

Appendix 1 – Investment in Aerospace & Defence Companies

1. Executive Summary

This paper sets out two different – mutually exclusive – options for the Committee to consider:

Option A: Exclude all Aerospace & Defence (A&D) companies

Option B: Continue to apply current policies on responsible investment and exclusions

Officers do not express a view on the Israeli-Palestinian conflict. Rather the paper summarises the context and trade-offs across each option and what the Committee needs to consider and believe to underpin each option. The issues are complex and nuanced and the paper considers the options from multiple angles.

It is worth highlighting that A&D companies do not face the same long-term risks as energy companies of being obsolete in future, e.g. through oil fields potentially becoming stranded assets with nil value. The critical distinction is that a decision to divest from and exclude A&D companies needs to be based on non-financial factors. In this context the paper assesses the complex legal landscape and practical implications if a decision is taken to divest and implement an exclusions policy.

To comply with its fiduciary duty, LGPS regulations and Law Commission guidance permit consideration of non-financial factors in investments, provided such decisions have scheme members' support and do not create risk of significant financial detriment for the Fund. Member views would be an input to the decision, and it would be important that the Committee reflected on their views and reviewed any in principle policy decision as they think appropriate.

The Committee can decide to divest and exclude A&D companies or a subset. In this event the Committee would need to: i) take legal advice, ii) seek independent opinion from its investment adviser on the expected investment strategy implications, iii) choose whether to consult members to assess their support.

There is no legal issue with the Fund applying its current exclusions policy and continuing to invest in A&D companies – option B – even where such companies sell weapons to Israel. This does not make Committee members complicit in law with any alleged violations of international law by Israel.

If Committee decides to exclude A&D companies, it would need to consider potential impacts which could arise from investment regulations in the government's final decisions in the "Fit for the Future" consultation, e.g. there is a chance the government could limit the ability of individual LGPS funds to develop their own exclusion policies.

2. Decisions not recommended

Divest from A&D companies which supply Israel (noting that this singles out Israel)

The 8 petitions received in the December 2024 Pension Committee hinged around the belief that Israel has violated international law by engaging in war crimes in Gaza and the West Bank including acts of genocide. By investing in arms companies which supply Israel's military, they believe APF is complicit in such violations.

In addition Bristol City Council passed a motion on 14 January 2025 calling for active consideration of divestment "... from companies complicit in Israel's attacks on Palestinians, such as arms companies". And on 21 February 2025 North Somerset Council passed a similar motion. Relevant A&D companies are highlighted red in Appendix 2.

To agree divestment from A&D companies supplying Israel, the Committee would need to share a range of perspectives on the conflict between Israel and the Palestinians, e.g.

- “While the Committee condemns the Hamas attacks on Israel of 7 October 2023, it believes that Israel’s response has been grossly excessive, to the extent that Israel is violating international law and engaging in war crimes”.
- “While there is right & wrong on both sides of the conflict, the ‘wrongs’ of Israel are of a different scale to the ‘wrongs’ of the Palestinians and Hamas”.
- “By investing in arms companies which sell weapons to Israel’s military, APF is through association indirectly complicit in such violations, even though the Fund is not complicit in law”.

Furthermore and based on the above points, the Committee would need to believe that Israel’s actions present such an overriding moral and political imperative that they overwhelm all other considerations outlined in this paper.

In its considerations, the Committee should note that such a decision could set a precedent, potentially forcing the Committee to consider other conflicts in a similar way. The Committee should also note legal opinions¹ stating that, if a decision were taken on non-financial grounds, there should be no risk of significant financial detriment to the Fund, and scheme members in aggregate should support the decision within a wider context of related issues:

- First their quasi-trustee role means Committee members “should not privilege one group of scheme members over another. This creates obvious tension when Committees know that members are likely to hold strong but very different views on a particular subject. Where such disagreements are anticipated, the Committee should try and keep focus on financial factors”.
- Secondly it would not be “... consistent with the Guidance to take account of a non-financial factor in a way likely to be significantly controversial amongst members, simply because a bare majority support the decision”.
- Third this limitation could be overcome “... if members could be shown to share a virtually unanimous and strongly held view on a particular matter”.

These collective legal tests appear to make it highly problematic to specifically divest from A&D companies supplying Israel – as this singles out Israel and A&D companies supplying Israel. Any such decision based on non-financial factors is likely to be controversial among a material body of the schemes’ membership and open to legal challenge.

Apply more robust investment criteria covering conflicts in general

The Committee could decide to set broader and more robust criteria covering conflicts in general, to avoid unique focus on Israel-Palestine. This would require definition of what constitutes a conflict and assessment of the companies involved. Such an approach may need to cover multiple conflicts, e.g. Israel-Palestine, Kashmir, Sudan-Darfur, Myanmar.

This approach could be very complex to execute, even if stock selections and exclusions were undertaken by external asset managers with independent expert advice.

- *Materiality*: it would be challenging to define what constitutes a ‘material conflict’, e.g. number of deaths, level of destruction, displacement and refugees, etc.

¹ *Scheme Advisory Board: statement on fiduciary duty and lobbying – September 2024*
Nigel Giffin KC: updated legal opinion for LGPS: Investments and Non-Financial Considerations 15 January 2025
[Updated legal opinion on fiduciary duty in the LGPS Jan 2025 \(lgpsboard.org\)](https://www.lgpsboard.org/)

- *Culpability*: definition of who the aggressor is – or whether all parties are to blame – could be extremely complex especially in cases of long-standing historical conflicts in which there has been mutual provocation. There would be a risk of decisions being made without the full context or understanding of the history and situation on the ground.
- *Information*: reliable information is typically very difficult to source from fast developing conflict zones and from companies who themselves may be unable to source the desired information given complex supply chains.
- *Resource intensity*: significant time would need to be allocated to examine conflicts – for officers, Brunel, and asset managers – even with external advice. This would be an ongoing commitment requiring intensive monitoring, which would need additional resources and budget, or diversion of resources from other Fund activities.

Officers do not recommend investment criteria covering conflicts in general.

3. Options for the Committee to consider

Option A: Exclude all Aerospace & Defence (A&D) companies

The Committee could decide to apply an A&D exclusion policy across the whole Fund, which would entail divesting from existing holdings and excluding these stocks in future. This option would substantially reduce risk of exposure to conflict zones and the risk of inconsistent application with potential legal challenge triggered by narrow focus on Israel.

Such a policy could be implemented through new funds which exclude the whole A&D sector. In assessing Option A, the Committee should consider related consequences.

- All portfolios in APF would need to implement such a policy, which would need to extend beyond the portfolios highlighted in Appendix 2, raising one-off transition costs and ongoing fees above those summarised in Section-3 below.
- The policy would by default exclude many high growth companies focused on civil aviation, space, and satellites. The A&D sector has historically delivered higher returns than the overall equity market, though this of course cannot be guaranteed in future.
- The UK is a market leader in A&D sub-sectors and exclusion would prevent the fund investing in their growth and supporting a key segment of the UK economy.

The Committee needs to decide if Option A is merited in order to convey important points of principle, set against points outlined elsewhere in this paper, e.g. incremental costs, armaments required for UK defence, local employment, etc.

Option B: Continue to apply current exclusions policy

More than 90% of weapons sales by relevant A&D companies² are to the UK government and NATO partners. Such weapons are core to NATO's defence architecture, designed to shield western democracies against external threats from autocratic and hostile states.

Furthermore the A&D companies in question supply weapons and equipment to Ukraine which have become critical in their defence, e.g. precision guided HIMAR rockets, Bradley fighting vehicles, Storm shadow missiles.

² Examples: BAe Systems, GE Aerospace, General Dynamics, Northrop Grumman, Rheinmetall, Saab, Safran, Thales

The Committee needs to consider if the case for UK & NATO defence is part of the divestment debate and, if so, whether APF divesting from and excluding A&D companies can be consistent with the following:

- UK & NATO countries purchasing weapons manufactured by the relevant companies.
- Assisting Ukraine's defence with weapons manufactured by the relevant companies.
- More generally using equipment manufactured by the relevant companies for UK defence, noting that the UK government has decided to raise defence spending to 2.5% of national income.

If the Committee cannot reconcile the above points with divestment from A&D companies, it should decide to continue applying the Fund's current investment exclusions for conflict-affected and high-risk areas (CAHRAs) underpinned by exclusion for controversial weapons.

Current policy has evolved over time to ensure it delivers the Fund's responsible investment priorities including human rights, and was developed in partnership with Brunel and agreed by the Pension Committee in 2024. Brunel undertakes an annual review of RI priorities, drawing on authoritative sources such as the UN and World Economic Forum, to ensure stewardship is focussed in the right areas. An established governance framework allows client funds to shape policy and set priorities dynamically. Client funds are also consulted when setting priority engagement themes and during the annual review of voting guidelines.

Controversial Weapons Exclusions

Current exclusions, as they pertain to A&D investments, stipulate that companies failing both of the tests below be automatically excluded from Brunel's actively managed portfolios.

- Manufacturing controversial weapons, e.g. anti-personnel mines, cluster munitions, chemical and biological weapons
- Breaching UN Global Compact (UNGC) Principle 2 on human rights which states that businesses should make sure that they are not complicit in human rights abuses.

Based on these criteria, Lockheed Martin and RTX are excluded from Brunel portfolios.

These criteria also apply to Paris-aligned passively equity which has a weight of 0% in companies making controversial weapons / non-compliant with the UNGC vs a 3.26% weight for such companies in the global equity index³ (listed in Appendix 4).

	Global index	Paris-aligned fund
Cluster Munitions	0.18%	0.00%
Anti-Personnel Mines	0.00%	0.00%
Chemical/Biological	0.00%	0.00%
UN Global Compact – non-compliant	3.08%	0.00%
Total	3.26%	0.00%

It should also be noted that any company under economic sanctions is already excluded and that all A&D companies listed in Appendix 2 are acting within the law of relevant jurisdictions.

³ The Fund does not invest in the global index; all of its passive equity exposure is held in Paris-aligned funds.

Global Standards Screening

In addition to excluding controversial weapons, Brunel applies global standards screening across all active listed market portfolios. Companies are assessed versus the UNGC's 10 principles covering Human Rights, Labour Rights, and Environment & Ethics.

An independent expert assesses over 20,000 companies to assign one of three statuses – non-compliant, watchlist, compliant. 90 companies are currently classified as non-compliant and 295 are on watch. All companies classified as watchlist or non-compliant are reported quarterly to Brunel funds. Non-compliant companies are subject to an 'avoid or explain' policy, where investment managers are expected to provide a sound rationale for continued investment or to divest.

Appendix 5 summarises the enhanced due diligence and engagement undertaken with companies exposed to conflict-affected and high-risk areas (CAHRA).

4. Alternative fund costs – to accommodate divestment from A&D companies

Portfolios with relevant A&D companies are held through Brunel in the passively managed Paris-aligned equity portfolio, with some exposure in Multi-Asset Credit and High Alpha Equity. The Fund also holds equity derivatives in the Risk Management Portfolio which include A&D companies, for which it would be more complex to apply an exclusion policy, so for the purpose of the cost analysis we have assumed these are physical equity holdings. Should the decision be to apply an exclusions policy, the investment advice will consider how such a policy could be implemented where we hold derivatives and the associated costs.

To be clear, A&D exclusions could be executed across all these portfolios. There are two issues: 1) Cost, 2) Brunel has a policy to maintain the economic benefits of pooling – including low fund costs – which would need to be applied to any new fund proposal.

In the case of Paris-aligned equity, divestment would require the asset manager to create a new fund excluding A&D companies, in which APF would initially be the sole investor, with indicative annual costs of 8 bps⁴ (0.08%) which is 5 bps (0.05%) higher than the current fund, an additional c.£750,000 per year⁵. Discussions with other LGPS funds and trade bodies indicate that no other LGPS can commit to such a new fund. However, if other investors were to join over time and total assets reached c.£5 billion, additional annual costs would be nearer 0.03% or £450,000. Hence a reasonable cost range is £450,000 - £750,000.

While further work would be needed to assess exclusion costs for other impacted funds – Multi Asset Credit (£350m) and Global High Alpha equity (£650m) – applying the same 0.03% - 0.05% range yields further incremental costs of £300,000 - £500,000. Hence total additional costs would settle into a range of £0.75m - £1.25m per annum, with a mid-point of £1 million.

The Committee should also note that we assume one-off transition costs of moving to new funds would be 0.02% or c.£500,000⁶, assuming we use in-specie transfer management to mitigate frictional costs such as stamp duty tax.

In theory such additional costs would be borne through employer contributions which would be higher than otherwise, i.e. versus not divesting from A&D companies. This is hypothetical, assuming everything else being equal, and indicates the impact at an employer level. While a myriad of factors impacts employer contribution levels, such extra costs would indicatively be spread across APF's employers as follows:

⁴ Advice from Brunel Pension Partnership

⁵ Paris aligned equity: £1.5 billion * 0.05% = £750,000

⁶ Precise frictional costs depend on complexity of exclusionary criteria and in-specie transfer costs. The £500,000 cost is reached by 0.02% * £2.5 billion (£1.5 billion in Paris aligned + Multi Asset Credit (£350m) and Global High Alpha (£650m))

Additional Costs £
 assuming 0.04% additional annual fees and 0.02% transition costs on £2.5 billion of assets

	Bristol	South Glos	B&NES	N Somerset	Others	Total
	34%	15%	12%	9%	30%	100%
Annual	£344,000	£152,000	£116,000	£86,000	£301,000	£1,000,000
Transition one-off	£172,000	£77,000	£58,000	£43,000	£151,000	£500,000
Total – year 1	£516,000	£229,000	£174,000	£129,000	£452,000	£1,500,000

Aggregate additional costs of c. £1.5 million in year-1 and c. £1 million annually represent material sums. The Committee needs to decide if such additional costs constitute significant financial detriment and if they are merited in order to convey important points of principle.

5. Comparisons with climate change

The Committee should note an important distinction in the issue of Israel-Palestine versus issues of climate change.

The case for investing in energy transition to mitigate climate change is predicated on the grounds of sustainability and economic risks. In particular inaction could lead to global catastrophe and ultimately significantly negative investment returns, with potential for stranded (worthless) energy assets in the long term. Long-term declining demand for fossil fuels and potential for supply to increasingly exceed demand poses the risk of material price erosion and reduced economic returns from fossil fuels.

By contrast the case for excluding A&D companies is a moral and political matter – not a financial one. A&D investments including in companies supplying the Israeli government do not pose a financial risk to the Fund.

6. A&D Companies' Economic Returns

We can use the MSCI A&D index – which includes all relevant A&D companies⁷ – to assess the historic relative returns and risks from making A&D investments.

		MSCI World Climate Paris Aligned	MSCI Aerospace & Defence	Difference
Risk	Annual volatility 2014-24	15.3%	21.4%	+6.1%
Investment Returns	Annual returns 2014-24	10.5%	11.0%	+0.5%
	\$1,000 invested in 2014	\$2,714	\$2,839	+\$125

As at 30 September 2024 APF held £18m or 0.3% of its £6 billion assets in relevant A&D stocks. If incremental returns of 0.5% over 2014-24 were applied to the future, the impact on returns across the whole £6 billion Fund would be 0.0015% per year⁸ or c.£90,000. In addition A&D companies typically exhibit low correlation versus the investment cycle and non-A&D equities, i.e. excluding such companies would marginally raise equity risk, all else being equal.

Future returns of A&D stocks versus other stocks cannot be predicted with high confidence and could be lower or higher than in the past. If there is a period of sustained rearmament across Europe, the risk is that A&D stocks outperform the index more significantly in the future.

⁷ examples: BAe Systems, GE Aerospace, General Dynamics, Northrop Grumman, Rheinmetall, Saab, Safran, Thales

⁸ £18m * 0.5% = £0.9m. £0.9m / £6,000m = 0.0015%

However we could not advise the Committee in good faith that excluding A&D stocks would likely cost the fund returns of 0.0015% or £90,000 per year. The Committee should merely note past return differentials and that projections of 0.0015% are within the normal range of annual forecast error.

7. Local Employment

The Committee may want to note that the Avon region has deep industrial heritage in A&D.

One of the companies which petitioners want the Fund to divest from is BAe Systems whose Filton site is associated with Concorde and Airbus aircraft. Current work at Filton includes design of UK warships and deep expertise in military systems. BAe employs c.1,000 people in highly skilled roles across the region, along with many others through the supply chain.

Indeed on 28 January 2025, BAE Systems won a £285m Royal Navy combat systems contract, supporting jobs across the south of England including in Filton: <https://www.business-live.co.uk/technology/bae-systems-wins-285m-royal-30880121>

The Committee needs to decide if local employment is relevant to its decision and, if so, whether APF divesting from A&D companies including BAe Systems is consistent with supporting 1,000 local jobs.

8. Legal Context

It should be noted that there is no legal issue with the Fund applying its current exclusions policy and sustaining investments in A&D companies, i.e. option 2:

- The Fund is acting lawfully by investing in A&D companies.
- The A&D companies in question are operating within the law of relevant jurisdictions.
- Israel is not subject to economic sanctions, differing from previous divestment from Russia which was triggered by sanctions imposed by the UK government.
- As confirmed in the opinion of Nigel Giffin KC in October 2024 (Counsel opinion on the LGPS and current events concerning Gaza Nov 24 lgpsboard.org) LGPS funds and Committee members are not liable in UK law under the Terrorism Act 2000 or the International Criminal Court Act 2001, as a result of holding investments in A&D companies including those which supply Israel.

If the Committee decides to implement an exclusions policy, the decision would need to align with a few core legal principles including:

- *No risk of significant financial detriment to the Fund:*
 - In isolation, the Fund's low current exposure (0.3%) to A&D companies and uncertainty inherent in future returns from all sectors including A&D, means that it cannot be argued that excluding A&D companies would materially reduce aggregate gross returns in future.
 - The core detriment issue hinges around additional ongoing investment costs outlined above of c. £1.5 million in Year-1 and c. £1 million per annum thereafter.
- *APF members in aggregate share the above perspective:*
 - Legal opinion⁹ is clear that "...it is indeed the support of members rather than scheme employers which matters".
 - There is no evidence either way that members support or oppose divestment from A&D companies in relation to the Israel-Palestinians conflict.
 - If the Committee decides to divest from A&D companies supplying Israel, it would need to establish that the majority of members support such a decision. There is no clear

⁹ [Updated legal opinion on fiduciary duty in the LGPS Jan 2025 \(lgpsboard.org\)](#) Nigel Giffin KC – opinion for the Scheme Advisory Board of 15 January 2025

definition of how Pension Committees should establish members' views and the Committee would need to decide what is a suitable method of member consultation.

- It is worth noting that, if the vast majority of scheme members have no opinion on the subject, reliance on the specific non-financial factor would represent the Committee using the fund as a vehicle to advance its own personal views which "... would not be a correct use of their fiduciary position".⁹

- Criteria for divesting would need to be clearly defined and not limited to a single conflict, as this could be deemed to favour the views of one set of Fund members over other members, raising the risk of legal challenge.

If the Committee decides to divest and exclude A&D companies, it will need to:

1. Take legal advice, either on its own or with other LGPS funds taking similar decisions (other Brunel funds do not currently seek shared legal advice on this issue).
2. Seek independent opinion from its investment adviser on the effect of its decision on the Fund's financial returns.
3. Consult members to assess if they support such divestment/exclusion policy.

The legal perspectives from various sources are summarised below.

a) Nigel Giffin's opinion on fiduciary duty (2014)

This is the original opinion which considered non-financial factors with the fiduciary duty of the LGPS committees. A copy of the opinion can be found here:

<http://lgpsboard.org/images/PDF/Publications/QCOpinionApril2014>

Key points – seeking to avoid repetition with legal summaries above – include the following:

- The opinion recognised that Administering Authorities (AAs) are under no legal obligation to consider investment decisions from any perspective other than maximising returns – balanced with risk – whatever precise scope there may be for wider matters to be taken into account.
- The AA's authority over investments must be exercised for investment purposes, and not for any wider purpose. Investment decisions must be directed towards achieving a wide variety of suitable investments, and to what is best for the financial position of the fund (balancing risk and return in the normal way).
- Within the above context, the precise choice of investments may be influenced by wider, environmental, ethical, or social considerations, so long as that does not risk material financial detriment to the fund. In taking account of any such considerations, the AA may not prefer its own particular interests over those of other scheme employers.

b) Scheme Advisory Board – statement on fiduciary duty and lobbying (Sept 2024)

The SAB released a statement in light of 'increasing levels of lobbying about how LGPS funds are invested'. The main points from this statement are as follows:

- Administering Authorities (AAs) may consider non-financial factors where it has the support of scheme members and would not lead to significant financial detriment.
- It is not appropriate for investment decisions to be driven directly by the political views of Pension Committee members or indeed Government ministers, except 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 fiduciary duty.
- To the extent that environmental, social or governance considerations are applied, these should be framed in terms of financial risks and / or what Fund members would support about such considerations.
- The quasi-trustee role of Pension Committee members means that their decisions should not privilege one group of members over others. This can create obvious tension when Pension Committees know that scheme members are likely to hold strong but divergent views on specific issues. Where such disagreements surface, the Pension Committee should typically focus on financial factors and avoid taking one position against another.

c) Counsel's Opinion for SAB on legality of investments allegedly linked to alleged violations of international law (October 2024)

The SAB shared advice it obtained from Nigel Giffin KC for LGPS Administering Authorities on the legality of investments in companies allegedly linked to violations of international law by Israel, specifically concerning Gaza and the occupied Palestinian territories.

This was requested after some LGPS funds received petitions urging them to divest from companies allegedly 'complicit' in human rights abuses by supplying goods or services to Israel. The guidance explores public law obligations:

- Giffin considers that investing in companies linked to Israel's actions does not meet the criteria for criminal liability. Assessing authorities' liability under 'Ancillary Offences under ICCA' and the 'Terrorism Act 2000' shows that merely investing in a company is too indirect to be considered "assisting" alleged war crimes or crimes against humanity, even if the company provides weapons to Israel's military.
- Giffin sees no domestic law which might plausibly be interpreted to give effect to a particular international law. He clarifies that international law obligations, including recent UN resolutions and an advisory opinion from the International Court of Justice, do not bind UK local authorities unless explicitly legislated by the UK Parliament. UK law does not require LGPS funds to divest from companies based on international law or to refrain from investments associated with foreign conflicts.
- Giffin concludes that there is no legal basis that, by investing in companies supplying Israel, LGPS funds are acting in an unlawful manner.

d) Nigel Giffin's updated opinion on fiduciary duty – 15 January 2025

Mr. Giffin's updated opinion can be found here: [Updated legal opinion on fiduciary duty in the LGPS Jan 2025 \(lgpsboard.org\)](#). It is worth highlighting a core point from Nigel Giffin's advice – investment decisions need to be consistent with each fund's existing investment strategy:

- If the existing investment strategy has not identified which non-financial factors should be taken into account, then they should not be taken into account without the strategy first being amended.
- The Committee may of course agree to amend the investment strategy outside the normal triennial cycle, if it believes that circumstances have changed.

Aside from the above points, while the SAB has not yet issued fresh guidance, officers' perspective is that there is no new material legal opinion in Mr. Giffin's latest advice which alters the summary of above opinions.

9. Other LGPS Funds

While some LGPS funds have decided in principle to divest, no LGPS fund is currently known to have actually divested from A&D companies selling products to Israel.

Funds are considering how they could legally divest. One LGPS fund has taken legal advice which highlights the risk of legal challenge. Hence the fund has not yet divested.

Appendix 2: Aerospace & Defence Exposure

Below are the Fund's investments under the Aerospace & Defence (A&D) industry classification. This includes companies which generate revenues from both commercial operations outside the defence sector e.g. civil engines, as well as military equipment.

Companies in these sectors are in scope of the Fund's sustainable investment strategy. A&D holdings equate to c.£18m or 0.3% of total holdings at 30 Sept 2024.

Avon Pension Fund investments in A&D companies £ millions

	Multi Asset Credit	Paris aligned	High Alpha	Total
BAe Systems *		607,543		607,543
Bombardier *	612,289			612,289
Castlelake Aviation	85,374			85,374
Chromalloy	82,151			82,151
General Dynamics *		821,700		821,700
GE Aerospace *		41,653		41,653
Heico *		35,950		35,950
Heico-Class A *		63,933		63,933
Howmet Aerospace *		256,906		256,906
Joby Aviation			405,491	405,491
Harris Technologies		446,990		446,990
Northrop Grumman *		515,480		515,480
Peraton	1,056,675			1,056,675
Rheinmetall *	30,988	107,108		138,096
Saab *		44,391		44,391
Safran *	34,030	59,323	7,439,954	7,533,307
Standard Aero *	244,561			244,561
Thales *		211,563		211,563
Transdigm Group *	2,057,019	1,366,902		3,423,921
Teledyne Technology *		336,330		336,330
Mtu Aero Engines *	10,912			10,912
Brown Group	199,969			199,969
Dynasty Acquisition	127,757			127,757
Axon		543,529		543,529
Total	4,541,726	5,459,301	7,845,445	17,846,471

Companies highlighted in red (*) are accused of supplying their products to Israel. The highlighted names have been compiled using a combination of source documents including public statements and UN reports.

Appendix 3: UN Global Compact

Human Rights

- Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and
- Principle 2: make sure that they are not complicit in human rights abuses.

Labour Standards

- Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- Principle 4: the elimination of all forms of forced and compulsory labour;
- Principle 5: the effective abolition of child labour; and
- Principle 6: the elimination of discrimination in respect of employment and occupation.

Environment

- Principle 7: Businesses should support a precautionary approach to environmental challenges;
- Principle 8: undertake initiatives to promote greater environmental responsibility; and
- Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

- Principle 10: Businesses should work against all forms of corruption; including extortion and bribery.

Appendix 4: FTSE UN Global Compact Exclusion List

FTSE UN Global Compact Exclusion List	weighting
Barrick Gold	0.05%
BHP Group	0.19%
Chevron	0.36%
Danske Bank A/S	0.03%
Elbit Systems	0.01%
Freeport-McMoRan	0.09%
General Motors	0.08%
Glencore	0.09%
HSBC Hldgs	0.23%
Johnson & Johnson	0.59%
Lockheed Martin Corp	0.18%
PG & E Corp.	0.06%
Posco	0.03%
Posco International	0.00%
RTX Corporation	0.23%
S-Oil Corp.	0.00%
Teva Pharmaceutical	0.03%
Tokyo Electric Power Co Holdings	0.01%
Volkswagen	0.00%
Volkswagen Pfd	0.03%
Walmart	0.49%
Wells Fargo & Company	0.30%
Total	3.08%

Appendix 5: Enhanced due diligence and engagement in conflict-affected and high-risk areas (CAHRA)

Brunel annually reviews exposure to the Occupied Palestinian Territories using information from the UN and other parties. And each year Federated Hermes EOS (Brunel's appointed voting and engagement provider) analyses Brunel portfolios for direct and significant links to CAHRAs including the OPT. A select number of companies based on materiality of exposure are then prioritised for engagement through correspondence and meetings concerning human rights impacts linked to the high-risk region to which they are exposed.

The approach to engaging with companies doing business in CAHRAs is to request that they carry out actions consistent with the UNGC on Business and Human Rights including:

- Conduct enhanced human rights due diligence in high risk regions;
- Engage with stakeholders impacted by business operations, including from vulnerable and marginalized populations;
- Demonstrate that the business is appropriately using its influence to promote positive human rights outcomes.

This may lead to asking companies to disclose outcomes of enhanced human rights due diligence; report the percentage of its revenue, suppliers, or other metrics sourced from CAHRAs and seek exploration and development of industry-wide collaborative solutions or public-private partnerships which may help to respect human rights.

The Fund benefits from its membership to the Local Authority Pension Fund Forum (LAPFF) which engages directly with companies operating in high-risk regions on behalf of the LGPS.

LAPFF's approach is rooted in the UNGC Principles on Business and Human Rights with further information available here: <https://lapfforum.org/wp-content/uploads/2025/02/2025-CAHRAS-LAPFF-Engagement-Expectations.pdf>