



LOCAL PENSION COMMITTEE – 5 DECEMBER 2025

QUESTION ASKED UNDER STANDING ORDER 35

1. Question asked by Mr. Rupert Simms

The Committee recently confirmed that the Fund has investments worth £28m in companies known to support illegal settlements in the occupied West Bank and that the size of these investments represents below 0.4% of the total pension fund.

Does the Committee consider that, were it to dispose of these investments, that it could do so without incurring any significant risk to its fiduciary duty?

Reply by the Chairman:

Thank you for your question. As recognised within the question any decision made by the Committee must be considered in the context of the Fund's primary duty to act in the best financial interests of scheme members whereby investment decisions must aim to secure the required returns in a risk managed manner, to meet pension liabilities.

For context the Fund's investments are held within multiple pooled passive and active funds meaning the Fund does not hold direct investment in individual companies, nor have the power to direct specific investment managers to either invest or divest in a company.

As a result, any considerations with regard to disposal would be complex and likely require divestment from multiple mandates.

The practical limitations of investing through pooled vehicles mean that a decision to dis-invest from specific companies would require the Fund to exit entire pooled vehicles, including low-cost passive funds that track the market indices, which would result in transition costs and potential loss of returns whilst significant sums are not invested, of around half of the Fund's total portfolio. The Fund would need to find appropriate replacement funds with relevant exclusions, while fulfilling the investment objectives of existing mandates, as well as conform with the upcoming regulation changes with relation to investment pooling.

From a strategic point of view although the investments referenced are relatively small as a proportion of the Fund, any decision to divest would establish a precedent. This would require the Committee to ensure that the rationale for exclusion is applied consistently to future requests, which could significantly increase complexity, operational risk and financial risk to the Fund.

2. Question asked by Ms. Colleen Molloy

The committee recently explained that the majority of its investments in companies providing goods and services to illegal settlements in the occupied West Bank are held in passive funds which track the market. Can the committee list which, if any of these investments, are not held in passive funds and explain how these investments are held?

Reply by the Chairman:

Thank you for your question. Of the companies previously listed by the UNCHR a proportion of the holdings in Airbnb, Booking Holdings and Motorola are also managed by active investment managers who were appointed via LGPS Central. These are all international companies that will have limited exposure to the aforementioned areas.

These are all held within pooled funds, as it is most cost-effective to invest via a pooled fund from a management fee perspective as indicated in the response to the first question. All day-to-day decisions are made by specialist investment managers.

LGPS Central regularly discuss managers commitments to [United Nations Guiding Principles](#) on Business and Human Rights in [Conflict-Affected and High Risk areas](#) is a regular item during their monitoring calls and they are increasingly asking managers to facilitate engagement with these companies.

3. Question asked by Ms. Joanne Springthorpe

The LGPS fund sought legal opinion earlier this year about whether continued investment in companies 'linked to the ongoing situation in the Middle East' was lawful. Notwithstanding that advice, or that the advice may now be out of date, does the committee recognise that any given investment may be unethical even while it remains technically lawful?

Reply by the Chairman

Thank you for your question. It is recognised that underlying investments may be considered unethical subject to an individual's beliefs.

While non-financial factors (such as ethical or social considerations) may be taken into account, this is permissible only where it will not result in significant financial detriment.

Furthermore, an ethical approach would require the Fund to consider the moral persuasion of an organisation over that of financial investment considerations which would not be in line with the Fund's fiduciary duty. As the Fund is diversified across countries, sectors companies at any one time there will be multiple investments that individuals may find unethical dependant on their beliefs. This can vary between individuals, and over time.

If the Fund were to look at excluding all unethical investments, however that may be defined, this would divert from the Fund's primary purpose. Due to this the Fund's investment strategy statement sets out that the Fund does not make investment decisions based on ethical considerations.

4. Question asked by Ms Natasha Bednall

The LGPS Investment Strategy Statement (ISS) states that the 'Fund does not exclude investments to pursue boycotts' The following links give examples of pension and investment schemes around the world that have taken the decision to divest from companies listed in the Fund's portfolio because of their involvement with illegal settler activity in Palestine.

<https://etikkradet.no/bezeq-the-israeli-telecommunication-corp-ltd-2/>

<https://bdsmovement.net/news/luxembourg-pension-fund-dumps-9-israelifirms-over-settlements>

<https://www.klp.no/en/corporate-responsibility-and-responsibleinvestments/exclusion-anddialogue/Decision%20to%20exclude%20Mivne%20Real%20Estate%20Ltd.pdf>

<https://www.business-humanrights.org/en/latest-news/israel-palestine-largedutch-pension-funds-continue-to-divest-from-stocks-linked-to-human-rightsabuses-by-israel/>

Having considered these examples does the committee recognise that it could review its investment strategy and choose to divest from companies providing goods and services to illegal settlements?

Reply by the Chairman:

Thank you for your question. Any review of the Fund's Investment Strategy Statement must be accompanied by appropriate consideration of fiduciary factors relevant to the Fund.

The Fund is subject to government regulations regarding investment decisions ensuring funds are managed responsibly as set out in the Investment Strategy Statement. The Fund's ISS follows the government's rules on what it can and can't invest in and is regularly reviewed and considered by the Committee.

This is a hugely complex matter that has been referred to the Scheme Advisory Board on behalf of all LGPS funds.

The Fund awaits any guidance and advice from the UK Government, as they have the necessary legal expertise and resources to analyse the complex and dynamic situation, as recognised in the Scheme Advisory Board's letter to the [Minister of Local Government and Homelessness](#).

5. Question asked by Mr Phil Hardy

In its answer to a recent question about LGPS investments in companies supporting illegal settlements in the occupied West Bank, the committee cited its Investment Strategy Statement, stating that the Fund does not ‘exclude investments to pursue boycotts....unless formal sanctions, embargoes and restrictions have been put in place by the Government’.

Having considered the full UK sanctions list, can the committee explain what due diligence has been undertaken by it and its fund managers to ensure that current investments in illegal settlements do not conflict with any specific sanctions placed by the UK Government upon individuals or organisations engaged with illegal settlements in the Occupied West Bank?

<https://www.gov.uk/government/publications/the-uk-sanctions-list>

Reply by the Chairman:

Thank you for your question. For the passively managed funds which track an index, the index providers are typically responsible for excluding sanctioned securities from their indices which would prevent the funds tracking them from investing in sanctioned securities; notwithstanding this, LGPS Central (Central) also reviews its passive funds for sanctions compliance. To support oversight arrangements, Central receive sanctions watch lists and restricted markets information from the depositary and review this within established governance arrangements to ensure visibility around existing and newly issued sanctions.

All Central funds are subject to oversight arrangements which includes the review of sanctions information, such as that published by the Office of Financial Sanctions Implementation which is part of HM Treasury. For actively managed funds, Central conduct routine engagement with underlying managers on portfolio composition as part of ongoing meetings.

6. Question asked by Ms Jane Hammond

On 24th September 2025 the pension fund issued a statement based on a legal opinion from Nigel Giffin KC to the effect that he did not believe that LGPS funds were acting unlawfully by “holding and failing to divest from investments in companies which have been linked to the ongoing situation in the Middle East”.

However, this advice related to the allegation that the State of Israel is engaged in genocide and did not consider the specific case of companies providing goods and services to illegal Israeli settlements. Does the committee maintain that these investments are also lawful?

Reply by the Chairman:

Thank you for your question. [The advice provided to the Scheme Advisory Board from Nigel Giffin's KC 2024](#) is concerned with the suggestion that it would be unlawful for administering authorities to invest, or continue to invest, LGPS funds in undertakings engaged in certain activities with a bearing upon Israel's conduct in and in relation to Gaza or the other Palestinian territories.

This includes the question of whether any underlying criminality on the part of relevant companies or those to whom they supply might mean that investing in those companies was unlawful as a matter of public law, set out within paragraph 7. Paragraph 80 (i) references that "merely to make an ordinary investment in a company will not in normal circumstances amount to assistance in that company's activities".

The Fund is subject to government regulations regarding investment decisions ensuring funds are managed responsibly as set out in the Investment Strategy Statement (ISS). The Fund's ISS follows the government's rules on what it can and can't invest in and is regularly reviewed and considered by the Committee. The ISS sets out that the Fund does not exclude investments to pursue boycotts, divestment and sanctions against foreign nations and UK defence industries unless formal legal sanctions, embargoes and restrictions have been put in place by the Government.

This is a hugely complex matter that has been referred to the Scheme Advisory Board on behalf of all LGPS funds.

The Fund awaits any guidance and advice from the UK Government, as they have the necessary legal expertise and resources to analyse the complex and dynamic situation, as recognised in the Scheme Advisory Board's letter to the [Minister of Local Government and Homelessness](#).

7. Question asked by Ms Sarah Ridgway

The LGPS fund sought legal opinion earlier this year about whether continued investment in companies 'linked to the ongoing situation in the Middle East' was lawful. Notwithstanding that advice, or that the advice may now be out of date, does the committee recognise that any given investment may be unethical even while it remains technically lawful?

Reply by the Chairman

Thank you for your question. It is recognised that underlying investments may be considered unethical subject to an individual's beliefs.

While non-financial factors (such as ethical or social considerations) may be taken into account, this is permissible only where it will not result in significant financial detriment.

Furthermore, an ethical approach would require the Fund to consider the moral persuasion of an organisation over that of financial investment considerations which

would not be in line with the Fund's fiduciary duty. As the Fund is diversified across countries, sectors companies at any one time there will be multiple investments that individuals may find unethical dependant on their beliefs. This can vary between individuals, and over time.

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8. Question asked by Mr Brendan Keegan

Considering the commitment within the LGPS Investment Strategy Statement to a 'strategy of engagement rather than exclusion', can the committee explain how continued investment in companies providing goods and services to illegal settlements in the occupied West Bank could help to bring about an end to or prevent the expansion of those illegal activities?

Or alternatively can it provide an example of how it has been successful in influencing the companies the LGPS invests in in the past?

Is there any evidence that "engagement" can in any way alleviate the humanitarian disaster unfolding across Gaza and the West Bank?

Reply by the Chairman:

Thank you for your question. The Fund's approach as set out within the Investment Strategy Statement prioritises engagement, investment managers are expected to manage the risks within their portfolio, including those related to geopolitical and human rights issues within their investment process.

The Fund uses its membership of the Local Authority Pension Fund Forum, alongside LGPS Central to assist it in pursuing engagement activities. Both have set out their approach to engaging with companies operating in conflict zones, including the Occupied Palestinian Territories.

LGPS Central is also an investment management company that manages pooled assets on behalf of the Fund. Central have committed to a policy of engagement rather than exclusion, as this approach aligns with fiduciary duties and international standards such as the United Nations Guiding Principles on Business and Human Rights.

Central recognise that investment in these areas requires thorough human rights due diligence, risk assessments and stakeholder engagement to mitigate negative impacts and ensure alignment with company law. By promoting transparency and collaboration with underlying companies Central can effectively promote risk management and support human rights in conflict-affected areas. The growing adoption of the UN's Heightened Human Rights due diligence framework underscores the importance for businesses to address human rights and conflict risks proactively.

The Local Authority Pension Fund's public statement is available [here](#) which sets out their expectations of companies

Central believe that engagement with firms in high-risk regions can lead to improved transparency and meaningful policy changes. This forms part of a long-term strategy for managing systematic risks. In terms of ongoing activity Central has initiated engagement with seven companies operating in the region and have identified additional companies suitable for engagement which they are looking to initiate by the end of January 2026.

Both the Local Authority Pension Fund Forum and LGPS Central provide quarterly, and annual engagement reports available on their websites.

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