

To: Buckinghamshire Pension Fund Committee
Cc: Pension Board, Monitoring Officer
From: Pension Scheme Members
Subject: Concerns regarding arms investments
Date: 31st May 2025

Dear Pension Committee

Pension scheme members say no to war profiteering

Our fund's Investment Strategy Statement (ISS) states:

"The Committee has a fiduciary duty to act in the best financial interests of the Fund's members and seek to obtain the best financial return that it can for members against a suitable degree of risk."

We wish to remind the committee that absolute financial maximisation is not a legal duty of the fund but acting in the scheme members interest and perfect honesty is. It has been clarified in government regulation that the fund must have strong consideration of ESG/RI policy and can take account of social interest where it does not risk material impact on the funds financial health:

*"Investments that deliver social impact as well as a financial return are often described as "social investments". In some cases, the social impact is simply in addition to the financial return; for these investments the positive social impact will always be compatible with the prudent approach. In other cases, some part of the financial return may be forgone in order to generate the social impact. These investments will also be compatible with the prudent approach providing administering authorities have good reason to think scheme members share the concern for social impact, and there is no risk of significant financial detriment to the fund."*¹

Our fund via Brunel and LGIM invests millions in weapons manufacturers whose products are inherently devastating to the many civilian victims of their often-indiscriminate use in densely populated areas. It is also devastating for the environment.

It is as well deeply impacting in this society and particularly for pension scheme members, it can be deeply psychologically harmful for those of us with moral objection to war profiteering.

While the current controversial weapons exclusion criteria is welcome it is also the case that the unrestrained supply of conventional weapons such as General Dynamics 2000lb bombs can be as devastating as a single nuclear bomb.

We believe the global stock market having \$1.2 trillion invested in arms companies, including our pensions, in the hope of increasing profits, which of course requires more sales of weapons, leads to more war and less chance of peace. The incentive is undoubtedly perverse and when coupled with the fiduciary obligation of corporate executives to place profits before ethics and morality (truer in the USA and especially with institutional investors), it is no wonder that war profiteering has long been considered immoral gains. We strongly object to our pension fund's involvement.

We make two requests:

1. That the fund reviews the ISS with a view to be better in line with the Government regulations by including the above section verbatim.
2. That the fund carries out a scheme member engagement exercise to ascertain their view on profiting from the arms trade.

We would like to point out the following relevant factors which we expect will be considered when deciding on how to carry out the engagement.

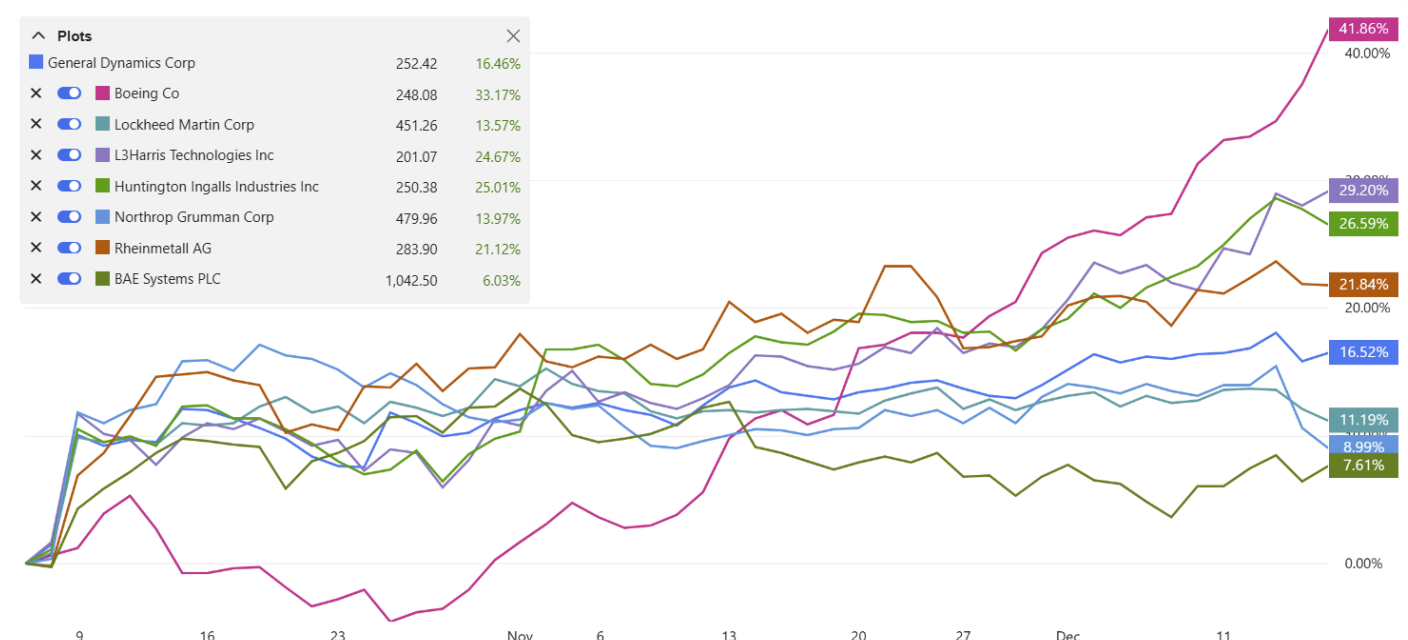
End point of divestment when engagement has no chance of success

We are concerned that the language in the ISS around the issue of engagement with companies is deliberately deceptive and designed to dishonestly placate members concern over how their money is invested, while the fund continues to profit from companies well documented in supplying arms to leaders accused of genocide and war crimes. There is not a single example of investee engagement producing a change of behaviour of arms companies and when the bulk of investors in arms are USA institutional investors unable to back a motion which might reduce income, it is statistically impossible that engagement will bring such a change. This fact must be known by the professional advisors to the fund in which case it is dishonest to present engagement as something to allay our concerns. That would therefore be a legal issue considering the fiduciary relationship to the fund and beneficiaries.

Without the threat of divestment, engagement has no power in a negotiation but the Funds ISS currently does not call for divestment even when engagement has failed or cannot be expected to be effective. We believe it is the case that companies with a large proportion of their revenue from arms are examples where engagement has no chance of changing their activity.

Regarding companies where it is a smaller proportion of revenue, e.g. >5% of revenue, we believe that divestment must be an option where engagement has failed to change behaviour after a reasonable amount of time e.g. 1 year.

The amoral financial dealing in arms was on display when investors, including pension funds, sought to profit from the aftermath of the October 7th attack, which sparked a rush for defence shares and a 10% jump in prices:



Buckinghamshire Pension Fund current arms holdings

Buckinghamshire PF is within the Brunel pool and will have proportionally similar investments to Gloucestershire and others within the pool. A study of the GPF holdings shows a doubling of the value of arms shares in the boom time since October 7th 2023. This assumes the amount held at September 2024 was similar to that held before Oct 7th 2023 though a study of Devon PF which is also within the Brunel pool but has historic holding sheets, shows the number of shares of arms companies held was tripled or more as the war on Gaza progressed. The chart is likely an under estimation.

Stock	ticker	Country	% military revenue	number of shares	Value 5/10/23 USD	Value 1/4/25 USD	Difference
AXON ENTERPRISE INC	AXON	USA	10	311.829	\$62,366	\$164,022	\$101,656
BABCOCK INTERNATIONAL	BCKIY	UK	67	1034652	\$4,924,941	\$9,756,764	\$4,831,823
BAE SYSTEMS PLC	BAESY	UK	97	483379.8	\$5,800,557	\$9,377,568	\$3,577,010
CHEMRING GROUP PLC	CMGMY	UK	85	28942.09	\$102,744	\$144,710	\$41,966
EMBRAER SA	ERJ	BRAZIL	30	94436.21	\$1,227,671	\$4,344,066	\$3,116,395
GENERAL DYNAMICS CORP	GD	USA	72	3195.721	\$703,059	\$869,236	\$166,177
GENERAL ELECTRIC CO	GE	USA	5.8	259.5965	\$23,104	\$52,958	\$29,854
HEICO CORP	HEI	USA	15	368.769	\$59,003	\$98,461	\$39,458
HINDUSTAN AERONAUTICS	HAL	INDIA	95	16425.64	\$385,510	\$798,286	\$412,776
HONEYWELL INTNL	HON	USA	13	9749.129	\$1,803,589	\$2,066,815	\$263,226
HOWMET AEROSPACE INC	HWM	USA	25	3011.888	\$138,547	\$397,569	\$259,022
HUNTINGTON INGALLS	HII	USA	82	143.4097	\$28,969	\$28,969	\$0
L3HARRIS TECHNOLOGIES	LHX	USA	74	2208.549	\$362,202	\$463,795	\$101,593
LEIDOS HOLDINGS INC	LDOS	USA	58	1691.112	\$153,891	\$228,300	\$74,409
MELROSE INDUSTRIES PLC	MLSPF	UK	20	76614.84	\$444,366	\$472,714	\$28,347
NORTHROP GRUMMAN	NOC	USA	88	1147.281	\$485,300	\$587,408	\$102,108
PALANTIR TECHNOLOGIES	PLTR	USA	54	2856.388	\$48,559	\$239,937	\$191,378
QINETIQ GROUP PLC	QNTQY	UK	95	197373.4	\$2,921,126	\$4,012,601	\$1,091,475
RHEINMETALL AG	RNMBY	GERMANY	67	231.9108	\$11,480	\$66,326	\$54,847
ROLLS-ROYCE HOLDINGS	RYCEY	UK	32	1121330	\$2,848,178	\$11,381,497	\$8,533,319
SAAB AB	SAABY	SWEDEN	89	2449.601	\$15,016	\$48,184	\$33,168
SAFRAN SA	SAFRY	FRANCE	21	29338.88	\$1,128,373	\$1,945,168	\$816,794
TELEDYNE TECHNOLOGIES	TDY	USA	22	903.1878	\$362,178	\$449,788	\$87,609
TEXTRON INC	TXT	USA	23	1054.903	\$81,228	\$75,953	-\$5,275
THALES SA	THLLY	FRANCE	51	1563.02	\$42,202	\$84,403	\$42,202
TRANSDIGM GROUP INC	TDG	USA	30	294.6642	\$250,465	\$411,646	\$161,181
					\$24,414,622	\$48,567,143	\$24,152,521
Share amounts based on Sept 2024 holdings sheet							

A report by the Avon Pension Fund,² which is also in Brunel, claimed that divesting their assets from the Paris aligned and other funds in order to have an arms exclusion would cost in the region of £1.5 million plus on-going increased costs of up to £1 million a year, which would be lessened by other funds similarly divesting.

The above projected \$24 million profit from share price increases would only be realised upon selling the shares and that profit could be earmarked for offsetting any increased costs. Enabling an arms free portfolio for many years to come with absolutely no detriment to the fund.

² https://pensiondivest.org.uk/avon/Appendix_1_Aerospace_Defence_Investments.pdf

We believe that an honest representation of the facts for members must include the projected profits that would be realised from selling the shares and how that can pay for the cost of divestment.

The typical profits from the arms investments.

The Avon Pension Fund report looked at the general MSCI index vs MSCI Aerospace & Defence index and found, averaged over a typical 10-year period, avoiding arms might cause a detriment of 0.0015% of their fund. Though they admitted the amount was no more than within the normal range of forecasting error, so could go either way.

The current rise in share prices is not typical or anything to boast of considering the circumstances of profiting from two conflicts ICJ classed as plausible genocides, and again we would consider it dishonest were the fund to present the last years figures in isolation from a longer average, or without mentioning how small a proportion it is of the fund.

The myth of defending democracy and creating jobs

It is often wrongly stated that shareholding in arms companies helps our defence or supports local jobs. We would like to make clear, due to responses to similar requests from other funds, that the investments do not support NATO or create jobs. Shares bought on the secondary market have very little bearing on the company but rather are speculative investments hoping for share price rises.

The fund managers know this very well and in fact this lack of material support is the rationale used in order to claim there is no complicity in any war crimes that might be committed with the products the fund is invested in. For more see the Nigel Giffin KC opinion³. Any claims that the investments do materially support would be both arguing for the fund's criminal complicity and proof of a dishonesty by the fiduciaries to sway members away from aligning with a reasonable call for arms divestment.

Shareholders are more often taking money from arms manufacturers rather than putting money in. The arms manufacturers get their financial support from government contracts not shareholders.

For example, last year BAE Systems distributed over £1.4 billion of tax payers' money to shareholders.⁴ That money comes from national defence budgets, usually tax payers' money, now in private pockets, does nothing to "defend democracy" or create jobs.

Alignment with government policy

The fund is not obliged to align with government policy or the arms industry, as was decided by the Supreme Court in 2020⁵. The government guidance on creating an ISS had briefly stated "*the Government has made clear that using pension policies to pursue boycotts, divestment and sanctions against foreign nations and UK defence industries are inappropriate.*" This was removed by the Supreme Court judgement.

Any inference in a consultation that the fund *should* maintain arms industry investments for a non-financial factor would be challenged. There is no imperative for the fund to do so.

³ https://lgpsboard.org/images/LegalAdviceandSummaries/Oct2024_LGA_LGPSGazaeventsopinion_from_Nigel_Giffin_KC_.pdf

⁴ https://investors.baesystems.com/~/_media/Files/B/BAE-Systems-Investor/documents/bae-systems-annual-report-2024.pdf

⁵ <https://supremecourt.uk/cases/uksc-2018-0133>

Profiting from arming Russia

We would also like to point out a very disturbing history of some of the companies our fund is invested in, and the deals it has profited from. To portray the subject to scheme members with full honesty would require mentioning not only that these companies arm Ukraine but also that they modernised Putin's badly antiquated military, which helped enable the Russian invasion of Ukraine.

Rheinmetall:

In 2011 Rheinmetall secured a contract valued at approximately €100 million to construct "the world's most modern military training centre" in Mulino, Russia. This facility was designed to train up to 30,000 troops annually, featuring tank training exercises, advanced simulation technology and live-fire capabilities, the equal of a training facility the company made in Altmark, Germany.

When Russia annexed Crimea, Rheinmetall refused to cancel the contract.⁶ When legally forced to, the facility was completed by Russian contractors using European imports.⁷

For an amoral fund as GPF sadly is, the only thing to consider would be that the company is recording record profits.⁸ On which the CEO said he:

*"...expected annual sales growth of around EUR2 billion in the coming years. "This very positive development is only possible because we invested early and have been following a strategic plan since 2014, when Crimea was invaded,"*⁹

2014 being the year his company refused to stop building Russia the worlds most advanced military training centre while Russia invaded Crimea.

However, it is clear they have an eye for ESG scores by looking after affected stakeholders, perhaps to continue to feature in funds like Brunel's Paris aligned, they donated €100,000 to support Ukrainian war victims.¹⁰ 0.025% of their 2024 half year profits.

Thales:

Thales supplied Russia with 'Catherine FC' and 'Catherine XP' thermal imaging cameras. These devices enhance night vision capabilities and were integrated into Russian T-72 tanks. Notably, these cameras were utilized during the invasion of the Donbass region in 2014. It has been reported in Ukraine that they have continued to supply Russia until at least 2020.^{11,12} As reported by the Ukrainian ministry of defence Thales continues to supply and service the equipment through a Kazakh company.¹³ With parts arriving from France via India.¹⁴

⁶ <https://kamilkazani.substack.com/p/mulino-how-rheinmetall-ag-built-a>

⁷ <https://www.dw.com/en/rheinmetall-poised-to-honor-military-delivery-contract-with-russia/a-17507715>

⁸ <https://news.europawire.eu/rheinmetall-ag-continues-growth-trajectory-with-record-earnings-and-order-backlog/eu-press-release/2024/03/14/15/45/55/132326/>

⁹ <https://www.janes.com/osint-insights/defence-news/land/rheinmetall-increases-sales-by-33-during-first-half-of-2024>

¹⁰ <https://www.rheinmetall.com/en/media/news-watch/news/2024/02/2024-02-07-rheinmetall-donates-100000-euros-to-olena-selenska-foundation-ukraine>

¹¹ <https://disclose.ngo/en/article/war-in-ukraine-how-france-delivered-weapons-to-russia-until-2020>

¹² <https://english.nv.ua/business/total-isolation-of-russia/military-thermal-imagers-for-the-russian-army-the-french-company-thales-cooperated-with-russia-aft-50247461.html>

¹³ <https://mil.in.ua/en/news/kazakhstan-is-repairing-russian-fighter-jets-to-bypass-sanctions/>

¹⁴ <https://www.thedefensenews.com/news-details/France-Presses-India-to-Halt-Thales-Made-Su-30-Avionics-Exports-to-Russia-Via-Kazakhstan-Citing-Sanctions-Violation/>

Safran:

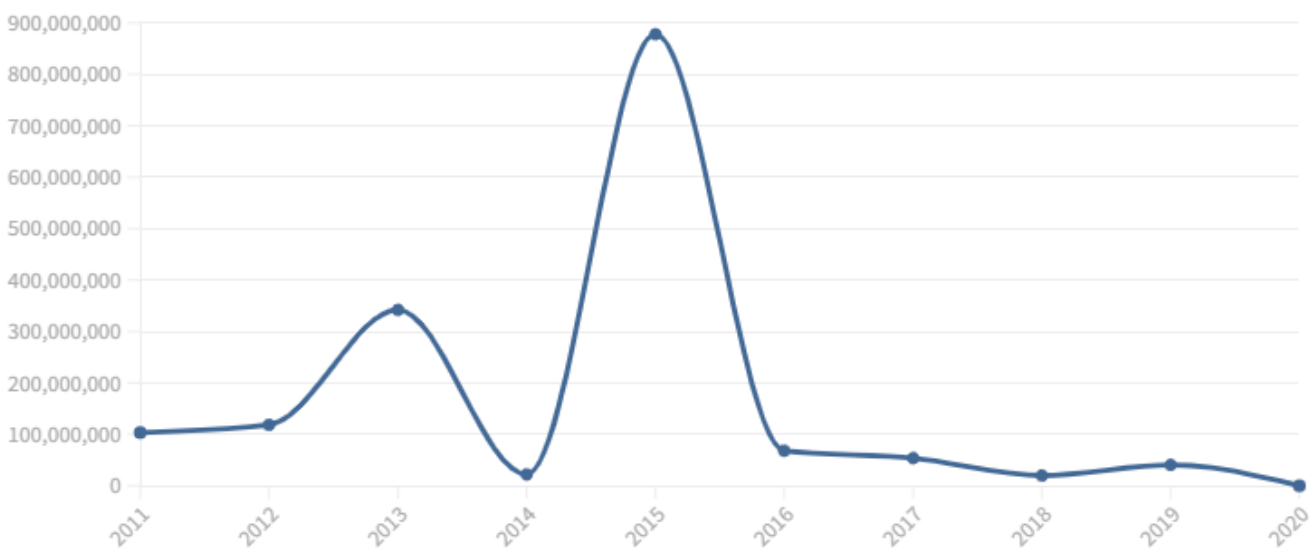
It is reported that between 2012 and 2018 Safran were supplying pilots' heads-up-displays and Sigma 95N navigation systems to the Russian military – these allow pilots to know their location without having to use American or European satellites.¹⁵ That independence would be required in order for Russia to attack NATO countries.

As of September 2024, Safran are reportedly still providing parts and servicing via a company in Kazakhstan:¹⁶

“Between January and February 2023, our specialists completed theoretical and practical training at Thales for servicing avionics systems,” ARC Group’s director Aldanazar Saginbek stated.

“ARC Group reportedly employs certified specialists trained in servicing Thales and Safran systems. “Without this equipment, Russian pilots would be flying blind,” the investigation noted, emphasizing the importance of the French avionics to the aircraft’s operational capability.”

■ Total amount of licences issued by France for Russia (in Euros)



Source: French national reports on arms export

It is not hyperbole to suggest that without these companies modernising Russia’s military they might not have invaded Ukraine and these same companies, and our GPF, would not be profiting so heavily from the death and destruction which followed.

A corrupt industry

The GPF RI Policy¹⁸ states the Fund “expects all fund managers to invest in line with the United Nations Global Compact.”

¹⁵ <https://en.topwar.ru/21739-rostehnologii-i-sagem-gruppa-safran-zapustili-sp-po-proizvodstvu-navigacionnyh-sistem.html>

¹⁶ <https://www.globaldefensecorp.com/2024/09/13/russias-su-35-su-30sm-su-30mk2-and-su-57-fighter-jets-avionics-multifunction-displays-navigation-systems-and-heads-up-imported-from-france-despite-western-sanctions/>

¹⁷ <https://www.investigate-europe.eu/en/posts/eu-states-exported-weapons-to-russia>

¹⁸ <https://www.gloucestershire.gov.uk/media/1mmpf4lt/final-approved-resp-inv-policy-june-24-1.pdf>

Principle 10 of the UNGC states: *“Businesses should work against corruption in all its forms, including extortion and bribery”*.¹⁹

The GPF though continues to invest our pension in arms companies that are proven to engage in corrupt practices over extended periods and are in receipt of record-breaking fines for bribery:

BAE Systems:

Most of the company's profits are derived from sales abroad with only around 20% domestic revenue. The rogue nature of the company is laid bare, with the cases in which it has faced prosecution and where they have settled. Some examples from the last 20 years:

- 2004 UK serious fraud office (SFO) investigation of bribery in one of the largest defence contracts in British history, halted in 2006, reportedly due to political pressure.
- 2010 Criminal fines of \$400 million in the US, one of the largest in US history, and £30 million in the UK relating to a broad range of corruption allegations including the “South African Arms Deal”
- 2010 £29 million settlement to Tanzania as part of a bribery scandal from 2002
- 2011 \$79 million civil settlement in the US for up to 2,591 violations of the Arms Export Control Act (AECA) and the International Traffic in Arms Regulations (ITAR)²⁰
- Continued to arm Saudi Arabia after a court ruled the trade illegal.²¹
- Continues to arm Israel after ICJ ruling of plausible genocide, UN calls for a halt to all arms sales and ICC arrest warrants for head of Israel government and military.
- Ongoing investigation by Indian Central Bureau of Investigation (CBI) into bribery.²²

Rolls-Royce:

- 2017 global settlement over long running bribery of officials included \$170 million to US authorities, £497 million to the UK's Serious Fraud Office for bribery related to dealings in Russia and China among others.²³
- A \$26 million settlement with Brazil.
- In 2012 and 2015 it was subject to multiple fraud cases offering to return £18 million to the Indian government over bribery.
- In 2017 UK's SFO determined the company had bribed Thai officials to secure orders.
- Rolls-Royce supplied Saudi Arabi with engines for their military aircraft used for indiscriminate bombing in Yemen.
- Implicated in same bribery investigation as BAE, by Indian Central Bureau of Investigation.

¹⁹ <https://unglobalcompact.org/library/2031>

²⁰ [BAe Systems Settles Civil Charges Of ITAR Violations For \\$79 Million - Mondaq United States - Lawyer Commentary - VLEX 282598799](https://www.vlex.com/vid/bae-systems-settles-civil-charges-of-itar-violations-for-79-million-12582598799)

²¹ <https://www.theguardian.com/world/2020/jun/21/uk-accused-of-selling-arms-to-saudi-arabia-a-year-after-court-ban>

²² <https://corruption-tracker.org/case/rolls-royce-hawk-jet-deal>

²³ <https://www.sfo.gov.uk/2017/01/17/sfo-completes-497-25m-deferred-prosecution-agreement-rolls-royce-plc/>

Thales:

2024 UK Serious Fraud Office launch investigation in the company in the UK.²⁴

As scheme members we believe the arms trade is a fundamentally and inevitably harmful industry, which should never be a “for profit” industry. We believe trying to profit from the trade is inconsistent with normal human standards of decency.

We look forward to your response outlining what steps you will take to fairly establish the feeling about this among the membership.

Yours faithfully

(BPF members names will be added when sent to the fund)

²⁴ <https://www.forcesnews.com/news/defence-firm-thales-investigated-serious-fraud-office-suspected-bribery>