

Ms K Josephs CB,  
Chief Executive  
Sheffield City Council

Our ref:

Your ref:



Date:

This matter is being dealt with by: George Graham

Dear Ms Josephs,

### **Motion Passed by Sheffield City Council on 5<sup>th</sup> February 2025**

Thank you for sending me a copy of the motion entitled “Ethical Investment of Pension Funds” passed by the City Council at its meeting on 5<sup>th</sup> February 2025. In preparing this response I have drawn on the Authority’s policy framework and consulted with members of the Authority.

In responding to the motion, I should firstly emphasise that no one can fail to recognise and be moved by the human tragedy occurring in the Occupied Palestinian Territories. However, the Pensions Authority is not an instrument of foreign policy, its only purpose it to ensure that funds are available to pay pensions when they are due. The Authority has a fiduciary duty to scheme members to act in their best interests, which in this context is defined as best financial interests.

The motion refers to a belief that investment should be undertaken ethically. This is not something which the Authority can do. It is permissible for a faith based financial institution to apply its system of ethics to investments, for example a Quaker institution acting in pursuit of that faith’s pacifist tradition might exclude arms companies from its investment universe on the ground that this would be supported by relevant scheme members as they would support the tenets of their faith. Such an approach is not permissible for the Pensions Authority, and like other institutions in our sector we adopt an approach known as responsible investment. This seeks to recognise environmental, social and governance (ESG) issues as risks to the value of investments. However, in doing this we are required to have regard to the views of our scheme members, and we are currently undertaking research with the 180,000 scheme members to determine the degree to which they feel we should take account of such risks in drawing up our investment strategy.

The Pensions Authority has a long history in the responsible investment space having under its first Chair (then Cllr Clive Betts) initiated the creation of what is now the Local Authority Pension Fund Forum (LAPFF) which brings together the collective weight of local government pension funds to influence the behaviour of companies in relation to ESG issues.

The motion notes calls for the Authority to end investment in “Israel, weapons manufacturers and fossil fuel companies” which are profiting from the conflict in the Occupied Palestinian Territories.

While it may be that individuals feel the actions of arms companies and fossil fuel companies in these circumstances should be condemned, they are undertaking legal activities, in some cases with the explicit sanction of their home government, for example through export licences. It would therefore be unreasonable in terms of public law for the Authority to seek to exclude such companies from the investment universe on this basis. We can and do urge fund managers to engage with companies to ensure that they undertake appropriate risk assessment related to their activities in any conflict affected areas. To this end we support the statement of expectations on companies issued by the LAPFF which is available [here](#).

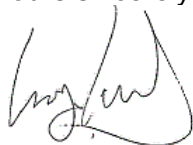
A further aspect to which the Authority must have regard in making decisions about where to focus its attention in relation to Responsible Investment matters is the materiality of the investments. As has been made clear in previously supplied answers to questions put at your Authority’s full council investments in Israel are a very small proportion of the Pension Fund’s investments and while we will always seek to make clear to fund managers with whom we engage directly and to our investment pool, Border to Coast, our expectations we will always devote the greatest focus with our limited resources on the largest ESG risks which the Fund faces. In general terms these are not in the areas raised in your Council’s motion, important though the issues raised in the motion are.

This is an extremely complex and sometimes contentious area and one where, unfortunately it is impossible to deal in absolutes and also where the Authority must act in line with the consensus position achieved with our Border to Coast partners, although we do seek to continually move the consensus position as set out in the annual reviews of our own Responsible Investment policies which are available on our website. The Authority did, however, at its last meeting agree to consider adopting a more active stance in advocating for specific exclusions from the investment universe, and is due to determine its position in December.

The reality of the situation, however, is that if the Authority were to disinvest from any company for any reason the facts on the ground would not change, in fact they might get worse if the new owner of the stake, as might be likely, was less scrupulous over ESG issues than us.

Thank you for the interest shown in the work of the Authority by your council.

Yours sincerely

A handwritten signature in black ink, appearing to read 'George Graham', written in a cursive style.

George Graham  
Director