

CLWYD PENSION FUND COMMITTEE

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| Date of Meeting | Wednesday 27 November 2024 |
| Report Subject | Exposure to business enterprises listed on the UN OHCHR database and review of Palestine Solidarity Campaign analysis |
| Report Author | Head of Clwyd Pension Fund |

EXECUTIVE SUMMARY

This report aims to inform the Committee about the Fund's exposures to the United Nations Office of the High Commissioner for Human Rights (UN OHCHR) database (2023) which identifies business enterprises involved in activities related to Israeli settlements in the Occupied Palestinian Territory, including East Jerusalem. Furthermore, it includes analysis regarding the Fund's exposure to companies highlighted by the Palestine Solidarity Campaign (PSC) for information purposes. The analysis is attached as an Appendix.

UN OHCHR Database

- This database identifies 97 companies, of which 7 companies are listed on public markets where the Fund could have theoretical exposure.
- Analysis shows that the Fund's public market assets have limited exposure to these companies in both the WPP Multi-Asset Credit Fund (1 company) and the LGIM Future World North America Equity Fund (4 companies).
- Mercer estimate that this exposure has a value of c.£800k or c.0.03% of total Fund assets as at 30 September 2024.

Palestine Solidarity Campaign

- Latest analysis shows that there is exposure to 8 companies from the PSC list, as at 30 September 2024.
- This exposure totalled c.£4.7m or c.0.19% of total Fund.

RECOMMENDATIONS

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| 1 | That the Committee note the report and consider any further action to be taken following potential steps in section 1.05. |
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REPORT DETAILS

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| 1.00 | EXPLANATION OF ANALYSIS UNDERTAKEN |
| 1.01 | <p>At the last Committee meeting, it was agreed to investigate the extent to which the Fund might have exposure to business enterprises listed in the United Nations Office of the High Commissioner for Human Rights (UN OHCHR) database and provide a preliminary update for the Committee. This report summarises the analysis and considers the potential next steps.</p> <p>Analysis has also been provided on the Palestine Solidarity Campaign (PSC) database for additional information. The Fund is aware of multiple company lists circulating in relation to exposures linked to Israel.</p> |
| 1.02 | <p>Overview of UN OHCHR database</p> <p>The United Nations Office of the High Commissioner for Human Rights was created to aid and provide assistance to governments to protect human rights.</p> <p>The purpose of this particular database is to compile and maintain a list of business enterprises involved in activities related to Israeli settlements in the Occupied Palestinian Territory, including East Jerusalem. This initiative aims to monitor the implications of these activities on the civil, political, economic, social, and cultural rights of the Palestinian people. It is intended to be updated annually and serves as a tool for transparency and accountability regarding the involvement of businesses in these activities, following the recommendations of an independent fact-finding mission. Business enterprises included in the database may provide information at any time demonstrating they are no longer involved in a listed activity.</p> <p>The UN OHCHR are reviewing the current database. Until the next update is made public, the most recent public update of the database continues to be that provided by UN OHCHR in 2023.</p> |
| 1.03 | <p>Summary of analysis</p> <p>Out of these 97 companies on the database, Mercer identified that 7 companies were listed / traded publicly where the Fund could theoretically have exposure. The other 90 companies are assumed to be private, and the Fund is unlikely to have exposure (the analysis was not able to verify all private companies due to the data availability and magnitude).</p> <p>Fund Exposure</p> <p>The Fund has exposure through: WPP Multi-Asset Credit Fund (1 company) and the LGIM Future World North America Equity Fund (LGIM FW NA) (4 companies), there was no exposure within the WPP Sustainable Active Equity (SAE) Fund. The LGIM FW NA is held within the Tactical Asset Allocation (TAA) Portfolio. A summary is provided in the next table:</p> |

| UN OHCHR LIST – COMPANY EXPOSURE | | | | |
|---|-------------------------|-------------------------|--|------------------|
| Company | WPP SAE Fund (£) | WPP MAC Fund (£) | LGIM FW NA Equity (TAA Portfolio) (£) | Total (£) |
| <i>Active or passively managed</i> | <i>Active</i> | <i>Active</i> | <i>Passive</i> | - |
| Total assets invested | 374,647,516 | 338,783,404 | 29,361,247 | 742,792,167 |
| Altice Europe N.V. | - | 609,810 | - | 609,810 |
| Airbnb Inc. | - | - | 30,953 | 30,953 |
| Booking Holdings Inc. | - | - | 101,606 | 101,606 |
| Expedia Group Inc. | - | - | 13,996 | 13,996 |
| Motorola Solutions Inc. | - | - | 48,381 | 48,381 |
| Total (£) | - | £609,810 | 194,937 | 804,747 |
| (% total Fund) | - | (0.02) | (0.01) | (0.03) |

Source: Investment Managers. UN OHCHR database June 2023. Data as at 30 September 2024.
Note: WPP SAE = WPP Sustainable Active Equity Fund, WPP Multi-Asset Credit = WPP MAC, LGIM FW NA Equity = LGIM Future World North America Equity Index Fund (held within TAA portfolio).

1.04 **Review of the PSC database**

The database produced by the Palestine Solidarity Campaign (PSC) lists the investments of 63 LGPS funds in companies that PSC define as “aid Israel’s breaches of international law”. It contains a mixture of direct investments and investments through managed funds.

It is not clear what the as at date of the PSC analysis is; Mercer have estimated it is sometime in first half of 2023. Mercer have not looked to review the rationale for the companies selected.

PSC identified 12 companies described as ‘complicit investments’ in relation to the Clwyd Pension Fund. PSC lists the value of the investments at £3,705,448.

Mercer’s analysis looked to reconcile the PSC analysis and identified the Clwyd Pension Fund had exposures within the following funds as at early 2023:

- 8 companies, invested in the WPP Global Opportunities Fund: the Fund divested from this vehicle in June 2023 and switched assets to the WPP Sustainable Active Equity Fund.
- 8 companies, invested in the LGIM North America Equity Fund: the Fund switched into the LGIM ‘Future World’ version of this fund in November 2023, which has less exposure to the PSC list.

- The debt of 3 companies, invested in the WPP Multi-Asset Credit Fund.

Latest Analysis

Analysis against the companies identified by the PSC run as at 30 September 2024, showed that the Fund had exposure to 8 companies. A summary is provided below for informational purposes:

| Company | WPP SAE (£) | WPP MAC (£) | LGIM FW NA (£) | Insight B&M (£) | Total (£) |
|-------------------------------------|-------------------|-------------------|----------------------|-----------------------|------------------|
| Total assets invested | 374,647,516 | 338,783,404 | 29,361,247 | 29,164,654 | 998,766,587 |
| Bank Leumi Le-Israel | - | - | - | - | - |
| Barclays | - | 914,715 | - | 556,510 | 1,471,225 |
| Booking.com | - | - | 100,381 | - | 100,381 |
| Cemex | - | 338,783 | - | - | 338,783 |
| Hewlett Packard | 1,873,238 | - | 15,990 | - | 1,889,227 |
| HSBC | - | - | - | 781,377 | 781,377 |
| Huntington Ingalls | - | - | - | - | - |
| Motorola | - | - | 36,811 | - | 36,811 |
| Northrop Grumman | - | - | 35,985 | - | 35,985 |
| Textron | - | - | 5,703 | - | 5,703 |
| Checkpoint software tech | - | - | - | - | - |
| Lockheed Martin | - | - | - | - | - |
| Total (£) | 1,873,238 | 1,253,499 | 194,870 | 1,337,887 | 4,659,493 |
| (% total Clwyd Pension Fund) | (0.07) | (0.05) | (0.01) | (0.05) | (0.19) |

The analysis above was based on a larger asset value (by c.£350m) than was present as at early 2023 (driven by strategic changes, positive asset movement and a wider capture of underlying assets within the analysis e.g. TAA portfolio assets). This is a key reason for the increase in absolute exposure.

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| 1.05 | <p>Potential Next Steps</p> <p>Options for next steps which the Committee can take:</p> <ol style="list-style-type: none"> 1. Note the current exposure, take no further action. 2. Engage through the Wales Pension Partnership (WPP) and directly to managers within the TAA portfolio, in relation to companies identified in this analysis which the Fund has exposure to. 3. Develop an Exclusions Policy by going through the assessment framework within Appendix 1. <p>The topic of developing and implementing an exclusions policy in relation to the ongoing business activities related to Israeli settlements in the Occupied Palestinian Territory is a sensitive and complex issue.</p> <p>The Scheme Advisory Board has released statements on dealing with lobbying and guidance to LGPS administering authorities on the legality of their investments in companies allegedly linked to violations of international law by Israel. Further information can be found in Appendix 1.</p> <p>The Committee are asked to consider the information within this report and propose next steps.</p> |
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| 2.00 | RESOURCE IMPLICATIONS |
| 2.01 | None directly as a result of this report. |

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| 3.00 | CONSULTATIONS REQUIRED / CARRIED OUT |
| 3.01 | None directly as a result of this report. |

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| 4.00 | RISK MANAGEMENT |
| 4.01 | <p>This report addresses some of the risks identified in the Fund’s Risk Register. Specifically, this covers the following (either in whole or in part):</p> <ul style="list-style-type: none"> • Funding and Investment risks: I9 – “Responsible Investment (including Climate Change) is not properly considered within the Fund’s long-term Investment Strategy meaning it is not sustainable and does not address all areas of being a Responsible Investor.” |

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| 5.00 | APPENDICES |
| 5.01 | Appendix 1 – Exposure to business enterprises listed on the UN OHCHR database and review of Palestine Solidarity Campaign analysis. |

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| 6.00 | LIST OF ACCESSIBLE BACKGROUND DOCUMENTS |
| 6.01 | <ul style="list-style-type: none"> • Report to Pension Fund Committee – Overview of risk management framework – Previous monthly reports and more detailed quarterly overview. <p>Contact Officer: Philip Latham, Head of Clwyd Pension Fund Telephone: 01352 702264 E-mail: philip.latham@flintshire.gov.uk</p> |

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| 7.00 | GLOSSARY OF TERMS |
| 7.01 | <p>A list of commonly used terms are as follows:</p> <p>(a) Actuary - A professional advisor, specialising in financial risk, who is appointed by Pension Funds to provide advice on financial related matters. In the LGPS, one of the Actuary’s primary responsibilities is the setting of contribution rates payable by all participating employers as part of the actuarial valuation exercise.</p> <p>(b) Administering Authority or Scheme Manager – Flintshire County Council is the administering authority and scheme manager for the Clwyd Pension Fund, which means it is responsible for the management and stewardship of the Fund.</p> <p>(c) Clwyd Pension Fund (the “Fund”) – The Pension Fund managed by Flintshire County Council for local authority employees in the region and employees of other employers with links to local government in the region.</p> <p>(d) Clwyd Pension Fund Committee (the “Committee”) - the Flintshire County Council committee responsible for the majority of decisions relating to the management of the Clwyd Pension Fund.</p> <p>(e) FSS – Funding Strategy Statement – the main document that outlines how we will manage employer’s contributions to the Fund</p> <p>(f) ISS – Investment Strategy Statement The main document that outlines our strategy in relation to the investment of assets in the Clwyd Pension Fund</p> <p>(g) LGPS – Local Government Pension Scheme – the national scheme, which Clwyd Pension Fund is part of</p> <p>(h) Market Volatility – The impact of the assets producing returns different to those assumed within the actuarial valuation basis, excluding the yield change and inflation impact.</p> <p>(i) PSC – Palestinian Solidarity Campaign – a UK-based organisation that advocates for Palestinian rights and raises awareness about the situation in Palestine through various means, including campaigning, education, and lobbying.</p> |

(j) **UN OHCHR – The United Nations Office of the High Commissioner for Human Rights** – part of the United Nations system and is responsible for promoting and protecting human rights globally.

A comprehensive list of investment terms can be found via the following link: <https://www.schroders.com/en/global/individual/investment-glossary/>.