

**Recommendation to Council on Divestment from
Arms Manufacturing Companies**

Report from

The Socially Responsible Investment Review Committee

February, 2010

Introduction

The Socially Responsible Investment Review Committee (SRIRC) was charged by Council to examine the issue of University investment in companies engaging in arms manufacturing. SRIRC held its first meeting on 26th May, 2009 and now meets regularly on Thursdays in weeks 3 and 7 of each term. The minutes of these meetings are made public and may be found at www.admin.ox.ac.uk/councilsec/srirc/.

Our Process

The focus of our examination of this issue was on the question of whether the University should cease investing in companies engaging in arms manufacturing. In line with the University Policy on Socially Responsible Investment, (see www.admin.ox.ac.uk/councilsec/srirc/) the Committee wrote to the Chairman of the University Investment Committee seeking the views of that committee on the efficacy and financial consequences of the University ceasing to invest in arms manufacturing companies. The Investment Committee, which is responsible for the Capital Fund and the Oxford Endowment Fund, responded as follows. Direct exposure to arms manufacturers within the Oxford Funds is minimal. Any ban within directly invested portfolios could be effected with little financial impact. This is essentially because the investment strategy does not involve direct investment in particular companies but, rather, involves investment in pooled vehicles. The Investment Committee concludes that a ban on investment in arms manufacturers within pooled vehicles would be difficult to effect, and if effected, could have severe indirect financial consequences.

In the light of this fact, and given the legal obligations of all charitable bodies within which the terms of the University's Policy on Socially Responsible Investment are set, banning investment in arms manufacturing companies can only be undertaken if the activities of the companies are, on ethical grounds, inconsistent with the education and/or research objectives of the University. This, then, is the fundamental question facing SRIRC.

To help us address this question, we had the views of The Oxford Divestment Team set out in their document "Investing in Arms: A Report" (21st May, 2009). We reviewed the policies of others, notably the Calvert Group and the Norwegian Government Pension Fund. We also had presentations on socially responsible investment from Helen Wildsmith, Head of Ethical and Responsible Investment, CCLA and from Danyelle Guyatt of Mercer's Global

Responsible Investment Business Unit. Finally, we had access to the Guidelines of the University Committee to Review Donations.

Our Arguments

In order to understand our recommendations, we would make the following points. First, we were not persuaded by the argument that investment in arms manufacturers should be banned because individuals, groups or governments use arms for bad purposes. Arms are also used by individuals, groups or governments to defend themselves against those who use arms for bad purposes. Second, some existing University research is undertaken in cooperation with some companies which manufacture arms. In the light of this behaviour, it is hard to argue that investing in such companies is inconsistent with the current research objectives of the University. Third, in the light of the wide variety of views within the University on the ethics of this matter, we felt that the only option was to fall back on the broad issue of legality. That is, the University should not invest in arms manufacturing companies which are behaving illegally in the broadest sense of the word.

Our Recommendations

Our basic recommendation is that the University of Oxford should not invest, directly or indirectly, in companies that manufacture weapons or munitions which are prohibited under Arms Control Treaties to which the UK is a signatory (a full list may be found on www.reachingcriticalwill.org/legal/treaties.html). The relevant Arms Control Treaties for our purposes are the following:

Biological Weapons Convention (1975)

Forbids the development, production, stockpiling and use of biological weapons.

Chemical Weapons Convention (1993)

Forbids the development, production, stockpiling and use of chemical weapons.

Convention on Certain Conventional Weapons (1983)

Prohibits use of fragment weapons which cannot be detected inside the body, of blinding laser weapons and of non-detectable anti-personnel mines.

Ottawa Treaty (Mine Ban Treaty) (1997)

Prohibits anti-personnel mines (not signed by China, Russia or U.S. among others).

Convention on Cluster Munitions (2008)

Prohibits the stockpiling and use of cluster munitions (not signed by China, Russia and U.S. among others).

The first three treaties have been signed by all major arms producing countries. So, for all practical purposes, the key prohibited weapons are anti-personnel mines and cluster munitions because these are not prohibited in many of the world's major arms manufacturing countries. Our purpose is, therefore, to align University policy with national policy and to recommend a ban on investment in companies which manufacture anti-personnel mines and cluster munitions. While it is easy to find a selection of companies involved in this activity, we are not able to obtain a comprehensive list without incurring some expenditure. Such a list may be obtained from EIRIS (80-84 Bondway, London, SW18 1SF).

More General Issues

As well as considering the specific issue of arms manufacturing, we are also concerned to develop a coherent strategy for dealing with issues concerning Socially Responsible Investment including activities which are somewhat more proactive than simple disinvestment. Some concrete proposals will be forthcoming in due course.