By email: tom.sutcliffe@trafford.gov.uk

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Date: 6 February 2025

Dear Cllr Sutcliffe**,**

GMPF investments in companies complicit in breaches of Palestinian human rights

Thank you for taking the time and trouble to raise your concerns in your letter of the 3 December 2024; received by post on the 9 December 2024; arising from a Council meeting taking place on the 20 November 2024, where a motion was passed regarding Manchester Pension Fund, and in particular, you are seeking a report as soon as practically possible to:

- *Name investments in companies who are (i) associated with breaches of international law or human rights abuses(ii) part of the arms industry; or (iii) operate within occupied territory as defined by international law.*
- *Outline the engagement history by the fund of its partners with these companies and sectors*
- *Explain how the Fund's Responsible Investment Policy should be applied to these companies with a view to potential divestment*
- *Outline the impact of divestment from this sector*

I have set out at length below our position and what we are doing.

We are deeply concerned about the ongoing conflict in the Middle East. We condemn violence against innocent people from all sides. We also have profound concerns about the loss of thousands of innocent lives in Gaza, the displacement of many more and widespread suffering. It is vital that urgent support and humanitarian aid can access all areas safely. Given the humanitarian disaster unfolding in Gaza, we join the growing international calls for a sustainable ceasefire by all sides and for the hostages to be released unharmed. We hope that a way forward can be found so that everyone in the region can live in peace alongside each other, with a sense of security and without fear of violence.

The Greater Manchester Pension Fund (GMPF) takes its responsibilities very seriously in looking after the pension promises of more than 430,000 members, and its fiduciary duty in looking after the members' interests and the assets of the Fund and to employers and taxpayers, who underwrite pension liabilities. It is critical that we assess all risks to GMPF and ensure good governance and human capital management in the companies we invest in.

In addition, our beneficiaries live in a society that is affected by the behaviour of investee companies. Therefore, we expect high standards from those businesses. Consistent with GMPF's fiduciary duty to our beneficiaries, employers and taxpayers we will ensure that the businesses in which we invest are both financially and environmentally sustainable have high standards of governance and are responsible employers. We have set this out in our Responsible Investment Policy, which we have updated to more explicitly refer to Human Rights - https://www.gmpf.org.uk/GMPF/media/About/documents/Responsible-investment-policy.pdf .

Greater Manchester Pension Fund was one of only twenty-three global asset owners, which successfully became signatories to the Financial Reporting Council's UK Stewardship Code 2020 (frc.org.uk) in its first year. Under the assessment, applicants were required to undergo a rigorous review process, which includes providing evidence of our stewardship activities, and showing how we are integrating environmental, social and governance (ESG) factors into our investment decisions. GMPF have subsequently successfully reassessed in the ensuing years.

In order to maintain its signatory status, asset owners such as GMPF, are required to demonstrate their stewardship activities on an annual basis. GMPF's application to renew its signatory status was assessed by the FRC and was accepted in July 2024. This is an important external and independent validation of the Fund's approach to its responsible investment activities. GMPF's Stewardship Code statement is available at the following link:
https://www.gmpf.org.uk/getmedia/639e57ad-5bd6-4aa9-a796-220cfc22f8f6/GMPF-STEWARDSHIP-CODE-24_03.pdf

Furthermore, the 2021 RAAI Leaders List: the 30 Most Responsible Asset Allocators in the world ranked GMPF 35th in the World - scoring ninety-four out of a potential 100. By way of background, the RAAI provides the only comprehensive index measuring the responsible investing practices of the world's largest investors. For the 2021 RAAI Index, developed in partnership with the Fletcher School at Tufts University, analysts reviewed 634 asset allocators from 98 countries with $36 trillion in assets, before rating and ranking the top 251 institutions and identifying the Leaders and Finalists (the Top Quintile) that set a global standard for leadership in responsible, sustainable investing. The 2024 listing is yet to be published.

Environmental, social and governance (ESG) issues are important to the Fund for a number of reasons. ESG factors can be financially material and, as such, should be part of the assessment and monitoring of investments in all asset classes. Achieving sustainable, long-term financial returns underpins the ability to pay pensions. A focus on ESG issues helps reduce risks to the Fund, its employers and taxpayers. These risks might be financial, such as the underperformance or failure of an investee company, or reputational, resulting from poor corporate behaviour.

The Fund has appointed PIRC Ltd, a specialist external consultant, as its Responsible Investment adviser to assist in the development and implementation of our RI policy
Responsible-investment-policy.pdf (gmpf.org.uk)

We also use our position on the Local Authority Pension Fund Forum (LAPFF), a collaboration of over 80 local authority pension funds representing over £350 billion of assets, to challenge companies in which we have an interest on a wide range of issues such as Climate Change, labour rights and human rights. LAPFF are also supported by PIRC. GMPF take part in a number of engagements with companies on behalf of GMPF and LAPFF. You can read more here: Annual Reports | Publications Categories | LAPFF (lapfforum.org). The Local Authority Pension Fund Forum also produce a quarterly engagement report, setting out our work, which can be found at http://www.lapfforum.org/publications/category/quarterly-engagement-reports/.

The Fund fundamentally believes that well governed companies that manage their business in a responsible and sustainable manner will produce higher returns over the long term.

Balancing the long-term solvency of the Fund as a whole whilst maintaining its affordability for employers - is a fiduciary responsibility that we take very seriously indeed.

The Local Authority Pension Fund Forum has engaged with companies operating in the Israeli settlements/occupied Palestinian Territory to ensure those companies conduct human rights impact assessments of their operations in the area.

We acknowledge your concerns regarding the activities of companies in the Israeli settlements / occupied Palestinian Territory and we take the issue of poor conduct of investee companies very seriously.

The British Government defines the Occupied Palestinian Territories (OPTs) as consisting of two separate land areas: the West Bank, including East Jerusalem, and the Gaza Strip.

Since 1997 and until the UK left the EU, trade relations between the UK and the OPTs were governed by the Euro-Mediterranean Interim Association Agreement on trade and cooperation. A number of British companies have proven success in the market. Large-scale international donor funding has created opportunities for businesses with specialised services that can act in support of large infrastructure or capacity building projects. In sectors such as professional services (including financial and public sector consultancy services) and security, British companies do well.

It is difficult to obtain accurate trade figures for the OPTs because the OPTs and Israel are in a customs union, and many goods marked for Israel have a final destination in the OPTs. The main UK exports to the OPTs are automobiles, mechanical engines, power generators, pharmaceutical products, laboratory and medical equipment, chemicals, industrial lubricants and oils, construction materials and food products. The main exports to the UK from the OPTs are agricultural products including olive oil, medical herbs, grains and palm dates, stones/ marble and holy land products/ souvenirs.

The UK has a clear position on Israeli settlements: The West Bank, including East Jerusalem, Gaza and the Golan Heights have been occupied by Israel since 1967. Settlements are illegal under international law, constitute an obstacle to peace and threaten a two-state solution to the Israeli-Palestinian conflict.

There are therefore clear risks related to economic and financial activities in the settlements, and the Government do not encourage or offer support to such activity. Financial transactions, investments, purchases, procurements as well as other economic activities (including in services like tourism) in Israeli settlements or benefiting Israeli settlements, entail legal and economic risks stemming from the fact that the Israeli settlements, according to international law, are built on occupied land and are not recognised as a legitimate part of Israel's territory. This may result in disputed titles to the land, water, mineral or other natural resources which might be the subject of purchase or investment.

UK citizens and businesses are warned of the potential reputational implications of getting involved in economic and financial activities in settlements, as well as possible abuses of the rights of individuals.

On 24 March 2016, the United Nations Human Rights Council (UN HRC) adopted Resolution 31/36. The resolution included a requirement that the Office of the United Nations High Commissioner for Human Rights (UN OHCHR) create a database listing all business enterprises involved with/operating in the settlements.

The UK has made clear its opposition to this database initiative. Nonetheless, the UN OHCHR issued a report on business enterprises involved in certain activities relating to settlements in the Occupied Palestinian Territories on 12 February 2020, in response to UN HRC Resolution 31/36. A small number of British business enterprises were named in the report.

The Government has not listed any company operating in the Israeli-Palestine region as being in breach of international law. Accordingly, we are not able to provide you with a list that you seek.

However, we publish our holding annually from which anyone can make their own assessment, and these can be found at https://www.gmpf.org.uk/about/how-does-gmpf-invest

You may recall that The Economic Activity of Public Bodies (Overseas Matters) Bill, also known as the Boycotts, Divestments and Sanctions Bill entered Committee Stage after its second reading in the House of Lords on 20 February 2024. The Bill, which has since fallen following a change of Government, sought to ban LGPS administering authorities from making investment decisions influenced by political and moral disapproval of foreign state conduct, except where this is required by formal Government legal sanctions, embargoes, and restrictions.

Unlike in the case of Russia there are no such legal sanctions, embargoes, and restrictions in relation to any companies' operation in the occupied territories. The reason this is of note is because that means they fall within the MSCI World index, a widely followed global stock market index that tracks the performance of around 1,500 large and mid-cap companies across 23 developed countries and is used as a common benchmark for global stock funds intended to represent a broad cross-section of global markets.

The Local Authority Pension Fund Forum noted that in February 2020, the UN Human Rights Council issued a report including 'a database of all business enterprises involved in certain specified activities related to the Israeli settlements in the Occupied Palestinian Territory.'

Despite successive UK Governments objection to the database the Local Authority Pension Fund Forum has engaged with companies operating in the Israeli settlements/occupied Palestinian Territory prior to the UN report. The current position of Local Authority Pension Fund Forum is to:

- continue to engage with directly with companies operating in the Occupied Palestinian Territories to recommend that those companies conduct human rights impact assessments of their operations in the area
- continuing engagement with UN authorities and other bodies to further this objective
- continue to issue voting alerts for relevant companies that refuse to engage meaningfully with LAPFF on this issue
- consider the use of shareholder resolutions and LAPFF voting alerts to promote acceptable human rights conduct

LAPFF routinely reassess which companies it continues its engagement with following the submission by all the LGPS funds, including GMPF, of annual holdings which are collated and analysed to understand the extent of LGPS involvement. Any holdings we have, in common with the majority of the LGPS funds, are as a consequence of passive global tracking rather than active manager choices.

LAPFF has also engaged with both "*Palestine Solidarity Campaign* (PSC)" and "*We Believe in Israel*", together with UN representatives working on this issue to gain greater clarity on the UN position on the concerns involved; including the former UN Special Rapporteur on Palestinian Territories and the UN representative involved with compiling the UN Human Rights Council data base of companies operating in the Occupied Palestinian Territories issued in 2020. The UN official has confirmed that there are criteria for delisting companies from the database and some companies have in fact been removed from the list.

It is further noted that the UN list was updated in June 2023 and 15 companies were removed from the list. Microsoft Word - 23-06-30 Update.docx (ohchr.org)

GMPF as part of the executive of LAPFF, have continued work on conflict affected and high-risk areas known as CAHRAs and in summary LAPFF has recognised more recently.

- Increasing geopolitical tensions have placed the spotlight on the investment risks associated with Conflict Affected and High-Risk Areas (CAHRAs).
- Recognising these risks, to date LAPFF has engaged a range of investee companies on CAHRAs.
- LAPFF will continue and build on its existing work on CAHRAs over 2025.

The Local Authority Pension Fund Forum (LAPFF) recognises that companies operating in Conflict-Affected and High-Risk Areas (CAHRAs) face heightened operational, reputational, legal, and financial challenges. Such areas, which may be affected by armed conflict, civil war, military occupation, or other forms of widespread violence, create complex conditions that can lead to severe human rights and humanitarian law violations. As responsible investors, LAPFF acknowledges these risks and seeks to engage with investee companies to ensure rigorous processes for preventing and mitigating harm are adopted.

Ongoing global conflicts have underscored the financial repercussions and reputational damage businesses can suffer when linked to human rights abuses or war crimes. Investee companies may face exposure through sanctions, disrupted supply chains, and potential legal liabilities.

LAPFF's expectations of companies are guided by the UN Guiding Principles on Business and Human Rights (UNGPs) which call for human rights' due diligence in all operating contexts. In CAHRAs, however, the UNGPs and guidance released by the UN Development Programme in cooperation with the UN Working Group on Business and Human Rights, advise undertaking a more comprehensive process known as heightened human rights due diligence (hHRDD).

Standard human rights due diligence focuses on identifying, preventing, mitigating, and accounting for human rights impacts. Heightened human rights due diligence extends this approach by requiring companies not only to examine their impacts on people, but also on the dynamics of the conflict itself. This includes recognising early warning "red flags" that might signal escalating violence or instability. Such red flags could be the presence of private security contractors, pervasive hate speech, severe restrictions on media, or forced displacement of people.

LAPFF therefore expects companies operating in or linked to CAHRAs to implement the following core asks:

- Adopt and publicly disclose policies on heightened human rights due diligence, including criteria for entering, remaining in, or exiting a CAHRA.
- Conduct robust conflict and human rights impact assessments, integrating findings into their corporate strategy.
- Strengthen supply chain oversight, ensuring that contracts and business relationships do not contribute to abuses.
- Engage openly with stakeholders and provide transparent reporting on progress, challenges, and any remedial actions taken.

These principles build on the approach that LAPFF takes with companies on human rights issues and applies a more comprehensive approach to those exposed to CAHRAs.

To actively encourage the implementation of these expectations LAPFF engages companies for change. These engagements, including progress and outcomes, are disclosed in LAPFF's quarterly engagement reports.

Engagements cover a wide range of geographies, conflict and high-risk areas, and specific causes and situations. Nevertheless, despite the unique situations the core asks remain the same. LAPFF does so regardless of circumstance to mitigate and manage the human rights and humanitarian risks to the people and communities affected and to reduce the financial risks to companies and their investors.

The OECD defines CAHRAs as areas identified by the presence of armed conflict, widespread violence, including violence generated by criminal networks, or other risks of serious and widespread harm to people. Armed conflict may take a variety of forms, such as a conflict of international or non-international character, which may involve two or more states, or may consist of wars of liberation, insurgencies or civil wars. High-risk areas are those where there is a high risk of conflict or of widespread or serious abuses. Such areas are often characterised by political instability or repression, institutional weakness, insecurity, collapse of civil infrastructure, widespread violence and violations of national or international law[1].1

The EU has defined CAHRAs as ‘areas in a state of armed conflict or fragile post-conflict as well as areas witnessing weak or non-existent governance and security, such as failed states, and widespread and systematic violations of international law, including human rights abuses[2].

A number of armed conflicts have erupted in recent years, including:

- War in Ukraine
- Israel-Gaza War
- Sudanese civil war
- Myanmar conflict
- The Insurgency in the Magreb
- Mexican drug war

Areas such as the Xinjiang province have also been categorised as a CAHRA.

The Democratic Republic of Congo is a CAHRA often identified as posing specific risks to investors because its importance to global supply chains and critical minerals.

Different organisations track armed conflict, including Geneva Academy Rule of Law in Armed Conflict (RULAC).

CAHRAs pose serious legal, financial, and reputational risks for companies and investors. These have included operational risks (see Maersk below), companies operating in Russia have faced financial risks because of economic sanctions, and Israel-Gaza conflict has created considerable reputational risks (see for example Starbucks[3], McDonald's[4] and Coca Cola[5]).

There are also growing regulatory measures such as Uyghur Forced Labor Prevention Act in America and the EU Corporate Sustainability Due Diligence Directive (CSDDD), which makes specific references to CAHRAs[6].

The UN Guiding Principles on Business and Human Rights (UNGPs) establish that business enterprises, including investors, have a responsibility to respect human rights.

The UNGPs also call on business enterprises to undertake human rights due diligence regarding their impact on human rights.

This covers assessing and identifying impacts, integrating and acting on findings, monitoring and tracking and reporting the outcomes.

The UNGPs note that businesses need to be more vigilant in conflict zones. This increased vigilance includes undertaking heightened Human Rights Due Diligence (hHRDD).

Heightened Human Rights Due Diligence involves companies:

- Understanding the conflict by doing a conflict analysis

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[1] OECD (2016), OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas: Third Edition, OECD Publishing, Paris. http://dx.doi.org/10.1787/9789264252479-en

[2] COMMISSION RECOMMENDATION (EU) 2018/ 1149 - of 10 August 2018 - on non-binding guidelines for the identification of conflict-affected and high-risk areas and other supply chain risks under Regulation (EU) 2017/ 821 of the European Parliament and of the Council

[3] https://www.bbc.co.uk/news/business-67777506

[4] https://www.bbc.co.uk/news/business-68735706

[5] https://www.reuters.com/business/retail-consumer/coke-pepsi-boycott-over-gaza-lifts-muslim-countries-local-sodas-2024-09-04/

[6] https://eur-lex.europa.eu/eli/dir/2024/1760/oj Directive - EU - 2024/1760 - EN - EUR-Lex

- Identifying potential and actual impacts on conflict and human rights by mapping the operation to the conflict and engaging stakeholders
- Prioritising potential and actual impacts (on the conflict that are also human rights issues and that are not human rights issues, and impacts to human rights that are not impacts on conflict)
- Developing approaches to addressing risks and impacts
- Validating the mitigation approaches with stakeholders and against the conflict analysis to ensure that mitigation efforts do not mitigate one impact in a way that generates another
- Integrating mitigation options into company internal governance and accountability systems; implement mitigation approaches
- Communicating/disclose heightened Human Rights Due Diligence efforts, when possible, to all key stakeholders
- Repeating all of the steps above

LAPFF expects companies operating in or linked to CAHRAs to implement these core asks:
- Adopt and publicly disclose policies on heightened Human Rights Due Diligence, including criteria for entering, remaining in, or exiting a CAHRA.
- Conduct robust conflict and human rights impact assessments, integrating findings into their corporate strategy.
- Strengthen supply chain oversight, ensuring that contracts and business relationships do not contribute to abuses.
- Engage openly with stakeholders and provide transparent reporting on progress, challenges, and any remedial actions taken.

To ensure the implementation of LAPFF's core expectations, LAPFF actively engages companies for change. These engagements are outlined below.

The Office of the High Commissioner for Human Rights (OHCHR) for the Occupied Palestinian Territories Company List. The OHCHR is the United Nation's (UN) leading entity on human rights. It has a specific arm that focuses on monitoring and publicly reporting on the human rights situation in the OPT. Two reports have been produced by the OHCHR concerning companies with business activities related to the OPT. The first list, which contained 112 companies believed to be involved with business activities linked to Israeli settlements in the West Bank, was published in February 2020.

An updated report, which was published in June 2023, reviewed the original list and led to the removal of 15 companies that had ceased their activities in the settlements, and now comprises 97 companies[7].

LAPFF has evaluated the various risks companies operating in the Occupied Palestinian Territories (OPT) incur, and how far such risks undermine the business operations of those companies in the context of allegations of human rights abuses.

LAPFF initially wrote to 17 companies that were included on the list published in February 2020.

Although 17 were initially included on LAPFF's target engagement list a selection of companies have been removed from LAPFF's engagement list due to a decreased number of LAPFF members holding or a removal from the OHCHR's updated list in 2023.

LAPFF is now corresponding with 10 that operate in the Occupied Palestinian Territories as set out below, with the latest holdings noted:

[7] https://www.ohchr.org/sites/default/files/documents/hrbodies/hrcouncil/sessions-regular/session31/database-hrc3136/23-06-30-Update-israeli-settlement-opt-database-hrc3136.pdf

Company Name	Member Holdings Millions	Company Name	Member Holdings Millions
Mizrahi Tefahot Bank Ltd	19 (n/a)	Airbnb Inc	59 (0.23)
Bank Hapoalim	39 (0.34)	Booking Holdings Inc	69 (1.07)
Bank Leumi	43 (0.26)	Israel Discount Bank	37 (n/a)
Alstom S.A.	26 (n/a)	Bezeq	13 (1.46)
Expedia Group	49 (0.31)	Motorola Solutions Inc	67 (0.43)

LAPFF's requests in the initial letters and engagements from 2020-2023 were aimed to be aligned with the UN Guiding Principles on Business and Human Rights, specifically requesting that companies undertake independent human rights impact assessments.

LAPFF has met with Alstom, Bank Leumi, Bezeq, Booking Holdings (twice), and Motorola Solutions (once in 2018 and once between 2020-2023).

LAPFF wrote to the 10 companies listed in the table above in October 2024 with a renewed focus on how companies were managing risks in CAHRAs inclusive of the OPT. The objective of these is that companies will undertake heightened human rights due diligence (hHRDD) on their business activities, with a focus on CAHRAs. We will be specifically requesting that the companies have policies on heightened human rights due diligence and CAHRAs.

LAPFF has secured meetings with three companies as of 06 January 2025 and is in dialogue with another hoping to secure a fourth.

In February 2024, LAPFF wrote to four defence companies: Thales, RTX Corp, Lockheed Martin, and BAE Systems, and also to Caterpillar Inc

The objective of this was to understand how companies were applying human rights risk management frameworks to the use of their products by customers, particularly in the context of the Gaza conflict.

LAPFF received responses from all companies and met with BAE Systems. The responses received pointed LAPFF to their human rights policies, and generally referenced adherence to local laws.

LAPFF met with BAE Systems Chair, where the conversation focused on maintaining strong governance in times of global conflict.

In October 2023, the Investor Alliance for Human Rights launched a pilot project on investor engagement on CAHRAs. This project was created to support investors in undertaking heightened human rights due diligence of their investments in CAHRAs and involves engaging a set of technology and renewable energy companies with exposure to risks in CAHRAs.

LAPFF joined the initiative to further our work on CAHRAs and support our own understanding of the issues. LAPFF has been involved in engagements with three technology companies, which are still underway.

LAPFF has issued related voting alerts. At Meta, LAPFF's voting alert included support for a resolution on effectiveness of measures it takes to prevent and mitigate human rights risks in non-US markets, including around inciting violence and hate speech. At Amazon, LAPFF recommended support for a resolution requesting a study into use of products (specifically Rekognition) and human rights impacts, including in authoritarian regimes, and a proposal for a report into due diligence processes regarding customer use of its AI products and services.

In December 2024 LAPFF sent a letter to the FTSE 100 regarding how companies are identifying and undertaking heightened Human Rights Due Diligence. The letter set out LAPFF's approach and expectations. It requested companies respond by setting out their understanding of their exposure and approach to risk mitigation in relation to CAHRAs.

The aim is both to push the issue up the agenda of the largest UK-listed companies, improve their practices and help LAPFF identify where the risks may lie.

As outlined above LAPFF has engaged companies identified in the UN's Office of the High Commissioner for Human Rights (OHCHR) for the Occupied Palestinian Territories Company List.

Since LAPFF first started engaging these companies some have been removed from that list, including food processing company General Mills who LAPFF first wrote to in 2020.

Since September 2021, LAPFF have been engaging Bookings Holdings, which appears on the list. During the engagements, LAPFF has encouraged the company to publish a human rights statement, which the company subsequently did. The company has also confirmed that it is undertaking due diligence on its operations. LAPFF continues to engage the company on improving its approach and met them recently on the issue.

In 2020, LAPFF started to engage Bank Leumi, which appears on the UN company list. In a meeting with the company in 2023 LAPFF set out how the company could improve its approach including by having a human rights policy and undertaking enhanced due diligence. In the company's latest ESG (environmental, social and governance) report, the company has now set out a human rights policy. This engagement is ongoing to strengthen that policy and is focused on due diligence.
Alongside the ONCHR list, other bodies, initiatives and investors have focused attention on business activity related to Israel-Gaza War and CAHRAs more broadly.

On 20 June 2024, a group of UN experts issued a statement outlining how companies, including defence contractors and investors, could be legally complicit in 'atrocity crimes' in relation to Israel's invasion of Gaza.

The statement named the following defence companies as targets of concern: BAE Systems (held by 73 LAPFF members), Boeing (held by 48 LAPFF members), Caterpillar (held by 60 LAPFF members), General Dynamics (held by 54 LAPFF members), Lockheed Martin (held by 48 LAPFF members), Northrop Grumman (held by 54 LAPFF member funds), Oshkosh (held by 10 LAPFF member funds), Rheinmetall AG (held by 34 LAPFF member funds), Rolls-Royce Power Systems (held by 34 LAPFF member funds), RTX (held by 53 member funds), and ThyssenKrupp (held by 24 member funds).

The statement also named the following investors as needing to take action: Alfried Krupp von Bohlen und Halbach-Stiftung, Amundi Asset Management, Bank of America, BlackRock, Capital Group, Causeway Capital Management, Citigroup, Fidelity Management & Research, INVESCO Ltd, JP Morgan Chase, Harris Associates, Morgan Stanley, Norges Bank Investment Management, Newport Group, Raven'swing Asset Management, State Farm Mutual Automobile Insurance, State Street Corporation, Union Investment Privatfonds, The Vanguard Group, Wellington and Wells Fargo & Company.

In June 2024 the Business and Human Resource Centre wrote to 15 companies and 21 investors to request information relating to their heightened human rights due diligence and measures taken to end the sale of arms.

Four companies (BAE Systems, Maersk, Rolls-Royce Power Systems and Thyssenkrupp) and three investors (Amundi Asset Management, Norges Bank Investment Management, and Union Investment) responded.

Companies stated that they adhere to applicable laws and regulations, with Maersk stating it carries out heightened due diligence processes in conflict zones. Amundi and Norges Bank Investment

Management noted the need for heightened human rights due diligence by companies in the war zone.

Union Investment stated that direct investment in weapons is incompatible with its ESG perspective.

Investors have also sought to raise awareness on CAHRAs through shareholder proposals. Analysis of PIRC's database indicates that there are direct mentions of CAHRAs in several 2024 shareholder proposals. These are listed below:

- *Mondelez International Inc* (67 of 96 LGPS funds hold): Wespath Funds Trust request the Board of Directors commission an independent third-party report; at reasonable cost and omitting proprietary information; assessing the effectiveness of the company's implementation of its Human Rights Policy (HRP) for operations in conflict-affected and high-risk areas (CAHRA). The proposal cites Russian Russian-Ukraine war. Support for resolution: 31%.

- *JPMorgan Chase* (67 of 96LGPS funds hold): The Sisters of the Presentation of the Blessed Virgin Mary of Aberdeen; South Dakota request the Board of Directors commission an independent third-party report; at reasonable cost and omitting proprietary information; on JPMorgan Chase's (JPMC) due diligence process to determine if and how its lending; underwriting; or other services in conflict-affected and high-risk areas (CAHRA) expose it to human rights and other material risks. The proposers cite concerns about China; Guinea; Kazakhstan; Mozambique; Myanmar; Russia; Saudi Arabia. Support for resolution: 7%.
- *Texas Instruments Incorporated* (75 of 96 LGPS members hold): Friends Fiduciary Corporation request that the Board of Directors commission an independent third-party report; at reasonable expense and excluding proprietary information; on Texas Instruments' (TI) due diligence process to determine whether customers' misuse of its products expose the company to human rights and other material risks. The proposers cite concerns regarding Russia's war against Ukraine. Support for resolution: 19%.

- *TripAdvisor Inc* (7 of 96LGPS members hold): Mercy Investment Services; Inc. request that "the Board of Directors commission an independent third-party report; at reasonable cost and omitting proprietary information; assessing the effectiveness of Tripadvisor Inc.'s (Tripadvisor) implementation of its Global Human Rights Policy (GHRP) concerning operations in conflict affected and high-risk areas (CAHRA). Filers cite Russia's invasion of Ukraine; the war between Hamas and Israel; the conflict in Nagorno-Karabakh; the coup in Myanmar; and the crisis in the Xinjiang Region; China. Support for resolution: resolution withdrawn.

- *Eli Lilly* (63 of 96 LGPS members hold): CommonSpirit Health requests that the Board adopt a comprehensive human rights policy; referencing internationally recognized human rights standards; that applies to both its own operations and its suppliers that includes the right to health and establishes a process to identify; prevent; mitigate; and remedy adverse human rights impacts; above and beyond supplier audits. The filers specifically refer to "Lilly's expectation that suppliers will "abstain from procuring materials from all conflict areas or sources including the Democratic Republic of Congo. Support for resolution: 10%.

- *Lockheed Martin* (48 of LGPS members hold): The Sisters of St. Francis of Philadelphia; the Sisters of Charity of Saint Elizabeth and the Benedictine Sisters of Mount St. Scholastica "request the Board of Directors annually conduct an evaluation and issue a public report; at reasonable cost and omitting proprietary information; describing the alignment of its political activities (including direct and indirect lobbying and political and electioneering expenditures) with its Human Rights Policy. The filers specifically mention lobbying for government sales of its products and services to customers linked to irremediable human rights violations; especially in conflict-affected and high-risk areas. Support for resolution: 12%.

- *Raytheon (RTX)* (53 of 96 LGPS members hold): School Sisters of Notre Dame Cooperative Investment Fund; a shareholder of the Company; requests that the Board publish a report; at reasonable cost and omitting proprietary information; with the results of a Human Rights Impact Assessment (HRIA); examining Raytheon's actual and potential human rights impacts associated with high-risk products and services; including those in conflict-affected areas and/or those violating international law. Support for resolution: 5%.

There have also been a number of other shareholder proposals filed which relate to CAHRAs. This includes General Motors: regarding human rights in the EV supply chains citing the DRC; Meta Platforms: regarding hostility and violence that violates human rights standards; Amazon: two resolutions one regarding surveillance and use of its Recognition facial recognition product and another on military and police application of AI systems; Northrop regarding lobbying and human rights and the use of its products; and IBM regarding business expenditures and activities related China.

There have also been related resolutions filed by National Legal and Policy Group, an anti-ESG group, at McDonalds, Starbucks, and Apple. These have gained little support all receiving 2% of votes.

What this tells us is activist investment is a long hard journey because not all those who own these companies share our values.

It was agreed on 29 January 2025 at the business meeting of LAPFF that previous outlined engagements that are already underway which will continue into 2025. These engagements include:

- Engagement with Office of the High Commissioner for Human Rights (OHCHR) for the Occupied Palestinian Territories Company List.
- Defence companies
- EV supply chains – with increased focused on heightened human rights due diligence
- Maersk
- Home Depot (through IAHR project on Uyghur Forced Labour)
- IAHR pilot project on CAHRAs – focused on technology companies
- Further engagement following responses being received from letter to the FTSE 100 was sent in December.

Further it was agreed on 29 January 2025 at the business meeting of LAPFF that:

- Alongside engaging with defence companies, that LAPFF seeks meetings with financial institutions named by the UN expert group with engagements being focused on those listed companies that members hold otherwise it would be unlikely that any traction would be achieved.
- That LAPFF seek to engage companies identified and written to by the Business and Human Rights Resource Centre.
- That LAPFF escalates its activities through voting alert activity for shareholders proposals. This would involve contacting the Interfaith Centre on Corporate Responsibility given who the filers have been and as resolutions were listed with in ICCR's 2024 proxy resolution and voting guide. This would help understand upcoming resolutions for 2025 and may also provide opportunities for LAPFF to work with ICCR on CAHRA-related engagements.
- That LAPFF considers holding a webinar in the new year on upcoming shareholder resolutions on the issue to gain support for resolutions aligned to LAPFF policy and to demonstrate LAPFF's work on the issue.
- That additional resources are allocated to CAHRA engagement and reporting given importance to members.

By way of clarification, the Fund has passive tracker investments of £17.7m investments in seven companies referred to in the United Nations Database representing 0.06% of the Fund as at 31 March 2024 (our annual year end, which is used for our annual accounts) and in particular:

Ref in UN list	Business Enterprise	Category of listed activity *	State concerned	value
02	Airbnb Inc.	E	United States	7,012,350
12	Bank Hapoalim B.M.	e, f	Israel	2,514,949
13	Bank Leumi Le-Israel B.M.	e, f	Israel	958,636
35	Expedia Group Inc.	e	United States	2,420,799
45	Israel Discount Bank Ltd.	e, f	Israel	1,867,392
51	Mizrahi Tefahot Bank Ltd.	e	Israel	717,721
109	Motorola Solutions Inc.	b	United States	2,282,427
	Total value of shares			17,774,257
	Total Fund value			£31.3 billion
	% of Fund			0.06%

The listed activities are defined as follows:

(b) The supply of surveillance and identification equipment for settlements, the wall and checkpoints directly linked with settlements

(e) The provision of services and utilities supporting the maintenance and existence of settlements, including transport;

(f) Banking and financial operations helping to develop, expand or maintain settlements and their activities, including loans for housing and the development of businesses;

(g) The use of natural resources, in particular water and land, for business purposes.

The Fund has investments of £17.7m investments through passive investments based on the Global Developed MSCI World in seven companies referred to in the United Nations Database, which includes 4 banks, Expedia, Airbnb, and Motorola representing 0.06% of the Fund as at 31 March 2024 (our annual year end which is used for our annual accounts). Unlike the majority of pensions we are transparent and publish all our share ownership, which can be found on our website so anyone can calculate our shareholding https://www.gmpf.org.uk/about/how-does-gmpf-invest.

We have not chosen to invest in these companies. As previously explained these investments are held in a passive fund that is based on the Global Developed MSCI World, a market cap weighted stock market index of 1,583 companies throughout the world. It is maintained by MSCI and is used as a common benchmark for 'world' or 'global' stock funds intended to represent a broad cross-section of global markets. The index includes a collection of stocks of all the developed markets in the world, as defined by MSCI so the fact that the above companies are in the world's top 1,500 companies on the stock market means we inadvertently end up with any company that meets that criterion. This means when we have £3 billion in a passive tracker, we end owning according to that index a slice of all those companies. It is not possible to pick and choose in this situation.

As you may be aware, a passive fund is an investment vehicle that tracks the stock market, a market index or specific area of the market to figure out where best to invest. Unlike with active funds, the significant majority of the Fund's Investments, a passive fund does not determine which securities to invest in. This typically means passive funds are cheaper to invest in than active funds, where the fund manager is active in researching and analysing investment opportunities and in a passive fund there is limited if no choice as to what is included in it. This explains why 85% of Local Government Pension Funds are invested in this way as the majority of us use passive funds to de-risk our investments.

The law on managing a pension fund is clear that it is not appropriate for investment decisions to be driven directly by the political views of Pension Committee members or indeed Government ministers (except as where prescribed in law, e.g. under the Sanctions and Anti-Money Laundering Act 2018).

The Supreme Court held, in its judgment on the Palestine Solidarity Campaign case, that it is not appropriate for political preferences, whether local or national, to take precedence over what is required under the fiduciary duty. This makes Pension Committees different from other local government committees and the Supreme Court (in the Palestine Solidarity Campaign) was clear that administering LGPS funds is not best understood as a "*local government function*" or "*part of the machinery of the state*", instead Pension Committees operate in a quasi-trustee role.

When decision makers exercise their LGPS investment responsibilities, the primary purpose must be to achieve the required returns in an appropriately risk-managed way to pay pensions when they become due, minimising the need for additional funding in the future. Pension funds need to invest the contributions they collect from employers and employees in the best interests of those scheme members and employers. The phrase "best interests" in the context of pension scheme investments will typically mean "the best financial interests" of scheme members and this is referred to as the fiduciary duty. Value, risk and yield of investments should therefore drive a pension fund's decisions. Pension funds also have a duty to scheme employers to invest competently so as not to unnecessarily inflate the contributions needed from them in the future. Because of these duties, financial factors must always be taken into consideration by pension funds in setting their investment strategy.

It is for these reasons that those pension funds who have been able to divest because they do so directly rather than through a passive tracker have made it clear they have done so on financial grounds only – this has been the case with USS the Universities Superannuation Scheme which can be found here: https://www.uss.co.uk/news-and-views/latest-news/2024/08/08092024_recent-media-reports-on-our-investments-in-the-middle-east

The Scheme Advisory Board who advise Government on the management of the Local Government Pension Scheme are aware that a number of administering authorities have received letters that allege that they are acting unlawfully by holding, and failing to divest from, investments in companies which have been linked to the ongoing situation in the Middle East. The Board has sought leading Counsel advice on behalf of the scheme. That legal advice, which can be found here: https://lgpsboard.org/images/LegalAdviceandSummaries/Oct2024_LGA_LGPSGazaeventsopinion_from_Nigel_Giffin_KC_.pdf confirms that pension funds by holding publicly listed shares in companies that operate in Israel and Gaza, pension funds are not complicit in any criminal activity or in funding such activity because of the nature of investments held.

That said we continue to keep this situation under review and as explained above we are working with LAPFF to engage with companies to improve their conduct.

We are obliged to consider and assess all risks to the Fund and ensure good governance and human capital management in the companies we invest in.

I can assure you the Pension Fund is not only playing its part but is leading on stewardship of Ethical, Social and Environmental issues.

We will continue our stewardship role in line with our agreed values, which have stood the test of time over three centuries to deliver our fiduciary duty to ensure our members get to live out their retirements with dignity, whilst ensuring pensions are affordable and sustainable to employers and taxpayer.

We thank you for your interest in these matters and taking the time to raise with us as they raise concerns for all of us.

We will continue to keep this matter under close review as it is important to us.

If I can assist further please do not hesitate to contact me.

Yours sincerely,

SStewart

Sandra Stewart
Chief Executive of Greater Manchester Pension Fund