

UTIMCO Divestment from Weapons and Weapon Systems Manufacturing Companies and Corporations

Presented by Lillian Mauldin and Rosie Khan, Founding Board
Members of Women for Weapons Trade Transparency

About Us

Founded in July 2020 by undergraduate students at the University of Texas at Austin, Women for Weapons Trade Transparency is a nationally registered non profit that promotes transparency of the international weapons and arms trade. Our team collaborates extensively on research projects, activism campaigns, and organizational development.

Women for Weapons Trade Transparency envisions a world in which the manufacture, sale, and use of arms and weapons of war has drastically decreased, where inter-and intra-state conflicts are mitigated peacefully, and where every human being is safe, secure, and free from oppression.



What is UTIMCO?

UTIMCO is The University of Texas/Texas A&M Investment Management Company. As of August 2021, UTIMCO holds approximately \$63 million worth of weapons and weapon systems manufacturer's debt and equity securities.

These investments go against the UT System's mission to "improve the human condition in Texas, our nation and our world."¹ Furthermore, they go against UTIMCO's stated commitment to "eradicate poverty" and "advance society."²

¹ <https://www.utsystem.edu/about/mission>

² <https://www.utimco.org/media/3435/board-book-12102020.pdf>

The Issue

The U.S. government sells weapons, weapons systems, and weapons delivery systems to many international customers. Many of these customers have been complicit in contributing to international war mongering, loss of human life, and humanitarian crisis.

As of 2020, UTIMCO invests in 16 different weapons manufacturers, many of which manufacture cluster munitions, landmines, white phosphorus, and nuclear weapons: all products which have treaties or conventions in place to prohibit or restrict their use. UTIMCO also invests in companies manufacturing autonomous weapons, which have received significant condemnation for their inaccuracy, bias, and threat to human life.

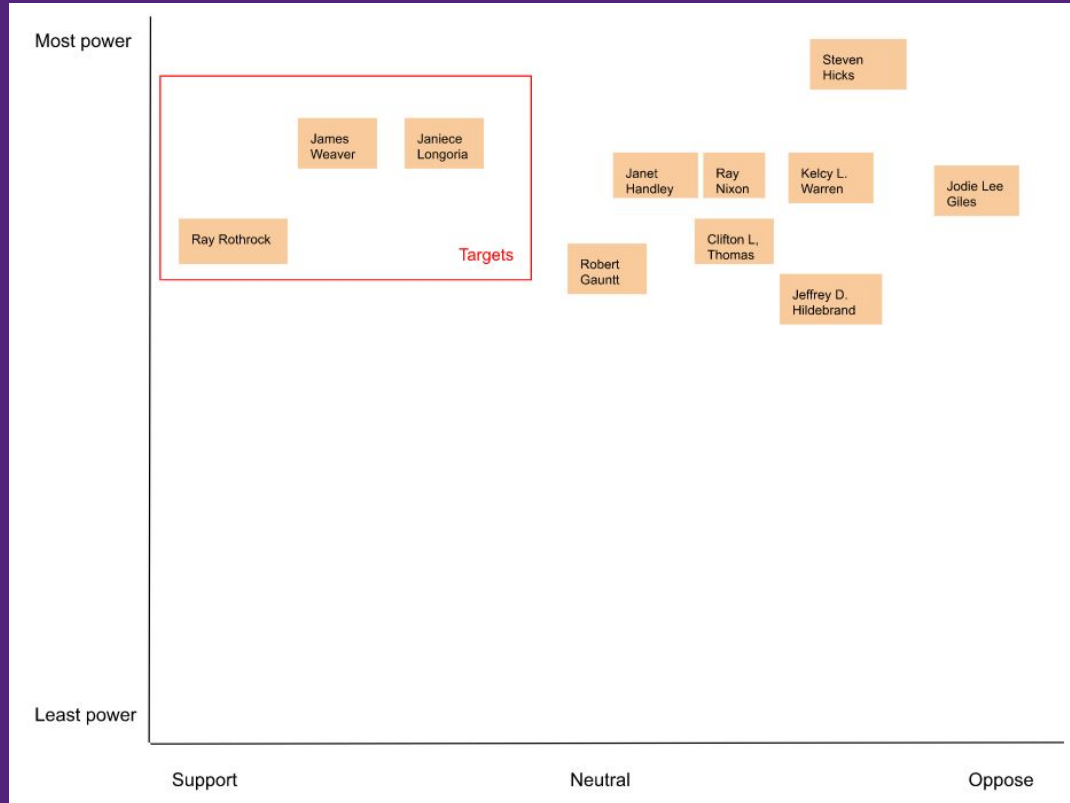
Our Campaign Strategy and Timeline

September - December 2020: researching UTIMCO's investments in weapons manufacturers and its investment policies, preparing for public campaign launch

January 2021: Month of movement building. Contacting UT System students, alumni, international NGOs, writing a joint resolution, gathering cosponsors of the legislation, contacting UTIMCO

February 2021: #UTIMCODivest publicly launched. Campaign media blasts, petition publication, joint resolution submitted, resource guide and research published, media and more potential supporters contacted.

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March - April 2021: building power and relationships within UT Austin student governance bodies, presenting our legislation in meetings of the UT Austin Graduate Student Assembly (GSA), Senate of College Councils, and Student Government

May 2021: secured a meeting with UTIMCO in early May and met with its representatives on May 25, 2021, published our detailed UTIMCO weapons manufacturer investments report in late May.

August 2021: spoke publicly at the UT System Board of Regents meeting to ask the Board of Regents to amend the UTIMCO Permanent University Fund investment policy

November 2021: networked and presented to the UT Austin Faculty Council, worked individually with faculty to strategize

A close look at six companies

	% revenue from arms sales (SIPRI 2019)	5 year returns (annualized)	Proportion of PUF (2019 → 2020)
Lockheed Martin	88	9.99%	0.0001 → 0.0001
Northrop Grumman	87	11.54%	0.00007 → 0.00006
Raytheon	87	6.18%	0 → 0.0001
General Dynamics	61	5.81%	0 → 0.000043
BAE Systems	95	1.48%	0.000017 → 0.000014
Booz Allen Hamilton	70	13.09%	0 → 0.000013

They are underperforming, or average at best

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Booz Allen Hamilton	70	13.09%
S&P 500	-	14.64%
Dow Jones	-	13.86%

According to UTIMCO's latest annual report and PUF financial statement:

The PUF posted a net investment return of 9.50% for the year ended August 31, 2020.

UTIMCO realized 8.04% ten year annualized returns for endowments.

Weapons manufacturers are not a staple of the portfolio.

Investments 1998-2020, in millions. Source: PUF Detailed Schedule of Investments reports

	Lockheed Martin	Northrop Grumman	Raytheon Tech.	General Dynamics	BAE Systems	Booz Allen Hamilton	YEAR TOTAL
1998	5.523	0.737	2.659	1.035	0	0	9.954
1999	4.592	0.715	3.283	1.767	0	0	10.358
2000	0.621	0.941	2.828	0.390	0	0	4.781
2001	1.363	3.599	5.801	1.476	0	0	12.240
2002	0.880	1.216	0.721	0.259	0	0	3.076
2003	0	0	0	2.674	0	0	2.674
2004	0	1.074	1.323	0	0	0	2.397
2005	0.404	5.864	0.459	0	0.499	0	7.227
2006	0	0	0	0	2.028	0	2.028
2007	1.203	0	0	0	0.996	0	2.199
2008	0.722	0	0	0	1.019	0	1.742
2009	4.108	0	0	0.849	1.019	0	5.976
2010	0.722	0	0	0.884	0	0	1.607
2011	0.725	0	0	1.709	0	0	2.435
2012	0.884	0	0	1.751	1.183	0	3.819
2013	0.623	0.583	0	1.563	1.101	0	3.871
2014	0.685	0.644	0	1.527	0.314	0	3.171
2015	0.841	0.805	0	0.848	0.563	0	3.056
2016	0.968	0.957	0	0	0.564	0	2.489
2017	0.984	1.264	0	0	0.308	0	2.557
2018	0.948	1.179	0	0	0.299	0	2.426
2019	2.601	1.676	0	0	0.373	0	4.651
2020	2.704	1.517	2.530	1.028	0.336	0.306	8.420

Financial, legal, and reputational risk

The six case study companies in our accompanying report in which UTIMCO is invested have been subjects of significant international controversy and condemnation for their complicity in violations of international human rights law and the proliferation of their products in conflict-affected areas. They have also repeatedly been the subjects of bribery and fraud investigations, civil and criminal cases, and settlements of hundreds of millions of dollars.

By investing in these companies, we argued that UTIMCO is exposed to reputational, legal, and financial risk. Moreover, these six companies are not the only companies which create risk for UTIMCO. There are numerous other weapons manufacturing companies' securities in the Permanent University Fund.

Financial, legal, and reputational risk




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UK Airbus Subsidiary Pledged Guilty to Graft, Will Pay \$41 Million

 Published: Monday, 03 May 2021 20:41 WRITTEN BY ZDRAVKO LJUBAS

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A U.K. judge ordered an Airbus subsidiary to pay more than £30 million (US\$41 million) after the company pleaded guilty to bribing officials in Saudi Arabia to secure a military contract, the U.K. Serious Fraud Office (SFO) **said**.

Investor Alert: Kaplan Fox Investigates Raytheon Technologies Corporation for Potential Securities Fraud

NEWS PROVIDED BY

Kaplan Fox & Kilsheimer LLP →

Oct 28, 2020, 21:15 ET

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NEW YORK, Oct. 28, 2020 /PRNewswire/ -- Kaplan Fox & Kilsheimer LLP (www.kaplanfox.com) is investigating claims on behalf of investors who purchased shares of Raytheon Technologies Corporation ("Raytheon" or the "Company") (NYSE: [RTX](#)). Raytheon is an aircraft manufacturing company.

On October 27, 2020, Raytheon filed its quarterly report for the third fiscal quarter on Form 10-Q with the SEC in which it disclosed that on October 8, 2020, the Company received a criminal subpoena from the U.S. Department of Justice (DOJ) seeking information and documents in connection with an investigation relating to financial accounting, internal controls over financial reporting, and cost reporting regarding Raytheon Company's Missiles & Defense business since 2009.

AEROSPACE AND DEFENSE JANUARY 23, 2014 / 6:45 PM / UPDATED 7 YEARS AGO

Boeing, General Dynamics reach \$400 million A-12 settlement with U.S. Navy

By Andrea Shalal-Esa

4 MIN READ



WASHINGTON (Reuters) - Boeing Co [BA.N](#) and General Dynamics Corp [GD.N](#) on Thursday each agreed to give the U.S. Navy \$200 million in aircraft and services to settle an epic, 23-year legal dispute over cancellation of the \$4.8 billion A-12 stealth aircraft in 1991.



LOS ANGELES, CA – Northrop Grumman Corp. paid \$325 million today to settle a whistleblower lawsuit brought by Phillips & Cohen LLP, which is the largest defense contractor whistleblower case settlement and the second largest settlement ever paid involving defense contractor fraud.

The whistleblower lawsuit exposed TRW Inc.'s efforts to stop a scientist from revealing his research findings about faulty electronic components the company sold to the government for military and intelligence-gathering satellites. Northrop Grumman later acquired TRW.

Booz Allen Hamilton Says It Is Under Federal Investigation



By Matthew Haag

June 15, 2017

Booz Allen Hamilton, the vast United States contractor at the center of recent high-profile disclosures of classified information, said Thursday that it was under criminal and civil investigation for possible billing irregularities.

The consulting company [said on its website](#) that the Justice Department had informed the firm on June 7 that investigators were reviewing “certain elements of the company’s cost accounting and indirect cost charging practices with the U.S. government.” Booz Allen, considered the most profitable spy organization in the world, has lucrative contracts with the federal government that account for 97 percent of the company’s business.

After the announcement, the company’s stock price dropped more than 13 percent in after-hours trading.



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FOR IMMEDIATE RELEASE

Monday, March 1, 2010

BAE Systems PLC Pleads Guilty and Ordered to Pay \$400 Million Criminal Fine

BAE Systems plc (BAES) pleaded guilty today in U.S. District Court in the District of Columbia to conspiring to defraud the United States by impairing and impeding its lawful functions, to make false statements about its Foreign Corrupt Practices Act (FCPA) compliance program, and to violate the Arms Export Control Act (AECA) and International Traffic in Arms Regulations (ITAR), announced Acting Deputy Attorney General Gary G. Grindler. BAES was sentenced today by U.S. District Court Judge John D. Bates to pay a \$400 million criminal fine, one of the largest criminal fines in the history of DOJ’s ongoing effort to combat overseas corruption in international business and enforce U.S. export control laws.

“Today, BAE Systems pleaded guilty to knowingly and willfully making false statements to U.S. government agencies. The actions of BAE Systems impeded U.S. efforts to ensure international trade is free of corruption and to maintain control over sensitive U.S. technology,” said Acting Deputy Attorney General Gary G. Grindler. “BAE Systems will pay a \$400 million fine for its criminal conduct – one of the largest criminal fines ever levied in the United States against a company for business related violations. The remediation measures BAE Systems has undertaken, in conjunction with its agreement to retain an independent compliance monitor, are evidence supporting BAE Systems’ stated commitment to ensure that it operates in a transparent, honest and responsible manner going forward. The Department of Justice will continue to hold accountable companies that impair the operations of the U.S. government by lying about their conduct and operations.”

“Competition is one of the foundations of our economic system,” said Shawn Henry, Assistant Director in Charge of the FBI’s Washington Field Office. “Corporations and individuals who conspire to defeat this basic economic principle not only cause harm but ultimately shake the public’s confidence in the entire system.”

“Providing false statements to circumvent U.S. export laws and to defraud the U.S. Government must be vigorously prosecuted,” said John Morton, assistant secretary of Homeland Security for U.S. Immigration and Customs Enforcement (ICE). “ICE is committed to working with our federal and international partners to investigate violations of U.S. export controls to assure sensitive technologies are not fraudulently and unlawfully acquired.”

U.S. sues Lockheed Martin over alleged kickback scheme at nuclear cleanup site

By [Aaron Gregg](#)

Feb. 10, 2019 at 2:34 p.m. CST

The United States is suing Bethesda-based defense giant Lockheed Martin in connection with an alleged fraudulent kickback scheme related to a \$232 million support contract for nuclear waste disposal, the Justice Department [announced Friday](#).



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Oversight Committee Seeks to Hold Lockheed Martin Accountable for Failing to Meet F-35 Contract Requirements

Jun 23, 2020 | [Press Release](#)

Washington, D.C. (June 23, 2020)—Rep. Carolyn B. Maloney, the Chairwoman of the Committee on Oversight and Reform, Rep. Stephen F. Lynch, the Chairman of the Subcommittee on National Security, and Committee Members Jackie Speier and Ro Khanna sent a letter to Lockheed Martin CEO James D. Taiclet requesting information on the company's failure to deliver spare parts for the F-35 Joint Strike Fighter that were ready for installation.

WHY LOCKHEED MARTIN'S LATEST SETTLEMENT IS UNLIKELY TO BE ITS LAST

POSTED ON FEBRUARY 10, 2021

Lockheed Martin Corporation is the top defense contractor worldwide. Each year, it wins [accolades](#) for groundbreaking innovation and consistently impressive revenue.

It is also one of the worst repeat offenders of federal fraud. Yet, each year, it wins the [highest grossing](#) federal contracts out of any other corporation in the country.

In March 2016, Lockheed Martin paid [\\$5 million](#) to settle allegations of environmental fraud and False Claims Act (FCA) violations. It may be the most recent settlement for Lockheed, but it's hardly the first time the company has been accused of misusing taxpayer dollars.

The settlement is yet another piece of a larger puzzle illustrating the [unbridled fraud](#) and waste that plagues the defense industry.

It seems unlikely that one of the most powerful companies in the world would somehow be unaware of basic legislation. Intent notwithstanding, the influence Lockheed Martin allegedly buys every year has allowed it to continue operating after having to answer for other misdeeds, including:

- A \$19.5 million settlement in 2013 for allegedly [misleading](#) investors and overstating its financial projections.
- A \$28.4 million penalty in 1995 for [violating](#) the Foreign Corrupt Practices Act ([FCPA](#)) by bribing an Egyptian government official.
- A \$15.85 million settlement in 2012 for allegedly [overcharging](#) the government for military aircraft tools.
- A \$27.5 million settlement in 2015 for allegedly overcharging the government for [services](#) performed by unqualified or under-qualified professionals.
- A \$67 million settlement in 1996 for allegedly causing [severe pollution](#) in Burbank groundwater, resulting in environmental damage and the illnesses of local residents.

Again, those cases represent only 5 out of at least 81 [instances](#) of alleged misconduct and admitted fraud.

Divestment Precedent

UTIMCO has previously shown compliance with ethical divestment and investment through the amendment of its policies.

Divestment Precedent

Many of the world's most profitable funds have implemented the recommended screens above into their investment policies. UTIMCO should adopt these screens in order to ensure its credibility on the global stage.

Our Asks to UTIMCO

1. Adopt the six recommended screens
 - a. Exclude companies which manufacture landmines
 - b. Exclude companies which manufacture cluster munitions
 - c. Exclude companies which manufacture white phosphorus
 - d. Exclude companies which manufacture autonomous weapons
 - e. Exclude companies which manufacture nuclear weapons
 - f. Exclude companies which obtain 60% or more of their revenue from arms sales
2. Implement by January 2022 (new date forthcoming)
3. Issue a public statement or press release
4. Make reasonable effort to reallocate funds
 - a. At least 90% of divested funds (\$52.5 million) into sustainable investments
 - b. Sectors such as renewable energy, regenerative agriculture, and green mutual funds
 - c. Ensuring they are not reinvested into other weapons manufacturing companies

Our other work

1122 Program Report

- Evaluates the scope and impacts of the 1122 Program on excess defense spending and police militarization in the United States.
- Reveals over \$42 million dollars of never before seen data on equipment transfers to police under the 1122 Program, including bearcats, SWAT vehicles, and surveillance gear
- Demonstrates a lack of consistent record keeping on the state, local, and federal level of equipment transferred under 1122
- Resulted in an amendment to the NDAA to restrict transfers under 1122 passing through the House

Thank you!

Interested in starting a divestment campaign at your institution?

Message Lillian or Rosie your email address, or email

w2t2.org@gmail.com, and we will add you to our Weapons Divestment

Slack workspace!