

## Developing a policy on companies with military exposure

### 1. Summary

- 1.1 Recent Methodist Church teaching and statements on defence matters are reviewed (see Appendix A). These indicate that the Methodist Church:
  - 1.1.1 Is committed to peace and peacemaking as a Christian vocation and opposes war.
  - 1.1.2 Has not adopted a pacifist position and recognises that armed force may be necessary on occasion. However, there is a long standing and honourable tradition of pacifism within the Methodist Church.
  - 1.1.3 Opposes the use of nuclear weapons and cluster bombs.
  - 1.1.4 Has opposed the prevailing nature of the global arms trade, particularly in small arms. However, its position on defence implies that some arms trading is necessary.
- 1.2 The ways in which the CFB has attempted to minimise exposure to the defence industry are examined. These involve:
  - 1.2.1 In depth research of companies where military exposure has been identified;
  - 1.2.2 Taking into account the proportion of revenue and, where possible, earnings derived from military sales;
  - 1.2.3 Considering the nature of the products and services being offered. Historically there has been a greater tolerance for less 'offensive' products and services.
  - 1.2.4 Refining views on new cases in the light of previous discussions and research (see Appendix B).
- 1.3 The ethical investment policies of other church organisations have been examined (Appendix C).
- 1.4 Earlier discussions by CFB/JACEI on this subject have been used to identify the key issues in order to draft a formal policy. It is suggested that when assessing companies:
  - 1.4.1 Earlier conclusions were broadly appropriate, but in addition;
  - 1.4.2 Closer attention should be paid to the arms trade;
  - 1.4.3 Environmental impact should be taken into account.

### 2. John Wesley's 'The Use of Money'

- 2.1 John Wesley's famous sermon, often used by the CFB as a building block for ethical investment policy, does not address the issue of armaments. However, some of the principles may be considered to be relevant.
- 2.2 In encouraging his readers to '*gain all you can*', Wesley states that '*we ought not to gain money at the expense of life, nor (which is in effect the same thing) at the expense of our health*'. Wesley appears to be referring to the lives of his audience rather than those of others affected by their activities. However, it is clear that life is to be valued when considering financial transactions.
- 2.3 Later in the sermon, Wesley states that '*Neither may we hurt our neighbour in his body. Therefore we may not sell anything which tends to impair health*'. Although, Wesley has '*spirituous liquor*' primarily in mind, the sentiments expressed could be translated to the production of weapons.

### 3. Recent Methodist teaching – Peacemaking: A Christian Vocation

- 3.1 Methodist Conference 2006 considered a report produced by a joint working group of the United Reformed Church and the Methodist Church entitled '*Peacemaking: A Christian Vocation*'. The report arose from a desire of both churches to re-examine the ethics of war in the current geopolitical context.

The report is designed to stimulate reflection on the issue within and outside the church and *'provide an ethical analysis to help support the judgment of the church and church leaders in complex and uncertain situations where British military intervention is proposed'*. A summary is attached in Appendix A.

3.2 Conference 2006 commended the report *'to the Methodist people for reflection, study and guidance on action'* and as a resource to be used when considering the ethics of modern warfare.

3.3 Biblical and church teaching

The report surveys Biblical passages in both the Old and New Testaments that relate to the subject. Old Testament passages that advocate total war should be understood in context and not taken as justifying such acts in the present day. New Testament teaching raises some difficult questions but the authors conclude that God's will for peace is unequivocal.

*'From the beginnings of salvation history in the Garden of Eden, to its end in the New Jerusalem, the Bible witnesses to the profound value of life and peace.'*

Since Biblical times there has been a variety of Christian attitudes towards warfare, including pacifism, the Just War Tradition, justification for total war and means to combat terrorism.

The medieval church, to the profound regret of Christians today, endorsed wars for the cause of religion in the Crusades.

Jesus calls everyone to be peacemakers but this call is not easy to discern or follow and applies to all settings, from the personal to the global. The (universal) Church has a major responsibility to assist Christians in following this calling as Christ's witnesses but it too often *'retreats within comfort zones of familiar debates and mild protests, or confines its engagement to the most obvious "headline hitting" issues'*. In addition, *'only the witness of Scripture, the peace and social justice of Christ himself, enable us to see the evil of war and violence for what it truly is'*. However, *'Christian political judgement can be naïve – and not in the Christ-like sense... Too often we react too late, jump onto the nearest bandwagon, or satisfy ourselves with less than fully-informed comment'*.

3.4 The use of force

*Peacemakers: A Christian Vocation* addresses the use of force, having first examined non violent strategies to assist peacemaking.

The report states that *'God's will is for peace... [and there is an implication that]...war, violence, and coercion will always be alien to God's reign'*. Moreover, *'All human exercise of violence and coercive force is ontologically abnormal in the sense that it does not characterise the being of the world as God created it and wants it to be; it falls short of his purposes for it. Yet, sin and corruption are so much part of our existence, and have so many expressions, that we must reckon with their effects'*.

The report notes that earthly governance is part of divine providence, functioning as an authority under God. It considers circumstances where the interpretation of the role of this authority has been in error (churches under Hitler; the response to the Rwanda genocide). The power to pursue war should only be held by the appropriate authority and in consideration of the Just War Tradition. The report argues that this authority has some wider judicial function. Governments *'...provide judgement on wrongdoing and punish the offender'*. Paul in Romans 13:4 describes them as *'God's agents working for your good'* in this capacity. The report argues that the United Nations Security Council has *'...unparalleled capacity to exercise judicial authority'*, but does not maintain that it is the only source of such authority.

The relevant judicial authority also has a requirement to protect citizens. In most cases, this will be by the avoidance of military conflict but military action may be required in some circumstances. The report notes a UN Secretary General panel report that states that *'...action taken unilaterally without the consent of the wider international community remains morally and politically hazardous'*.

*Peacemaking: A Christian Vocation* argues that ‘...efforts by the United Nations Security Council to authorise military force against threats that are not imminent should also be opposed...’ since at present the national interests of powerful nations have not been isolated in its current form. While calling for Christians (both pacifist and otherwise) to prevent any watering down of the Just War Tradition, the report accepts that Christians will disagree for various reasons over specific conflicts.

It also states that there are times when Christians should ask for troops to be deployed to prevent a humanitarian disaster or to ask for ‘...military force to restore law and order to situations of extreme lawlessness, such as in the situation of Sierra Leone in 2000...’. In that conflict of course, the intervention of well-equipped and professional British troops – including Special Forces – that used armed force beyond a policing role, was required to bring stability to the country. Those troops required a helicopter carrier and other naval assistance.

It is clear that the report accepts that it may be right to use military force in some circumstances, though it should be restricted by rigorous and demanding ethical considerations.

### 3.5 Nuclear, biological, and chemical weapons

*Peacemaking: A Christian Vocation* considers nuclear weapons and the Nuclear Non-Proliferation treaty. It notes that the treaty permitted those nations that had already developed nuclear weapons to keep them. However this asymmetry ‘...is only sustainable if the nuclear weapons states make good on their commitment to pursue efforts towards disarmament; their failure to do so is one reason for the increasing desire of other nations not to be comparatively disadvantaged’. The report maintains that ‘A crucial contribution that the UK could make to this process in the next few years would be to decide not to renew its nuclear deterrent, which is currently under review’.

No assessment is made of the likely success of unilateral UK nuclear disarmament in promoting worldwide disarmament. There is no analysis of the workings of global diplomacy and the roles played by fear and sin within and between nations.

The report notes concerns about the potential for proliferation of biological and chemical weapons.

### 3.6 Conventional weapons

The report considers the use of conventional weapons. It notes that most people who die in conflicts are killed by use of small arms such as revolvers, pistols, rifles, and light machine guns. It quotes the Small Arms Survey project, which finds that small arms kill 300,000 people annually. Sales of larger conventional weapons were worth around \$40 billion in 2003. The major arms exporters are listed as: US (\$14 billion in 2003); the UK (\$6.9 billion); Russia (\$5.5 billion); France (\$4.9 billion), and Israel (\$2.4 billion).

The report notes that international arms embargoes are rare (the ban on anti-personnel landmines is one example, though not ratified by some major exporters) and that the efficacy of multilateral agreements is limited. It recognises that ‘Some states have restrictive controls on the export of weapons, but in the absence of an international treaty restricting the arms trade such as many have called for, nations are forced to balance the potential profits from selling weapons against the desire to adopt an ethical policy concerning what should be sold to whom’.

The report also notes the environmental damage weapons can cause and the possibility that depleted uranium can have long term health effects.

### 3.7 Some implications

The reflections in *Peacemaking: A Christian Vocation* can assist the development of an investment policy relating to military equipment and services. Some logical conclusions can be drawn from its arguments, which are not explicitly stated in the report:

- 3.7.1 Despite accepting there may be circumstances in which military force will be required, the report does not address the question of how such military force will be acquired and maintained. If it is accepted that military force will be required in certain circumstances, the implication is that military forces will need to be well-equipped and trained. This goes beyond supplying soldiers with small arms. It means that a nation has to acquire a variety of materiel including aeroplanes, ships, helicopters, tanks, armoured vehicles, missiles, counter-measures, radar and sonar equipment, satellites, and logistical and intelligence assets.
- 3.7.2 The requirement to obtain such equipment means that nations are faced with the choice of producing all the equipment at home and/or buying (and collaborating in the production of) equipment from other nations.
- 3.7.3 Production costs at home can be offset by trading versions of military equipment abroad. If this were not permitted, nations would have to increase defence spending, funded by reducing other public spending (eg on education and health) or by increasing taxes. To date, no mainstream church organisation has called for higher taxes for increased defence spending. Lack of competition however may lead to lower quality products or services.
- 3.7.4 If the UK, for example, is to purchase equipment from other nations it requires by definition a trade in arms. To be able to purchase the most effective equipment, the UK has to cooperate with other nations and overseas companies in developing appropriate products. In effect, the UK has to sell and buy.
- 3.7.5 The issue is to decide with which nations or companies the UK should be able to trade military equipment. Present regulations do not seem to be sufficiently restrictive. This makes the process of assessing companies that produce weapons more difficult.
- 3.7.6 It should also be noted that while there are close relationships between defence companies and governments, those companies are often public and therefore owned by a variety of shareholders from around the world.
- 3.7.7 The large sums of money involved in the arms trade and its clandestine nature make this activity particularly susceptible to bribery and corruption.
- 3.7.8 The church should work hard at peacemaking to help create the conditions that enable all nations to reduce defence spending. However, while we live in a sinful world some such expenditure will occur.

#### **4. Recent Methodist statements on defence matters**

##### **4.1 Trident**

There have been a number of statements by the Methodist Church over the past couple of years opposing the replacement of the Trident nuclear weapons system in the UK, when its life ends in 2025. Methodist spokespeople have stated that if the UK did not replace Trident, *'...the cause of non-proliferation would be advanced'*, due in part to the example such policy would provide. There has been reference to the enormous destructive power of nuclear weapons and the fact that deterrent is based on fear of use. In addition, the Methodist Church has judged that threats facing the UK *'...are not deterred by our nuclear weapons because they come from groups, individuals or ideologies, rather than nations'*.

Conference 2006 passed the following resolution:

*'The Conference opposes replacement of the Trident nuclear weapons system and urges the UK Government to take leadership in disarmament negotiations in order to bring about the intention of the Non-Proliferation Treaty for the elimination of all nuclear weapons.'*

#### 4.2 Cluster bombs

Conference 2003 called on the UK to support an international ban on the use of cluster bombs. A resolution stated:

*'During the recent conflicts in Iraq and Afghanistan, USA and UK forces resorted to the use of cluster bombs. These lethal weapons weigh about 950lbs and, when dropped to the ground, separate into 200 bomblets. They look like brightly coloured drinks cans; many do not detonate on impact. In consequence children in Iraq and Afghanistan continue to be killed or maimed when they pick up these "toys". Conference calls on HM Government to institute a unilateral ban on their use by UK forces and to initiate an international campaign to ban their future use.'*

The Methodist Church repeated the call in 2006 to coincide with a meeting by the UN Review Conference on Conventional Weapons.

#### 4.3 Small arms

The Methodist Church website highlights a statement from Conference 1997 that the Church has *'...been active in calling on HM Government to stop producing arms sales and to make investment available for the conversion of arms-producing industries to other, non-lethal forms of production'*.

#### 4.4 Arms trade

The Methodist Church website states that the Church is *'strongly critical of the arms trade'*. Church leaders, including the President of Methodist Conference, called in autumn 2006 for the closure of the Defence Export Services Organisation (DESO), a unit of the UK Ministry of Defence helping UK companies to sell military equipment and services overseas.

### 5. **Relevant past CFB and JACEI discussions**

#### 5.1 Ethics and defence electronics

5.1.1 The CFB produced a draft discussion paper with this title in 1988. It examined the challenges of assessing electronics companies that sold electronic components or services to the defence industry. In doing so, it set the terms for assessing defence-related companies that have been used to this day.

The paper was approved by the CFB Investment Committee in November 1988 and submitted to the Ethics of Investment Advisory Committee the following month. There followed some discussion over several meetings although a final statement of advice does not appear to have been given.

5.1.2 The paper notes that *'In days gone by, our approach to companies supplying defence forces was clear-cut. Companies supplying weapons were not acceptable whilst little or no problem was seen in the many other suppliers of items such as food or clothing'*. Electronic warfare has complicated the matter.

The paper notes that *'...at the very least, the mainstream of the Christian Church considers it is appropriate to be associated with the use of force of arms in certain circumstances. Following on from this, it is considered appropriate to maintain land, sea, and air forces; to keep them properly equipped and to have the facilities to provide that equipment'*.

In addition, *'defence as opposed to offence, would seem to be ethically acceptable in some circumstances though it is impossible in many cases to differentiate between equipment used for defence or offence. The lessons of history have shown that to ignore a country's defences has made it more difficult to maintain basic freedoms and has also made armed conflict more*

*likely. A defence industry would not, therefore, seem to be at odds with the mainstream of the Christian Church’.*

- 5.1.3 The paper notes however that *‘...it is the existence of a defence industry which leads to the arms trade which helps support corrupt and evil governments who withhold basic freedoms from their own people and impose their will on other countries’*. Companies which supplied arms for such purposes would be *‘ethically unacceptable’*.
- 5.1.4 The paper recognises that development of defence equipment has promoted technological progress, which has had significant positive effects on society.
- 5.1.5 The paper proposes some guidelines for investment in electronics companies, based on principles established when considering exposure to activities in South Africa. It suggests there may be some products which are considered totally unacceptable, though these are not named.

Two important guidelines are proposed, consistent with CFB policy in other sectors:

- *We should not exclude any electronics company for producing products which may be used in the defence industry (e.g. microchips, screens, printed circuit boards). Suppliers of electronic components to the defence industry should be excluded from portfolios only when the defence proportion of their business becomes too high.*
- *We should not include any electronics companies [in portfolios] if the end products they sell exclusively to the defence industry are too high a proportion of their total business (eg electronic counter measures). These products may be harmless in isolation but would not be made at all if the...defence industries did not exist.*

The proportion of defence business that should be considered as too high is not suggested as judgements would have to be made about individual products.

- 5.1.6 The nature of the end products of the defence electronics industry are considered as being divisible into three categories:
- Defence systems (e.g. radar; communications and electronic counter measures);
  - Fighting systems (e.g. air, land, and sea transport; guidance systems; and target identification);
  - weapons (e.g. guns; bullets; bombs; and missiles)

The paper notes that a product may appear in more than one category, depending upon circumstances of use.

- 5.1.7 The paper states that the point at which a company is excluded from investment is dependent upon the type of defence-related product. For example *‘it would be reasonable to tolerate a lower proportion of weapons business than defence systems business’*.

Given that electronics companies produce many products which have far wider uses, the paper suggests that *‘it would not be unreasonable to consider the manufacture and sale of certain beneficial products as off-setting defence sales’*.

- 5.1.8 The paper suggests *‘account should be taken of the non-defence business and how it affects the community’*.
- 5.1.9 Noting that a theological reappraisal is required, the paper concludes with proposed guidelines:
- To exclude suppliers of electronic components to the defence industry, on ethical grounds, only when the defence proportion of their business becomes too high.

- To exclude suppliers of electronics end-products and services sold exclusively to the defence industry, if this proportion of their business becomes too high.
- To exclude defence-related electronics companies, on ethical grounds, only after examination of the type of product being sold. A lower proportion of weapons business than defence systems would be tolerated.
- To take account of the non-defence business and how it affects the community.

5.1.10 Certain relevant companies were reviewed alongside the paper:

GEC (a CFB holding in 1988)

Sales of a military nature formed 33% of total sales. Of those sales, 10-15% were classified as weapons, 40-45% were classified as fighting systems, and 40-50% were regarded as defence systems. This posed a dilemma, though a proposed purchase of Plessey with Siemens would, it was acknowledged, simplify the matter since defence exposure would increase.

Plessey

It was excluded from investment since its defence exposure was high, despite being classified as mainly defence systems. It had also announced further acquisitions which would raise defence exposure up to 60% of sales and 50% of profits. Had the involvement in South Africa ceased to be a problem, the defence exposure would still prevented investment.

Racal

Racal had not been considered as appropriate for investment but it was expanding its telecommunications business and did not regard defence as part of its long term strategy. Approximately 75% of the defence products were classified as defence systems and the total exposure was 22% of group sales. No weapons were produced.

Ferranti

Ferranti was excluded from investment since it was dependent upon defence spending.

5.2 Responses to *Ethics and defence electronics* from the Ethics of Investment Advisory Committee

- 5.2.1 Committee members stressed the difficulty of applying subjective judgements such as *'too high a proportion'*.
- 5.2.2 Two further criteria were suggested:
- The proportion of manufacturing output of arms sold to 'South' countries; and
  - Whether technology was being offered to repressive regimes.
- 5.2.3 A CFB visit to GEC/Marconi during which the company's product list was discussed in detail.
- 5.2.4 The Committee noted what it termed the *'volatile and untidy'* nature of the arms manufacturing industry.
- 5.2.5 The right to self defence under Article 51 of the UN Charter was acknowledged but it was believed this was not always easy to interpret in relation to weapons systems.
- 5.2.6 The arms trade can lead to many changes of use and user.
- 5.2.7 Several committee members believed that to invest in companies that were *'knowingly selling arms to known gross violators of human rights'* would be *'highly disturbing to many in our constituency'*.

- 5.2.8 It was held that the dilemma facing the CFB was that being restricted from investing in all or most of the electronics sector could lead to a weak portfolio and that this would have implications for Methodist clients since trustees may seek other fund managers as a result.
- 5.2.9 A paper was submitted in 1989 by the Revd Clifford Warren (subsequently amended). It made the following points:
- A theological reappraisal had been partly achieved through publication of *'Peacemaking in a Nuclear Age'* by the Church of England's Board of Social Responsibility (from a working group chaired by the Rt Revd Richard Harries). It held the arms trade as significantly responsible for conflict in 'Third World' countries and *suggested 'There is an argument for opposing all commercial sales of arms on the grounds that these tend to be motivated by economic considerations'*. A General Synod Notice of Motion had been passed in 1988 calling for moral criteria to be applied to the sale and transfer of arms.
  - Recent Methodist Conference resolutions had called for a reduction in conventional arms sales to non-NATO countries and the end of UK *'promotion and sales of armaments to Third World countries at...Government-sponsored Arms Fairs'*.
  - Problems of interpretation arose when applying ethical criteria, especially since accurate information was difficult to obtain and since arms manufacturing was often deeply integrated into company operations. Clear and precise guidelines were required. The phrase 'too high a proportion' was not sufficiently specific.
  - *Investment in a defence electronics company should not be attempted if it either sells or promotes the sale to:*
    - *repressive/military regimes known to violate human rights (e.g. Chile, South Africa, Indonesia, Turkey); and/or*
    - *countries directly involved in areas of Third World conflict (e.g. Lebanon); and/or*
    - *any Third World country (e.g. India);*

*of arms/weapons; fighting systems; or communications/surveillance/counter-insurgency systems.*
- 5.2.10 The Committee concluded that information about defence exposure was difficult to obtain and that it was difficult to apply a policy consistently. Members agreed that there could be cases where defence involvement was so high that disinvestment was necessary.
- 5.2.11 The Committee concluded that GEC and Plessey appeared to be 'marginal cases' at the time.
- 5.2.12 A presentation was received from EIRIS on how it assessed the exposure of companies to defence.
- 5.2.13 The paper Ethics and defence electronics remained in its draft form with no changes, though it was applied in the light of the subsequent discussions.

### 5.3 Should the Methodist Church invest in arms manufacture and trade?

This short paper was presented to JACEI by the Revd John Kennedy in March 1999. It aimed to stimulate debate on the question. It stated that *'...the Methodist tradition clearly recognises the profession of arms as an honourable one'*. However, *'...it is clear that the indiscriminate search either for profits or for military alliances can be extremely destructive'*. Just War tradition was summarised and criticised for being highly dependent upon the situation at hand. The move to Total War was reviewed, along with war and democracy and the role of human rights. The paper summarised the European code of conduct on the arms trade and suggested Methodist investment in arms manufacture, safeguarded by the code, *'might lead to a constructive debate on the issue'*.

There was some discussion but no conclusions were recorded.

- 5.4 JACEI and the CFB have considered a number of companies since discussing *Ethics and defence electronics* in 1988. A summary of the companies and issues considered is contained in Appendix B.
- 5.5 JACEI and the CFB have also been aware of the relevant investment policies of other church organisations. A summary is contained in Appendix C.

## 6. **Considerations for future policy framework**

### 6.1 Current framework

Despite never being formally adopted, *Ethics and defence electronics* provided a framework for assessing companies with military exposure that has been applied with some variance over the past nineteen years. During that period, Western defence spending growth fell with the end of the Cold War but has since risen in response to localised conflicts and the global terror threat.

### 6.2 Extent of military exposure

JACEI and CFB discussions about companies with military exposure have intrinsically recognised that weapons are not simply morally neutral tools. Weapons and related systems are designed to harm or destroy life and therefore there should be restrictions on their production and sale.

While the measure of a company's military exposure has never been prescribed, it has usually been the proportion of total revenue and, where the information is available, the proportion of total profits.

Concern has tended to be expressed when military exposure reaches or exceeds approximately 20% of a company's revenue. LucasVarity may be considered an exception. Since the decisions on GEC and Plessey, the CFB has not had to consider companies with significant exposure to what has been regarded as offensive weapons. It is likely that if such a company had been considered, it would have caused concern with military-related revenue much less than 20% of total revenue. CFB and JACEI tolerance of military exposure appears to have declined since 1988.

### 6.3 Type of military exposure

The requirement to identify the type of military exposure has been useful and important, though it has not always been easy to identify into exactly what category military products and services fall.

Facilities management services (e.g. a company managing a defence base) has led to consideration of exclusion on ethical grounds, but no definitive approach has been agreed so far.

JACEI has been spared the practical test of evolving an approach to Reed Elsevier's defence exhibitions business. However, as it represented a small proportion of the business, the CFB was following an engagement policy at the time the company announced its withdrawal from the business. The company's earlier growing commitment to an area so connected with the *promotion* of the arms trade raised serious ethical concerns.

To date, no company has been considered which offered specific products or services for paramilitary or oppressive policing.

While it has been acknowledged that offensive weapons are necessary, this has not been reflected in CFB/JACEI deliberations, which have tended to regard production of such weapons negatively.

CFB policy should distinguish between different categories of military exposure, as outlined in *Ethics and defence electronics*. It should nevertheless reflect the acceptance by the Methodist Church that in this fallen world offensive weapons are required, often for peacemaking purposes.

#### 6.4 Arms trade

To date, all trade in arms has been regarded negatively with little attention paid to the destination of weapons sales.

Methodists have campaigned for effective limits on the arms trade and investment policy should reflect the position that it is unacceptable for military products to be sold:

- where that might increase the probability of unjustifiable conflict
- to oppressive regimes;
- to countries with poor human rights records; or
- that would contribute to nuclear proliferation.

However, the implication of Methodist statements is that countries such as the UK should have well-equipped armed forces (including for peacekeeping) and that some form of arms trade is therefore required.

Investment policy should therefore pay attention to the destination of any military sales. A company with a high proportion of revenue from offensive weaponry might be tolerated if the products were only sold to acceptable countries.

Where the destination of sales cannot be clearly identified, the CFB should adopt a conservative approach and assume some sales may be to countries where the Methodist Church would not wish military sales to be made. In these cases, attention would be paid to the type of military product or service offered with offensive weaponry causing particular concern.

It should be acknowledged that some may feel uncomfortable about the possibility of CFB portfolios gaining from the profits of companies with significant exposures to offensive weapons sales, although the proposed change of approach would ensure CFB policy is consistent with Methodist Church statements.

#### 6.5 Environmental impacts of weapons

These are referred to in *Peacemaking: A Christian Vocation* and it is appropriate to include them in CFB policy.

#### 6.6 Offsetting

There has been no discussion since *Ethics and defence electronics* of the offsetting nature of non-defence business within a company.

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## Appendix A

### Methodist Conference 2006

#### Ethics of Modern Warfare – Peacemaking: A Christian Vocation (summary) and conference decisions

In 2004 the Methodist Council endorsed a proposal for a joint piece of work by the Methodist Church and the United Reformed Churches to examine the ethics of war in the current context. The Methodist Council asked for a report to be brought before the Conference with the intention of:

- i) producing a joint resource to help stimulate reflection in our Churches and beyond;
- ii) identifying clearer ethical criteria to assist churches and church leaders to weigh ethical considerations in complex and uncertain situations where British military intervention is proposed.

Members of the Connexional Team facilitated the study. The study group comprised ten people with varied backgrounds. The Revd Dr Peter Bishop was a co-convenor while Dr David Clough took on the primary editorial role on behalf of the group.

The output from this study is the publication: “*Peacemaking: A Christian Vocation*”. Draft texts were reviewed by several external readers and also by a Reference Group established to report to the Methodist Council. The Report seeks to place the discussion of the ethics of war within the context of the wider challenge of peacemaking. It explores what Jesus’ call to be peacemakers might mean in the context of our world today. The Report makes use of the experience of Forces Chaplains and other people who have had direct involvement in conflict situations to illustrate aspects of conflict and peacemaking. The publication includes chapters on Learning from the Past, Building for Peace, Non-violent Strategies for Dealing with Conflict and On the Use of Force. It is possible to reproduce here only a small part of the arguments put forward by the study group. These are offered for the consideration of the Conference.

#### ***Learning from the past***

In addressing questions of peace and war, it is crucial for Christians to recall with profound regret the way that the medieval Church endorsed the use of wars fought for the sake of religion in the Crusades. This was a disastrous episode in the history of the Church, in which Christian warriors, encouraged by the Church to believe that they were doing God’s will, were guilty of appalling violence against Muslims, and were encouraged to attack Jews in the Christian homelands. The Crusades cast a long shadow, and the violence of groups such as Al Qaeda today looks back to past Christian violence as justification.

It is fitting that Christians approach Jewish and Islamic traditions in great humility. We need to acknowledge that members of all three Abrahamic faiths engage in constant efforts to understand and interpret their own scriptures within which are verses that, taken literally, appear to condone or even encourage violence. Too often the Church has debated these matters solely within a Christian framework, leading to pacifist (a rejection of all military engagement and a refusal to enlist), pacifist (seeking alternatives to a reliance on the military but accepting the use of military force in exceptional circumstances) or just war positions. The task of peacemaking today demands that Christians move beyond entrenched positions to a more broadly-based consensus around the benefits of learning together about non-violent approaches to conflict resolution from the broad spectrum of Christian, other faith and secular reflection and practice.

The Report “*Peacemaking: A Christian Vocation*” examines the subject of peacemaking from the perspective of the biblical narrative and Christian tradition and illustrates the powerful witness to the cause of peace provided by Old and New Testaments and the teaching of Jesus. It examines how this witness has been interpreted at various times in the history of the Church. The report also reviews how non-violent strategies exemplified by Gandhi, Martin Luther King and others might apply today.

### ***The call to be peacemakers***

The lives of Christians should be distinctive in working to establish just and peaceful relationships between those among whom they live and work. Peacemaking does not mean passivity, or acquiescing to injustice: it means being active in creating and maintaining right relationships. It means day-by-day care to deal rightly and considerately with a child, parent, sibling, spouse or friend; it may be that peacemaking in such close relationships is the most demanding of all. It also means not joining factions within Churches but finding common ground on which differences can be discussed, and working for understanding in differences within and between denominations. On a larger scale, peacemaking means engaging in elections and political campaigns and debates in support of policies and politicians that offer a realistic alternative to vicious cycles of hostility and fear. It means working internationally to combat economic and social threats to peace, such as poverty, infectious disease, and environmental degradation, which were highlighted in the recent UN Secretary-General's High Level Panel on Threats, Challenges and Change.

Four dimensions to the Christian vocation to peacemaking are explored:

- a. to foster just and peaceful relationships;
- b. to be active in resolving conflicts;
- c. to support strategies for preventing violent conflict;
- d. to engage with political leaders about when and how force might be threatened or used.

To achieve progress in non-violent conflict transformation training is essential and adequate resources need to be allocated.

### ***The environmental dimension to conflict***

With changes brought about by global climate change, agricultural and marine resources may well also become a source of potential conflict. As a whole range of resources become scarcer and available in ever more inaccessible places, competition for access to them will become fiercer. Ultimately efforts must be made to adopt measures to distribute fairly the emission of carbon across developed and less-developed countries. The study group therefore commends proposals based on equity such as 'Contraction and Convergence', promoted by the Global Commons Institute.

### ***Authority to pursue war***

The question of authority is complex and contestable. The 2003 invasion of Iraq brought such questions to the fore as the world debated whether the United Nations Organisation and its Security Council was the only appropriate body to authorise war and, if so, why.

How is a Christian understanding of authority shaped by confession of the authority of God who will establish justice throughout the earth? In Christian moral reasoning the question of authority, and/or the right, to pursue war is subject always to the pacific authority of God. Our particular question concerns how a theological account of the authority to pursue war, or to refrain from it, proceeds from and through an account of divine authority.

This means that discussion about the authority to pursue war cannot be reduced to assertions of a nation's self defence. A decision to pursue war can only be authoritative if, like acts of judgement performed by the judiciary, the person or body making the judgement has the public standing to determine whether wrongs have been committed and, if so, how restitution and reconciliation might be effected. The nature of authority in this context is that of judicial arbitration exercised on grounds that can be defended publicly – preferably by an appropriate third party. The attacked may take to themselves the judicial role only when there is no competent third party. Armed conflict can be a possibility only when other modes of judicial authority have been exhausted or are reduced to incompetence. In the present day the Security Council of the United Nations Organisation has unparalleled capacity to exercise judicial authority in the face of wrongs that fall outside the scope of other jurisdictions. Despite its wounds and need for reform, it is usually able to arbitrate the claims of the parties to international conflicts and exercise judgement.

### ***Common ground between pacifist and just war perspectives***

Even in relation to the political question of when a nation state is entitled to go to war, there is still common ground between Christians that adopt pacifist and just war perspectives. Both can agree that:

- war should never be employed where other means of addressing a conflict remain open. The word of the Churches to the nation will be that the cost of war is such that nations should continue to pursue diplomatic and non-violent modes of dialogue and coercion to the utmost.
- nations need to be held accountable to the just war criteria for how wars should be fought.
- there are times when Christians should join in asking a nation state to deploy troops in order to prevent a humanitarian catastrophe. This is clearest in the case of United Nations peacekeeping missions, but may extend to using military force to restore law and order to situations of extreme lawlessness.
- the just war tradition has sufficient reason to allow pre-emptive attacks but only when the threat is immediate and significant. To allow nations to go to war to prevent other nations threatening them, even if authorised by the current United Nations Security Council, would be to make wars more common and international relations less secure.
- in the absence of imminent nuclear threat, church members should urge the UK Government to make bold and immediate steps to meet its disarmament obligations in full. Without such moves, it is hard to see the justification for opposing the acquisition of nuclear weapons by non-nuclear powers.

Despite substantial common ground, we recognise that Christians will sometimes differ amongst themselves about whether a particular war is morally legitimate. We must resist the temptation, however, to make this occasional disagreement the focus of Christian discussion of warfare. To do so is to mistake a narrow peripheral difference for the heart of Christian reflection on warfare: the need to work towards and call the nation towards a more peaceful world.

### ***The UK Nuclear Deterrent***

Under the Non-Proliferation Treaty the UK has agreed to the objective of “determined pursuit by the nuclear-weapon states of systematic and progressive efforts to reduce nuclear weapons globally with the ultimate goal of eliminating those weapons”<sup>1</sup>. Since the end of the Cold War, the Conference has passed resolutions calling for further action with respect to disarmament. For example, in 1996 the Conference called for “a genuine willingness to forego Britain’s own nuclear capability (whether unilaterally or multilaterally) in order to stop nuclear proliferation”.

In recent years the UK Government has reduced the size and readiness of the UK nuclear weapons system. The UK Government states that decisions on the future of the UK nuclear weapons system are likely to be necessary in the lifetime of the current Parliament and has signalled that it is in favour of a replacement of the Trident system. Consistency with the Conference’s long-established views, together with the recommendations in *‘Peacemaking: A Christian Vocation’*, would lead the Conference to oppose the renewal of the Trident nuclear weapons system.

- 34/1 The Conference commends the Report *‘Peacemaking: A Christian Vocation’* to the Methodist people for reflection, study and guidance on action.
- 34/2 The Conference encourages the Connexional Team to make available further resources to support the role of Districts, Circuits and Methodist members in the task of peacemaking.

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<sup>1</sup> Review and Extension Conference of the Parties to the Treaty on the Non-Proliferation of Nuclear Weapons 17 April - 12 May 1995, New York

- 34/3 The Conference encourages the Connexional Team to continue to work ecumenically and with other faith groups to develop a common understanding of peacemaking and social justice and to make appropriate representations to the UK Government.
- 34/4 The Conference opposes replacement of the Trident nuclear weapons system and urges the UK Government to take leadership in disarmament negotiations in order to bring about the intention of the Non-Proliferation Treaty for the elimination of all nuclear weapons.
- 34/5 The Conference affirms the support of the Methodist Church for the Ecumenical Accompaniment Programme for Palestine and Israel (EAPPI) and encourages Districts and Circuits to make known the opportunities for service afforded by this programme.
- 34/6 The Conference expresses admiration for the work of forces' chaplains and notes the many challenges they face at this time. The Conference reaffirms the importance of this ministry to people in the armed forces.

## Appendix B

### History of CFB analysis of companies with military exposure

#### 1. **GEC**

GEC was reappraised in a CFB paper in 1992 following its acquisition of Ferranti's missile business. Prior to the acquisition, GEC's defence exposure formed an estimated 23% of total sales and 28% of total profits. This appeared to include a high proportion of overseas sales. The acquisition changed the defence exposure by less than 1% but increased the exposure to weapons and weapons systems. Defence exposure had been declining as a proportion of the total but the acquisition was regarded by the CFB as a renewed commitment to this area. GEC had '*rested uneasily*' within the Investment Fund and this new development prompted a decision to sell the holding on ethical grounds.

#### 2. **Mitsubishi Heavy Industries**

In 1993, the CFB reported to JACEI that it had sold its holding in this company on ethical grounds. Its exposure to the Japanese defence industry had always been known about but recent growth in Japanese defence manufacture meant that the exposure had risen and was now too high a proportion of the company's business.

#### 3. **GKN**

GKN was examined in 1994 following its announcement that it would be acquiring Westland, a military helicopter business. It was held by the CFB Investment Fund. Prior to the takeover, defence exposure (mainly Warrior and Saxon armoured vehicles, which were used by UK forces in Bosnia and also sold to Kuwait) formed 5% of group sales. CFB analysis suggested that this would rise to around 18% with the purchase of Westland and rise to 20% in 1996.

The report quoted the CFB Annual Report from 1993, which stated that '*We have ...not invested in companies which are substantially involved in the arms trade...*' and also referred to the draft discussion paper, *Ethics and defence electronics*.

The addition of the Westland business was regarded as a cause for ethical concern and the decision was made to sell the holding.

#### 4. **Racal**

Racal was re-examined in October 1994 in the light of its participation in Camelot, the operator of the National Lottery. The 'cellular radio' (Vodafone) and security systems (Chubb) businesses had been demerged some time previously. These moves raised the defence exposure from 10% in 1989 to over 25%. The defence sales were of battlefield communications and electronic warfare technology (eg on frigates and helicopters). These products were specifically for military use and included some weapons control systems. With the new investment in, and operating contract with, Camelot around 40% of profits came from areas causing ethical concern. It was therefore decided that Racal was no longer a suitable holding for the CFB.

#### 5. **LucasVarity**

JACEI reviewed a CFB report on this company in 1997, when it concluded that a small and declining defence sales (4.2% of the total declining to 3.4%) meant a sale on ethical grounds was not justified. The report referred to *Ethics and defence electronics*.

A CFB report re-examined this company in 1998. The CFB Overseas Fund held shares in this FTSE100 company since Varsity merged with Lucas in 1996. It was noted that defence sales had risen to 6.1% of group sales and was likely to continue to rise. The products were not regarded as 'offensive' primarily but included core components for the Tornado and F-18 aeroplanes and integral parts of a missile and attack helicopter. The report was prompted by a renewed commitment by LucasVarsity to its aerospace business. The conclusion reached was that it may become an unsuitable holding on ethical grounds.

JACEI agreed with an Investment Committee decision that the Investment (UK) Fund should not purchase a holding and that the Overseas Fund holding should not be increased, with the company being kept under review. The holding was later sold on financial grounds. The company moved its listing to the US.

## **6. Marconi (GEC)**

Marconi (formerly GEC) was reviewed in 1999/2000. It had sold most of its defence interests to British Aerospace. Some interests remained. Marconi owned a 24% stake in Alstom, 0.3% of the turnover of which was derived from contracts with the French Navy. Marconi was expected to sell the stake and had no significant influence on Alstom's management. The French Navy contracts did not involve nuclear powered vessels or launch platforms for nuclear weapons, as far as the CFB was able to ascertain. Marconi also retained some contracts for the sale of communications equipment to defence customers. The technology was regarded as 'off the shelf' and sales were less than 3% of group sales. The CFB concluded there were no ethical grounds for preventing investment in Marconi and JACEI agreed.

## **7. Smiths Group**

This company was reviewed in 2001 following its creation with the takeover of TI Group (a holding) by Smiths Industries (non-holding due to military exposure). TI Group defence exposure was focused in the aerospace division and consisted of hydraulics and actuation, turbine engine components, tubular systems, aerostructures, defence and engineering systems. This included frames for missiles. The Smiths Industries aerospace business was focused on avionics and included weapons aiming computers and gun controllers for use in cockpits.

The combined Smiths Group was estimated to have an exposure to defence of at least 20%. This was likely to increase with the sale of another business and an expected acquisition. The Investment Committee concluded the holding should be sold on ethical grounds.

## **8. Support Services companies ethical issues**

This short paper was produced by the CFB, and presented to JACEI, examining exposure to defence spending. Some of the activities in this sector could be classified as 'frontline' while others were really in more of a support role. Amey (non-holding) derived over 30% of turnover from defence contracts and was recognised by JACEI as being of ethical concern.

## **9. Inmarsat**

Ahead of the IPO, Inmarsat, a satellite communications company, was reviewed in 2005. The CFB found that approximately 20% of turnover was derived from defence. The nature of the service was secure defence communications. Inmarsat was clearly committed to expanding this part of its business. JACEI agreed that it was right to be wary of setting rigid percentages to define the point at which a stock might be excluded. Nevertheless, the level of exposure and the commitment to growth led the committee to suggest Inmarsat raised serious ethical concerns. Investment was not pursued.

**10. Close Brothers**

In November 2006 the CFB reported to JACEI that Close Brothers was involved in providing unsecured and secured personal loans to individual members of the armed forces through their ownership of 80% of Close Brothers Military Services Ltd. It was agreed that this activity, which was only about 5% of Close Brothers' total lending, should not be an ethical bar to CFB investment in Close Brothers.

**11. Reed Elsevier**

Reed's defence exhibitions business has been a cause of ethical concern for some time. The exhibitions provide companies with opportunities to display and advertise military hardware and services. Though no actual trade takes place at the exhibitions, they are clearly part of the arms trade. The exposure to defence is not more than 1% of group turnover and has been regarded as an engagement issue.

The Church Investors Group wrote to the company expressing these concerns in 2005. In 2007, the CFB, with Henderson Global Investors, met the company and wrote a letter raising additional points. Reed acquired an additional defence exhibitions business in December 2006. While a response to the letter was awaited, Reed announced it would be selling its defence-related businesses in response to stakeholder pressure.

## Appendix C

### Investment policies of other churches in relation to military exposure

#### 1. Church Investors Group members

In November 2006, the CIG produced a compilation of members' investment policies. These provide some guide. Many mention a requirement to avoid companies that have a significant interest in manufacture of armaments. Some points of note are listed below.

The Baptist Union sets a limit of 10% of revenue derived from armaments and the BMS World Mission a limit of 5%,

The Church of Scotland sets a limit of 15% of profits derived from armaments.

The Joseph Rowntree Charitable Trust does not define any limit, though avoids material involvement.

The Church in Wales seeks to avoid *'any company whose business involves the proliferation of armaments beyond areas of legitimate defence and local and international peacekeeping.'*

The Plymouth Roman Catholic Diocese Common Investment Fund will not invest in companies that *'Have the manufacture of arms/weapons as a core activity. Specifically, involvement in the manufacture of anti-personnel mines would preclude investment in the company.'*

The United Reformed Church avoids investment in *'companies directly engaged in the manufacture or supply of weapons of mass destruction'* and *'companies a significant part of whose business is in the supply of...military equipment (other than weapons of mass destruction)'*. 'Significant' is deemed to mean 10-20% of total revenue.

#### 2. Church of England Ethical Investment Advisory Group (EIAG)

It is useful to consider in detail the policy of the Church of England. The EIAG revised its policy in 2000. It states that:

*'The Church of England generally accepts the right of nations to defend themselves and to engage in peacekeeping initiatives. However, we do not invest in companies that manufacture weapons platforms such as aircraft, naval vessels, helicopters, or tanks, neither will we invest in companies that manufacture weapons or weapons systems.'*

There are four criteria:

Level 1 Completely exclude defence platform suppliers

e.g. such as aircraft, ships, submarines, helicopters, armoured vehicles.

Level 2 Completely exclude weapons and weapons systems suppliers

e.g. supplying nuclear warheads, missiles, torpedoes, bombs, ordnance, artillery small arms, electronic warfare systems, guidance, targeting and firing systems.

Level 3 Over 25% of turnover, exclude non-offensive systems suppliers

e.g. avionics, radar, sonar, instrumentation, military IT and software, components, vessels and weapons commissioning and refit.

Level 4 If less than 25% of turnover, include non-offensive systems suppliers

e.g. as in Level 3

Companies in Level 4 with growing defence turnover in the 20-25% range are subject to close monitoring. Providers of facilities management or suppliers of goods such as catering, clothing, furniture, and telecommunications generally provided in 'civil society' are not considered to fall within these guidelines and are therefore acceptable for investment on ethical grounds.

### **3. General Board of Pensions and Health Benefits (United Methodist Church, USA)**

Investments shall not knowingly be made in any company:

Receiving 10% or more of gross revenues from the manufacture, sale or distribution of antipersonnel weapons (land mines, "assault-type" automatic and semiautomatic weapons, firearms, etc.) and ammunition provided for commercial and private markets. Exceptions may be made for weapons and ammunition provided for legitimate military or law enforcement uses.

Ranking among the top 100 Department of Defense (DOD) contractors and whose ratio of DOD contracts involving the production and distribution of conventional military armaments or weapons-related systems to gross revenues is greater than or equal to 10%.

Whose identifiable ratio of nuclear weapons contract awards from DOD or comparable agency or department of any foreign government to gross revenues is greater than or equal to 3%.

### **4. United States religious groups (ICCR survey)**

In January 2001, the Inter-faith Centre for Corporate Responsibility (ICCR) published a compilation of statements made by eleven US religious groups on religion and warfare. Most of the statements were made in the 1980s and 1990s. The CFB summarised them in a paper for JACEI in 2001. Little application to investment policy was found.

- 4.1 The arms trade is regarded negatively.
- 4.2 Weapons of Mass Destruction, including nuclear and space-based weapons raise concerns. For example, the United Methodist Church issued a statement in 1986 opposing the holding or use of nuclear weapons.
- 4.3 Bans on the production, sale and use of landmines are favoured.
- 4.4 Sale of arms abroad (presumably this might include the UK) are often condemned.
- 4.5 There are differences in approach towards the use of arms, ranging from advocating a Just War approach (Roman Catholic Church), to pacifism (Mennonites).
- 4.6 The Presbyterian Church (USA) Committee on Mission Responsibility Through Investment released Military-Related Investment Guidelines in 1995. These state that church policy would be '*...not to invest in the securities of publicly traded corporations engaged in military-related production.*' Types of companies were named. These included: the one hundred leading defence contractors; the top five firms engaged in foreign military sales; and corporations which produce weapons of mass destruction or indiscriminate injury to civilians, including nuclear warheads and landmines.

### **5. Summary**

There is certainly common ground amongst church organisations but they do differ how they define policies towards affected companies. Few consider the issue in detail but some do have a nuanced approach.