

AGENDA MANAGEMENT SHEET

Name of Committee Pension Fund Investment Board
Date of Committee 22 August 2005
Report Title Investing in the Arms Trade

Summary Report setting background behind letters received from local residents concerning investment in the arms trade.

For further information please contact: Phil Triggs
Group Accountant
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Would the recommended decision be contrary to the Budget and Policy Framework? No.

Background papers Copy letter included as Appendix A

CONSULTATION ALREADY UNDERTAKEN:- Details to be specified

- Other Committees
- Local Member(s)
- Other Elected Members Cllr Davis, Chair of Pension Fund Board
- Cabinet Member
- Chief Executive
- Legal Jane Pollard, Assistant County Solicitor,
Catherine Witham, Senior Solicitor
- Finance David Clarke, County Treasurer (reporting officer)
- Other Chief Officers
- District Councils

Health Authority

Police

Other Bodies/Individuals

FINAL DECISION YES

SUGGESTED NEXT STEPS:

Details to be specified

Further consideration by this Committee

To Council

To Cabinet

To an O & S Committee

To an Area Committee

Further Consultation

Pension Fund Investment Board – 22 August 2005

Investing in the Arms Trade

Report of the County Treasurer

Recommendation

That the Board note the report and delegate the drafting of a suitable response to the County Treasurer.

1 Introduction

- 1.1 The County Treasurer has recently received 15 pro forma letters, all dated 18 June 2005, from residents of the County, mostly Leamington Spa.
- 1.2 The letter refers to investment in Rolls Royce and the Smiths Group and refers to trade in military sales and arms manufacture. The letter requests the County Treasurer to disinvest from Rolls Royce and Smiths Group shares.
- 1.3 A copy of the letter is included as **Appendix A**.

2 Current Position

- 2.1 The Council's current exposure to Rolls Royce and Smiths Group is shown in Table 1:

Table 1: Pension Fund Exposure to Rolls Royce and Smith Group

Overall Fund	Number of shares held	Market Value as at 15 July 2005 £
Rolls Royce	776,376	2,348,537
Smiths Group	260,377	2,433, 223
Total		4,781,760

- 2.2 This exposure represents 0.6% of the Pension Fund's total assets.

- 2.3 The letter states that other local authority funds have disinvested from Rolls Royce and Smiths Group. Enquiries with Hampshire County Council and the London Borough of Croydon have established that this is **not** the case.

3 Response to Request

- 3.1 The Fund's current stance with regard to socially responsible investing is set out in the Statement of Investment Principles:

"The PFIB has on a number of occasions considered the issue of socially responsible investment. On each occasion, the PFIB has concluded not to pursue an active socially responsible investment strategy. The main areas of consideration in arriving at this decision are as follows:

- ***The requirement to act in the best interests of the Fund's members is, to a large extent, interpreted as being their best financial interest;***
- ***A socially responsible approach to investments does not have to mean disinvesting in a company. Shareholder voting can be used to influence a company towards socially responsible behaviour;***
- ***It is almost impossible to draw up a set of ethical criteria that would satisfy all members of the Fund;***
- ***The belief that in the medium to long term companies that fail to adopt a socially responsible approach to their operations will not be viable."***

- 3.2 There is no current requirement from the current SIP for the Fund to take an ethical stance against any particular category of equity.

- 3.3 The County Treasurer is currently employing the Fund's investment consultant to assess the Fund's position with regard to corporate governance. The current stance taken with regard to socially responsible investing will be assessed as part of this investigation and a report will be put to members on completion of the assessment.

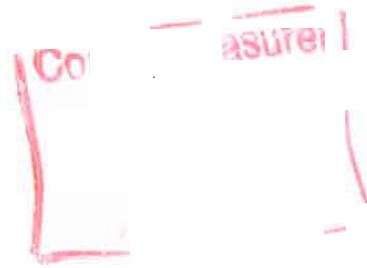
4 Recommendation

- 4.1 Members are asked to consider the letter and to delegate the drafting of a suitable response to the County Treasurer.

DAVID CLARKE
County Treasurer

Shire Hall
Warwick
July 2005

David Clarke
County Treasurer
Warwickshire County Council
PO Box 3 Shire Hall
Warwick CV34 4RH



18th June 2005

Dear David Clarke

**Warwickshire County Council Superannuation Fund:
Investing in the Arms Trade**

I understand that Warwickshire Superannuation Fund holders have invested in Rolls Royce and the Smiths Group, both with at least 30% of their total trade in military sales and in the top ten of UK arms manufacturers.

I exhort you to follow the example of other local authority superannuation funds, (such as Avon, Derbyshire, Hampshire, Lancashire, Croydon and Merseyside), and disinvest these shares in a trade which renders meaningless the promises of the G8 nations.

The arms trade is not economic or sustainable and survives only with a £900 million a year subsidy from central government (£13k each year for each of the 65,000 arms export jobs). This money that would be better spent supporting the workers into jobs in other life-affirming industries such as those provided by local government.

Arms exports fuel conflict, undermine development and are complicit in human rights abuses. The government's international campaign to cancel the debt of developing nations and increase overseas aid will be largely undermined for as long as the government continues to encourage the trade in weapons to those same countries.

In the climax to the Make Poverty History Campaign at the G8 Summit next month, I request that the WCCSF holders make the links between world poverty and the arms trade and take steps to invest the Fund's money in industries with an ethos more appropriate to a public service.

I request that you pass this letter to the Fund's committee and to its Chair, and that it is discussed at the committee's next meeting.

I look forward to receiving your reply.

Yours sincerely,

Barbara Cronther

Address: *15 Clarendon Rd
Leamington CV31 3EH*