

Scottish Parliamentary Pension Scheme: The case for divestment from Rolls Royce

Scottish Parliamentary Pension Scheme's investments

Analysis of figures in the "*Scottish Parliamentary Pension Scheme's Annual Accounts 2017-2018*" and in the "*Baillie Gifford Report on the SPPS for quarter ending 30 09 18*" shows that the scheme currently holds shares worth **£175,495 in Rolls Royce**.

Rolls Royce's nuclear weapons work

Rolls Royce is one of four major contractors involved in Britain's Trident nuclear weapons program. Rolls Royce is the only company in the UK capable of manufacturing the nuclear power reactors for the Royal Navy's nuclear-armed submarines. Without Rolls Royce there would be no Trident.

Rolls Royce was involved in the development of the UK's current fleet of nuclear-armed Vanguard class submarine's and provides ongoing maintenance. The company has been working with Babcock Marine and BAE Systems on the development of the successor – Dreadnought class – submarines since 2007. Rolls Royce will design, develop and manufacture the new PWR3 nuclear reactor which will power the submarines, and will also provide in-service support and safety reviews.

Rolls Royce is explicitly excluded by 11 of the 22 financial institutions in the world which have policies prohibiting financial involvement with nuclear weapons producers.¹

Rolls Royce's nuclear contracts

Rolls Royce currently has contracts with the Ministry of Defence's "Nuclear Enterprise"² worth £4.7 billion. These include:³

	Value
• in services support and decommissioning for nuclear propulsion systems;	£1,213 million
• two contracts for design and production of new propulsion system for Dreadnought (including PWR3);	£1,082 million
• upgrade to site facilities to enable continued production of nuclear cores;	£938 million
• foundation contract.	£551 million

The PWR3 reactor project is reportedly the second largest of all Rolls Royce's current projects, employing 600+ of the 3,000 staff in the company's nuclear business.⁴ Revenue from Rolls Royce's nuclear work rose by 4% to £818 million in 2017, according to the company's annual report, "driven mainly by increased production activity in support of the Dreadnought class build programme".⁵

¹ 2018 Don't Bank on the Bomb Report: <https://www.dontbankonthebomb.com/2018-hof/>.

² Some of these contracts cover work on non-nuclear armed, nuclear-powered submarines.

³ "The Defence Nuclear Enterprise: a landscape review", National Audit Office, May 2018: <https://www.nao.org.uk/wp-content/uploads/2018/05/The-Defence-Nuclear-Enterprise-a-landscape-review.pdf>.

⁴ *The Telegraph*, 8 October 2016: <http://www.telegraph.co.uk/business/2016/10/08/why-britain---and-bae-systems---must-make-a-success-of-the-41bn/>.

⁵ <https://www.rolls-royce.com/~media/Files/R/Rolls-Royce/documents/annual-report/2017/2017-full-annual-report.pdf>.

Why divest?

Nuclear weapons are uniquely destructive

- Nuclear weapons are designed to destroy entire cities and kill indiscriminately.
- Around 150,000 people were killed in Hiroshima on 6 August 1945 and each of the UK's Trident nuclear missiles is eight times more powerful than the bomb dropped on the city.
- Organisations that invest in nuclear weapons producers are helping to fuel a new nuclear arms race which endangers us all.⁶

Nuclear weapons are prohibited by international treaty

- The Treaty on the Prohibition of Nuclear Weapons prohibits the development, production, testing, possession and use of nuclear weapons. It also prohibits assistance with these activities (article I(l)e).
- Financing is a recognised form of assistance so when the treaty enters into force, most likely in 2019, financing nuclear weapons producers will contravene international humanitarian law.
- The treaty and has increased the financial risk of investing in the companies that produce nuclear weapons as it represents a step towards eliminating nuclear weapons and therefore the industry that supports them.
- The treaty establishes an international norm against the possession and use of nuclear weapons. Companies that continue to make nuclear weapons therefore face growing reputational damage, making them a risky investment. Thirty financial institutions have already divested since the treaty was signed in 2017.⁷

The Scottish Parliament opposes nuclear weapons

- The SPPS is profiting from Britain's nuclear weapons program through its investments in Rolls Royce. This is at odds with the position of the Scottish government and most MSPs, who oppose nuclear weapons. First Minister Sturgeon has signed ICAN's parliamentary pledge of support for the nuclear ban treaty, as have a majority of Members of the Scottish Parliament and a majority the Scottish MPs at Westminster.
- The SPPS's investment in Rolls Royce demonstrates tacit approval of the company's activities. Divestment would send a clear signal that the production of nuclear weapons should cease and would set an example to other organisations in Scotland, such as local authority pension funds and universities, that investment in nuclear weapons is unacceptable.
- Widespread divestment will further delegitimise nuclear weapons and increase the pressure on states to abandon them.

Scots support divestment

- In March 2018, a Survation poll found that nearly three quarters of Scots believe that the Scottish Parliamentary Pension Scheme should divest from arms companies, which includes Rolls Royce, and from tobacco and fossil fuel companies.⁸

⁶ <https://thebulletin.org/sites/default/files/2018%20Doomsday%20Clock%20Statement.pdf>.

⁷ <https://www.dontbankonthebomb.com/2018-dont-bank-on-the-bomb/>.

⁸ http://www.heraldscotland.com/news/16063941.Call_to_stop___3m_MSP_pension_fund_investments_in_weapons__tobacco_and_dirty_fuel_after_poll/?ref=twtrrec.