of inhumane weapons of mass destruction.

As you are aware, nuclear weapons are designed to destroy cities and kill indiscriminately. A nuclear war using even a small fractions of the world's nuclear weapons would alter the global climate. Food production would be impacted, putting millions of people at risk of starvation. A larger nuclear war could make human civilisation impossible.

A recognition of the catastrophic humanitarian and environmental consequences of nuclear weapons led to the adoption of the United National Treaty on the Prohibition of Nuclear Weapons in 2017. Now that the nuclear ban treaty has entered into force, the development, production, testing, possession and use of nuclear weapons are prohibited under international law.

I note that **[Name of pension fund]** has a fiduciary duty to act in the best interests of its members, yet the fund's investments in nuclear weapons companies present a growing financial risk to the fund. The nuclear ban treaty has increased the regulatory and reputational risks for companies that continue to be involved in nuclear weapons production, making them a poor long-term investment choice.

Furthermore, nuclear war poses a systemic risk to the local and global economy. Ultimately, there is no point investing in the nuclear weapons industry in anticipation of future returns, if there is no future for pension fund members to enjoy.

I would be grateful if you would consider putting the **[attached / enclosed]** divestment resolution to council. Please also pass my concerns about nuclear weapons investments to the convenor of the pensions committee and forward me their response.

I look forward to hearing from you.

Yours sincerely

[Your name]

2. Letter to MSPs

Dear **[Name]** MSP

I am a resident of **[name of constituency]** and I am writing to express my concern about the Scottish Parliamentary Pension Scheme's investment policy.

Up until recently, the scheme held investments in major Trident contractor, Rolls Royce. This was possible because the scheme does not have a policy that prohibits investment in nuclear weapons producers or other harmful industries.

As you are aware, nuclear weapons are designed to destroy cities and kill indiscriminately. A nuclear war using even a small fractions of the world's nuclear weapons would alter the global climate. Food production would be impacted, putting millions of people at risk of starvation. A larger nuclear war could make human civilisation impossible.

A recognition of the catastrophic humanitarian and environmental consequences of nuclear weapons led to the adoption of the United National Treaty on the Prohibition of Nuclear Weapons in 2017. Now that the treaty has entered into force, the development, production, testing, possession and use of nuclear weapons are prohibited under international law. I note that the Scottish Government and most MSPs support the treaty.

I believe that the Scottish Parliamentary Pension Scheme should set an example on ethical investment. The trustees should adopt an investment policy that prohibits investment in companies that are involved in the development, production, testing, maintenance or trade in nuclear weapons, their delivery systems.

I would be very grateful if you could pass on my concerns to the chair of the scheme's trustees and let me know their response.

I look forward to hearing from you.

Yours sincerely

[Your name]



Published by **Don't Bank on the Bomb Scotland (2021)**

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