Divestment in nuclear weapons & climate change – the challenge for Councils in England, Scotland & Wales

Councillor Audrey Doig
NFLA Scotland Vice Convener / Renfrewshire Councillors
April 2019, Basel
Agenda

- NFLA and its interaction with Mayors for Peace
- TPNW resolutions
- Divestment campaigns in Scotland / UK
- Scottish Councils pension investment in nuclear weapons
- The challenge of the pension fund fiduciary duty
- Model resolution on divestment / challenge to the banks
- Conclusions
NFLA and Mayors for Peace

• NFLA was established in 1980, at the height of the Cold War
• Works across all areas of nuclear policy – power, waste, weapons, safety
• Advocates positive alternatives – renewables to mitigate issue of climate change, strategies for multilateral nuclear disarmament
• Close partner to Mayors for Peace
• Manchester – NFLA HQ and Vice President of Mayors for Peace
• NFLA Forums in Scotland, England, Wales and All Ireland (N & ROI)
• Renfrewshire Council is a member of both NFLA & Mayors for Peace
• I am Vice Convener of NFLA Scotland representing it at NPT in New York
NFLA’s work on nuclear weapons

- Policy responses
- Joint meetings
- Ceremonial events
- Peace education
TPNW Councils pledge / resolution

Manchester City Council becomes the first UK authority to back the Ban Treaty
Renfrewshire Council is a member of the Nuclear Free Local Authorities and the Mayors for Peace, both of which have been working for over 3 decades to promote multilateral nuclear disarmament.

NFLA and Mayors for Peace work with the International Campaign to Abolish Nuclear Weapons (ICAN), which received the Nobel Peace Prize in 2017 for its work in encouraging over two thirds of United Nations members to agree to the International Treaty to Prohibit Nuclear Weapons (TPNW). Council regrets that the Governments of the existing nuclear weapon states, including the UK, refuse to support the Treaty. Council fully supports the TPNW as one of the most effective ways to bring about long-term and verifiable multilateral nuclear disarmament.

Council also calls on the United Kingdom Government to lead a global effort to prevent nuclear war by:

• Renouncing the option of using nuclear weapons first;
• Cancelling the plan to replace its entire Trident nuclear arsenal with enhanced weapons;
• Actively pursuing a verifiable agreement among nuclear-armed states to eliminate their nuclear arsenals by supporting the Treaty to Prohibit Nuclear Weapons and the ‘Good Faith’ Protocols within the Nuclear Non-Proliferation Treaty.

Council instructs the Chief Executive to write to the UK Government to inform them of this resolution and urge them to take account of it.
Divestment in the UK - examples

% of Scottish Council pension funds in fossil fuel company investment £1.7bn

Broad support for fossil free / anti fracking / regime boycotts (e.g. Israeli goods) – SOME SUCCESS AFTER BROAD BASED CAMPAIGNS
‘Climate emergencies’

- Urgency of IPCC report galvanises Councils
- Many Councils declaring ‘climate emergencies’ and developing ambitious programmes
- Strong public support for such activity
- Broad-based divestment campaigns have garnered strong political support
- Pension funds are slowly beginning to divest from fossil fuels – more will follow!
Scottish Council pension schemes

The Scottish LGPS is the largest public pension scheme in Scotland, with over 200,000 active members. It’s managed by 11 administering authorities which together have nearly £300 million invested in companies that undertake nuclear weapons work.

<table>
<thead>
<tr>
<th>Pension fund authority</th>
<th>Council areas covered</th>
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</thead>
<tbody>
<tr>
<td>Dumfries and Galloway</td>
<td>Dumfries and Galloway</td>
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<tr>
<td>Falkirk</td>
<td>Clackmannanshire, Falkirk, Stirling</td>
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<td>Fife</td>
<td>Fife</td>
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<td>Highland</td>
<td>Comhairle nan Eilean Siar, Highland</td>
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<tr>
<td>Lothian</td>
<td>City of Edinburgh, East Lothian, Midlothian, West Lothian</td>
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<tr>
<td>North East Scotland</td>
<td>Aberdeen City, Aberdeenshire, Moray</td>
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<td>Orkney Islands</td>
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<td>Scottish Borders</td>
<td>Scottish Borders</td>
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<tr>
<td>Shetland Islands</td>
<td>Shetland Islands</td>
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<tr>
<td>Strathclyde</td>
<td>Argyll and Bute, East Ayrshire, East Dumbartonshire, East Renfrewshire, Glasgow City,</td>
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<td>Inverclyde, North Ayrshire, North Lanarkshire, Renfrewshire, South Ayrshire, South</td>
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<td></td>
<td>Lanarkshire, West Dumbartonshire, Angus, Dundee City, Perth and Kinross</td>
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<td>Tayside</td>
<td>Tayside</td>
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## LPGS Investment in Nuclear Weapons

<table>
<thead>
<tr>
<th>LGPS</th>
<th>Airbus</th>
<th>Babcock</th>
<th>BAE Systems</th>
<th>Boeing</th>
<th>Fluor</th>
<th>General Dynamics</th>
<th>Honeywell</th>
<th>Huntingdon Ingalls</th>
<th>Jacobs Engineering</th>
<th>Lockheed Martin</th>
<th>Northrop Grumman</th>
<th>Rolls Royce</th>
<th>Safran</th>
<th>Serco</th>
<th>TOTAL</th>
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<td>Lothian</td>
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<td>£158,807,653</td>
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<td>Strathclyde</td>
<td>26,099,098</td>
<td>1,821,278</td>
<td>113,729</td>
<td>807,653</td>
<td>6,782,769</td>
<td>93,363</td>
<td>112,691</td>
<td>1,195,998</td>
<td>797,271</td>
<td>34,299,308</td>
<td>17,139,870</td>
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<td>£2,663,641</td>
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<td>£552,256</td>
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<tr>
<td>TOTAL £</td>
<td>30,152,283</td>
<td>1,569,077</td>
<td>14,092,565</td>
<td>1,821,278</td>
<td>113,729</td>
<td>30,767,868</td>
<td>25,482,039</td>
<td>93,363</td>
<td>112,691</td>
<td>87,679,615</td>
<td>30,618,570</td>
<td>52,149,240</td>
<td>17,139,870</td>
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<td>£293,897,910</td>
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</tbody>
</table>
Why divest?

- Investing in nuclear weapons producers fuels a new nuclear arms race
- Nuclear Ban Treaty prohibits assistance with nuclear weapon activities – divestment is a key plank to this
- Increases the financial risk of investing in nuclear weapons producers, affecting their profitability
- Ethical – it’s wrong to invest in nuclear weapons
- Share price – financial analysts say election of governments / councils committed to divestment will damage companies share price
**Peace up, arms shares down!**

<table>
<thead>
<tr>
<th>Month</th>
<th>PEACE</th>
<th>ARMS SHARES</th>
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<tbody>
<tr>
<td>August 2017</td>
<td>US President Donald Trump threatens North Korea with “fire and fury like the world has never seen”</td>
<td>Share prices of multinational arms giants, Lockheed Martin, Northrop Grumman and Raytheon, each hit a record high.</td>
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<td>Sept 2017</td>
<td>North Korea claims to have successfully tested a hydrogen bomb.</td>
<td>Raytheon’s share price hits another all-time high while shares in Northrop Grumman, Lockheed Martin and other arms companies rise again.</td>
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<td>April 2018</td>
<td>The leaders of N and S Korea agree to formally end the Korean War and to work towards the de-nuclearisation of the Korean Peninsula</td>
<td>The value of Lockheed Martin, Northrop Grumman, Raytheon, General Dynamics and Boeing shares drop by over US $10 billion in one day.</td>
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<tr>
<td>May 2018</td>
<td>President Trump announces US withdrawal from the joint Comprehensive Plan of Action, putting war with Iran back on the table.</td>
<td>Arms shares rally again as analysts predict that “defence contractors with significant exposure to the Middle East are poised to gain immensely from international tensions that are flaring up”.</td>
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<tr>
<td>June 2018</td>
<td>President Trump and North Korean leader Kim Jong-un hold a landmark summit in Singapore and agree to “join their efforts to build a lasting and stable peace regime on the Korean Peninsula”.</td>
<td>Raytheon, Northrop Grumman and Lockheed Martin shares fall.</td>
</tr>
</tbody>
</table>
Why is it difficult though?

• Most funds say that they take ESG (environmental, social and governance) considerations into account in investment decisions but must adhere to strict interpretation of **fiduciary duty** to fund members, i.e. achieving best financial return on investments
• ESG considerations are only taken into account in as far as they affect returns – as a result though they may reward bad behaviour
• Most funds are a coalition of Councils so it can be hard to get a common cause between them – climate change has unified them more than opposing nuclear weapons to date
• Many of the more political councillors tend to avoid pension committees – seeing them as technical and dull
The way forward?

- Councils could pass carefully worded resolutions to support divestment and pass in to pension committees (see next slide)
- Pension funds could change the investment strategy of fund to exclude certain classes of assets, or direct funds towards investment in particular areas, providing there is no financial detriment
- London Borough of Waltham Forest has done this with ‘green’ investments as an example (why not nuclear weapons too?)
- Identify / lobby sympathetic councillors / members of pension committee
- Needs lobbying movements to put pressure on Councils and pension funds
- A ‘nuclear emergency’ idea is needed in the same way as the idea of a climate emergency
Draft model divestment resolution

- Council is a member of the Mayors for Peace, the global international body of Councils working for over 3 decades to promote multilateral nuclear disarmament and a more peaceful world. [If applicable] 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.

- 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 pension committee to urge them to take full consideration of this resolution.
Conclusions

• Money is a key factor in the nuclear weapon issue
• Effective movements have encouraged divestment against fossil fuels and for renewable energy
• Anti-nuclear weapons movement needs to learn the lessons of the climate change divestment movement
• It is not easy – but companies, banks and pension funds do respond to public pressure
• NFLA are looking closely for an effective way forward with NGOs – model resolution will be discussed next month
Thank you for listening!