
Review of Ethical Investment Policy Relating to the Council and Berkshire Pension Fund

Committee considering report:	Executive
Date of Committee:	21 May 2026
Portfolio Member:	Councillor Vicky Poole
Report Author:	Richard Howroyd

1 Purpose of the Report

- 1.1 A Motion was submitted to Council at its meeting of the 16 October 2025, and following debate, Council resolved to:
- Request that the Executive review its own investments and request that those of the Berkshire Pension Fund are reviewed to identify any direct or indirect holdings in companies that are supplying arms, military technology, or logistical support which enable breaches of international law in Gaza.
 - Work with its asset managers to take steps to end such investments and strongly request, through its representative, that the Berkshire Pension Fund does the same.
- 1.2 At the meeting of West Berkshire Council that took place on the 27 November meeting, a Petition was submitted entitled “*Berkshire Pension Fund divestment from companies complicit in Israeli genocide and apartheid*”.

2 Recommendation

- 2.1 That Executive are informed of the outcome of a review that has taken place in response to the Motion submitted to Council on the 16 October, and the Petition submitted on the 27 November relating to investments and that no further action will be taken.

3 Implications and Impact Assessment

Implication	Commentary			
Financial:	Whilst there are no direct implications from the report any changes to the Council's investment policy will have consequences in terms of financial return on investment			
Human Resource:	Not Applicable			
Legal:	<p>There are specific legal issues around non commercial considerations relating to public supply and works contracts with relation to Section 17 of the Local Government Act 1988</p> <p>It is the duty of every public authority in relation to its public supply or works contracts, regulated by this section to exercise that function without reference to matters which are non-commercial matters for the purposes of this section.</p> <p>(e) the country or territory of origin of supplies to, or the location in any country or territory of the business activities or interests of contractors;</p> <p>(f) any political, industrial or sectarian affiliations or interests of contractors or their directors, partners or employees;</p>			
Risk Management:	Not applicable			
Property:	Not Applicable			
Policy:	Not Applicable			
	Positive	Neutral	Negative	Commentary
Equalities Impact:				

A Are there any aspects of the proposed decision, including how it is delivered or accessed, that could impact on inequality?		X		No implications
B Will the proposed decision have an impact upon the lives of people with protected characteristics, including employees and service users?		X		No implications
Environmental Impact:		X		No implications
Health Impact:		X		No implications
ICT Impact:		X		No implications
Digital Services Impact:		X		No implications
Council Strategy Priorities:		X		No implications
Core Business:		X		No implications
Data Impact:		X		No implications
Consultation and Engagement:	This report is in response to a motion and petition to Executive			

4 Executive Summary

- 4.1 The Motion requested that the Council review its own investments and that those of the Berkshire Pension Fund are reviewed to identify any direct or indirect holdings in companies that are supplying arms, military technology, or logistical support which enable breaches of international law in Gaza. The Executive was also asked to work

with its asset managers to take steps to end such investments and strongly request, through its representative, that the Berkshire Pension Fund does the same.

- 4.2 A petition was also submitted requesting that the Council *“commit to divest the Local Government Pension Scheme (LGPS) fund administered by the Berkshire Pension Fund from companies complicit in Israel’s genocide and apartheid against Palestinians. This includes arms companies supplying Israel with weapons and military technology; companies providing infrastructure for Israel’s unlawful military occupation of Palestinian land; and companies conducting business activity in Israel’s illegal settlements on stolen Palestinian land. End procurement contracts with any companies complicit in Israel’s attacks. Terminate all banking arrangements with NatWest, which provides financing to companies supplying Israel with weapons and companies linked to illegal settlements on stolen Palestinian land.”*
- 4.3 This report responds to the Motion and the Petition received.

5 Supporting Information

- 5.1 The Council has limited funds invested and keeps working capital to the minimum of £10m that has been deemed prudent in the Investment & Borrowing Strategy and gives us the status of a professional investor under the Markets in Financial Instruments Directive II commonly known as MiFID 2. Funds available for investment tend to be driven by short term timing differences in our cashflow.
- 5.2 We have requested confirmation of the above from CCLA Investment Management and from Goldman Sachs, both of whom are manage some elements of our investments when we do have surplus cash. CCLA confirmed that the Public Sector Deposit Fund (PSDF) will only invest in sterling denominated investments and deposits. The Fund’s principal investments comprise certificates of deposit, call accounts and term deposits with banks and building societies.
- 5.3 While the PSDF may also invest in other securities such as commercial paper, floating rate notes and bonds which may be issued or guaranteed as to principal or interest by sovereign government and their agencies, supranational entities, corporations and financial institutions, there are no such investments at this time (Nov 25), therefore there are no fund holdings, direct or indirect that fall into the categories listed in the query.
- 5.4 They also confirmed that the PSDF only has exposure to banks and the UK Government and none of the banks they have exposure to are domiciled in Israel.
- 5.5 Goldman Sachs provided a lengthy prospectus in which they state that they as investment managers, adhere to the Environmental Social and Governance (ESG) criteria by avoiding investment in debt securities issued by corporate issuers that are, in the opinion of the investment manager, directly engaged in, and/or deriving significant revenue (the threshold of “significant” is determined by the investment manager) from the following activities:
- Production of and/or involvement in controversial weapons (including nuclear weapons); and
 - production or sale of tobacco; and

- extraction, production or generation of certain fossil fuels (thermal coal, shale gas and oil, oil sands, and arctic oil and gas): and
- production or sale of civilian firearms; and
- operation of private prisons

- 5.6 The Fund also promotes environmental and/or social characteristics related to support for human rights, labour standards and anti-corruption and reduction of environmental footprint by excluding from its investment universe companies the investment manager believes to be violating the United Nations Global Compact's ten principles (which are widely recognised corporate sustainability principles that meet fundamental responsibilities in the areas of human rights, labour, environment and anti-corruption) using the proprietary approach to assess good governance practices with the additional use of data provided by third party vendors.
- 5.7 The Berkshire Pension Fund were able to provide a comprehensive response to the question, confirming that they have been under significant pressure for a considerable time in respect of this issue and have done a lot of work identifying such investments and responding to public questions and FOI requests on this topic.
- 5.8 In respect of responses to previous public questions at the Pension Fund Committee, please see below:
- 5.9 [Agenda for Berkshire Pension Board on Monday 17 March 2025, 11.00 am](#) 17 March 2025: minutes Responsible Investment item (page 8 of 12)
- 5.10 [Agenda for Berkshire Pension Fund Committee on Monday 16 June 2025, 4.00 pm](#) 16 June 2025: written response to public question; minutes Responsible Investment item (page 11 of 12)
- 5.11 At the Pension Fund Committee meeting on 15 September 2025 [Agenda for Berkshire Pension Fund Committee on Monday 15 September 2025, 4.00 pm](#), there was a very long discussion about the Fund's revised Responsible Investment (RI) Policy: **Agenda item 5d report, draft policy, draft minutes (pages 3 to 6 of 11)**. This discussion also covered the process for divestment from companies/sectors at a very high level.
- 5.12 All the Pension Fund's investments are managed by its investment pool, Local Pensions Partnership Investments (LPPI), who regularly monitor and report on investments connected to Israel, specifically against the UN OPT List. This is a list of businesses involved in certain activities in illegal (as defined by the United Nations) Israeli settlements in the occupied Palestinian territory. As of September 2025, it listed 158 business enterprises from 11 countries. At the end of October, the Fund held only one investment included on the list: Booking Holdings Inc – the subject of a prolonged debate at the Committee on 15 September 2025. This investment forms 1.347% of the Fund's Global Equity holdings (approximate value £25m – out of total investment holdings of £3.4 billion).
- 5.13 A question has been raised with the LPPI regarding "companies that are supplying arms, military technology, or logistical support", but based on holdings at the end of

October, the Fund had exposure to the following companies classified as “Aerospace/Defence”:

- BAE Systems
- GE Aerospace
- Heico Corp
- Joby Aviation
- Rocket Lab Corp

5.14 Total exposure was 2.958% of the Global Equity Fund (approx. £56m)

5.15 The Fund has a fiduciary duty to its scheme members and employers to invest in such a way as to ensure it can pay current and future benefits to its members, while meeting a secondary objective of maintaining affordability of employer contributions.

5.16 The Fund classes itself as a Responsible Investor, as stated in the RI policy (see 5.20). It prefers engagement with companies to effect change, rather than divestment, although this may be applied if all efforts and engagement prove unsuccessful in generating the required change.

5.17 Divestment is not a simple process, particularly as the Fund is invested in pooled vehicles, which are used by other Local Government Pension Scheme Funds. Agreement would need to be obtained from all partner funds to instruct LPPI to divest and would then be subject to LPPI’s own due diligence and scrutiny process, before any action could be taken.

5.18 Should agreement with partner funds not be obtained, the Fund would need to consider whether it wanted to act alone, in which case a separate investment vehicle would need to be created, bespoke to Berkshire, which would likely be very costly to implement. Full discovery on this course of action has not yet been undertaken, but it is on the minds of the committee members, and work is being undertaken in the background to explore the scenarios.

5.19 The Committee asked Officers to review the statements in the draft RI policy in respect of the Fund’s approach to Conflict-Affected and High-Risk Areas (CAHRAs), and a revised policy was presented to the Committee in December. [Pension Fund Committee Monday 8 December 2025, 4.00](#)

5.20 The Fund relies on the LPPI Position statement on conflict affected areas [LPPI Position statement on conflict-affected areas - June 2025.pdf](#), in which LPPI define their approach to integrating these factors in their investment decision making process.

5.21 Engagement with investee companies is undertaken on behalf of LPPI by Robeco, and the Fund is also a member of the Local Authority Pension Fund Forum (LAPFF) which undertakes collective engagement on behalf of its member LGPS funds. The Fund publishes the reports from those bodies, detailing the engagement work undertaken, on

its website here: [Responsible Investment | Berkshire Pension Fund](#) . This area also includes the quarterly RI reports presented to the committee by LPPI at each meeting.

- 5.22 The Fund invites representatives on the Pension Advisory Panel to attend all working groups held in the formation of the revised RI policy and to attend all Committee meetings to represent the interests of West Berkshire in the Fund's decision making process.
- 5.23 Regarding the authorities banking arrangements, the current contract was tendered in 2020 and extended for another 5 years in 2025 to 2030.
- 5.24 Regarding procurement, the Council cannot incorporate non-commercial matters within its procurement processes under the Public Contract Regulation 2015 or the Procurement Act 2023.
- 5.25 Section 17 of the Local Government Act 1988 does not allow the country of origin to influence the decision of a procurement of any value and is likely to result in a legal challenge if a Contracting Authority was to do so. This is very specific to Local Authorities and was originally put on the statute book because of the boycotting of Barclays Bank by many Councils over connections to South Africa. It recently impacted on Councils ability to terminate contracts with Russian controlled energy companies.
- 5.26 Section 17(1) *"It is the duty of every public authority to which this section applies, in exercising, in relation to its public supply or works contracts, any proposed or any subsisting such contract, as the case may be, any function regulated by this section to exercise that function without reference to matters which are non-commercial matters for the purposes of this section."*
- 5.27 Section 17(5) *"The following matters are non-commercial matters as regards the public supply or works contracts of a public authority, any proposed or any subsisting such contract, as the case may be, that is to say—*
- (a) the terms and conditions of employment by contractors of their workers or the composition of, the arrangements for the promotion, transfer or training of or the other opportunities afforded to, their workforces;*
 - (b) whether the terms on which contractors contract with their sub-contractors constitute, in the case of contracts with individuals, contracts for the provision by them as self-employed persons of their services only;*
 - (c) any involvement of the business activities or interests of contractors with irrelevant fields of Government policy;*
 - (d) the conduct of contractors or workers in industrial disputes between them or any involvement of the business activities of contractors in industrial disputes between other persons;*
 - (e) the country or territory of origin of supplies to, or the location in any country or territory of the business activities or interests of, contractors;*
 - (f) any political, industrial or sectarian affiliations or interests of contractors or their directors, partners or employees;*

(g) financial support or lack of financial support by contractors for any institution to or from which the authority gives or withholds support;

(h) use or non-use by contractors of technical or professional services provided by the authority under the Building Act 1984 or the Building (Scotland) Act

5.28 Section 17 of the Act has recently been reviewed to align it with the Procurement Act 2023 by the Cabinet Office and the Ministry of Housing, Communities and Local Government. The Local Government (Exclusion of Non-commercial Considerations) (England) Order 2026 has been laid before Parliament. This will resolve some of the issues around section 17 but will not change the legal position in this case or in relation to any country where a trade treaty is in place

6 Other options considered

6.1 Report is for information only

7 Conclusion

7.1 A review has been conducted in response to the Motion and Petition that were submitted to meetings of West Berkshire Council. It has concluded that the Council and Berkshire Pension Fund have robust processes in place to minimise exposure to conflict zone investments and companies. The Council will continue to monitor the position but will take no further action.

8 Appendices

8.1 None

Subject to Call-In:

Yes: No:

The item is due to be referred to Council for final approval

Delays in implementation could have serious financial implications for the Council

Delays in implementation could compromise the Council's position

Considered or reviewed by one of the Council's Scrutiny Committees or associated Task Groups within the preceding six months

Item is Urgent Key Decision

Report is to note only

Wards affected: No specific wards affected

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