Staffordshire Pension Fund
Local Government Pension Scheme

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Statement on Investments in Companies Operating in Conflict Affected High Risk Areas (CAHRAs)

Staffordshire Pension Fund ("the Fund") recognises its role as one of promoting best practice in responsible investment and stewardship (RI&S), which is consistent with seeking improved long-term investment returns.

The Fund believes that responsible investment and the integration of environmental, social, and corporate governance (ESG) considerations into the investment process, accompanied by the effective stewardship of assets, provides the best long-term outcomes for the Fund's stakeholders and wider society. The Fund has produced an Annual Stewardship Report which goes into further detail on the work in this area. Staffordshire 2024.25 Annual Stewardship Report

LGPS Central Ltd (LGPSC) manage the majority of the Fund's assets (c75% at 31 March 2025) and work on behalf of the Fund to regularly scrutinise portfolios from a responsible investment, ESG, and risk management perspective. This begins during the investment manager selection process and continues through regular monitoring processes. All the investment managers appointed by LGPSC are required to integrate all relevant and material ESG considerations into their investment processes and are expected to make ESG risk informed investment decisions. LGPSC monitor and manage ESG risks further by engaging directly with portfolio companies that fall into one of their 4 key stewardship themes, which includes human rights.

From a human rights perspective, LGPSC expect all investee companies to comply with the United Nations Guiding Principles on Human Rights (UNGPs). The UNGPs prescribe human rights due diligence processes to identify, address and mitigate human rights including companies operating in conflict zones. This expectation is communicated in LGPSC's Responsible Investment & Stewardship Framework and Voting Principles, (LGPS-Central-RI&E-Framework-2024.pdf). In addition, LGPSC expects all companies which operate in any conflict zone to undertake heightened due diligence in the form of a human rights assessment.

LGPSC is a member of Investor Alliance for Human Rights and a signatory of the investor statement calling for Responsible Corporate Policy and Practices on Human Rights in Conflict-Affected and High-Risk Areas (Call for Responsible Corporate Policy and Practices on Human Rights in Conflict-Affected and High-Risk Areas (CAHRA))

In 2024, LGPSC and its partner organisations engaged with more than 100 companies operating in conflict zones, including the Occupied Palestinian Territories.

Staffordshire Pension Fund and LGPSC are also members of the Local Authority Pension Fund Forum (LAPFF), which actively engages with companies on human rights risks that stem from operating in conflict zones, again expecting heightened human rights due diligence processes from those companies. LAPFF's has produced a public statement on the expectations it has of companies operating in conflict affected and high-risk areas (CAHRAs) Conflict-Affected and High-Risk Areas: LAPFF Engagement.

The Fund receives quarterly reports on stewardship activities carried out by LGPSC and LAPFF, including those with companies operating in CAHRAs. These are reported to the Pensions Panel quarterly in a Responsible Investment Stewardship report. Browse meetings - Pensions Panel - Staffordshire County Council.

The position regarding the LGPS remaining invested in companies operating in CAHRAs has been called into question in recent years. To support the legality of the Fund's position, Nigel Giffin KC, has produced two recent opinions regarding LGPS investments, as commissioned by the Scheme Advisory Board (SAB). The first opinion covers the consideration of non-financial factors in LGPS investments (Updated legal opinion on fiduciary duty in the LGPS Jan 2025) and a further opinion specifically covers the legality of investments around the recent conflict in Gaza. (Counsel opinion on the LGPS and current events concerning Gaza Nov 24).

In response to a letter and legal opinion received from the Palestine Solidarity Campaign (PSC) in August 2025, regarding divestment from companies involved in breaches of internation humanitarian law, the Fund, together with a number of other Local Government Pension Scheme Funds, is seeking further legal advice from the SAB and Central Government.

The SAB has issued a statement in response to the letter from the PSC and has written to the Local Government Minister to ask for support on matters of international law. SAB Letter to Local Government Minister.pdf A response is still awaited. LGPS Scheme Advisory Board - Home

Whilst recognising the hardship for people living in CAHRAs, for the reasons outlined above, the Fund believes that the effective stewardship of assets, provides the best long-term outcomes for stakeholders and wider society.