

South Yorkshire Pensions Authority Statement on Investment in Companies Selling Arms to Saudi Arabia

South Yorkshire Pensions Authority's primary duty as the administering authority for the Local Government Pension Scheme in the County is to ensure that funds are available to pay pensions when they become due. In order to achieve this we are required to invest the pension contributions made by employers and scheme members in a diversified portfolio of assets with the aim of achieving best possible financial return.

While aiming to achieve the best possible financial return the Authority also recognises that as a long term investor its interests are better served by being an investor in "good" companies which tend to be those that have strong policies and practices in relation to environmental social and governance issues. Our approach is to engage with companies to influence their behaviour rather than to disinvest as not holding shares in a company gives us no influence over their behaviour. The policy in this area has been developed with 11 other local government pension funds and states that we:

"... will not divest from companies principally for social, ethical or environmental reasons. As responsible investors the approach taken will be to influence companies' governance standards, environmental, human rights and other policies by constructive stakeholders engagement and the use of voting rights." (1)

A recent article in the Guardian identified South Yorkshire as one of a number of local government pension funds holding shares in a number of companies identified as selling arms to Saudi Arabia which is currently engaged in the war taking place in Yemen. The only figure quoted in the article which used data at March 2018 was a holding of £24m in Bae Systems. As of the end of December 2018 holdings in all the companies quoted were approximately £30m which represents around 0.4% of the total value of the Fund's assets. These holdings vary over time both due to movements in market value and decisions by investment managers to reduce or increase holdings due to economic factors affecting particular businesses. The holding in Bae Systems for example was about £5m at December 2018.(2)

Companies engaged in manufacturing arms are subject to significant amounts of regulation from government in terms of what they are able to sell and to whom. Thus any sales to Saudi Arabia will have had to be properly authorised by government. While individual officers and members of the Authority may have strong feelings about the sale of arms in these circumstances we would be open to legal challenge if we disinvested from a company on the grounds that it had taken actions authorised by government.

The Authority and the 11 other funds with which it collaborates on investment matters keeps its policies on responsible investment under continual review and considers whether or not to support resolutions put forward by shareholders at company annual meetings on their individual merits.

Notes for Editors

1. Report to the Pensions Authority Investment Board 13th December 2018
<https://meetings.southyorks.gov.uk/ieListDocuments.aspx?CId=139&MId=3811&Ver=4&zTS=C>
2. All the Authority's investments in listed equities (traditional stocks and shares) are now made through pooled funds managed by the Border to Coast Pensions Partnership, a collaboration with 11 other LGPS funds. As a result of this the figures quoted in this paragraph are the approximate values attributable to South Yorkshire based on South Yorkshire's share of the assets of the relevant pooled fund.
3. The rules governing the investment of funds by local government pension funds are set out in regulation by the Government and are available at
<http://www.legislation.gov.uk/uksi/2016/946/contents/made>

South Yorkshire Pensions Authority is the Administering Authority for the Local Government Pension Scheme in South Yorkshire. It is a separate statutory body comprising 12 councillors appointed by the four district councils (Barnsley, Doncaster, Rotherham and the City of Sheffield).

The Authority is responsible for the investment and administration of the South Yorkshire Pension Fund which has investment assets of over £8 Bn and a membership of around 160,000. The fund is one of the largest within the Local Government Pension Scheme. Scheme members work for nearly 500 different employers including as well as the District Councils non uniformed staff in the Police and Fire Services and non teaching staff in universities, colleges and academy schools as well as a number of local charities.