

Rhondda Cynon Taf Pension Fund – Statement on Divestment Requests

The following statement provides an update for our Scheme Members and Scheme Employers regarding calls to divest local government pension scheme investments that are seen to support the recent conflict in the Occupied Palestinian Territories.

The Rhondda Cynon Taf Pension Fund's overriding responsibility is to act in the best financial interests of our scheme members and employers. As part of the Local Government Pension Scheme (LGPS), we are required by law to ensure the Fund is appropriately managed in order to pay pensions when they are due.

The investment of the Pension Fund for which Rhondda Cynon Taf CBC has administrative responsibility, lies with the RCT Pension Fund Committee who have fiduciary responsibilities to act in accordance with legal requirements, regulation and its own frameworks set out in Fund governance documents. The Fund remains compliant with all such legal responsibilities.

Whilst the Fund recognises the primacy of its fiduciary duties, it is able to exercise due regard to 'Responsible Investment' principles, which are set out in its Investment Strategy Statement. We recognise that scheme members and employers may hold strong and/or alternative views on international policy matters. The advice of the LGPS Scheme Advisory Board (SAB) is clear in that where scheme members are likely to hold differing opinions on non-financial considerations, that investment focus remains solely on financial considerations.

The Scheme Advisory Board has responded to the most recent divestment campaign led by the Palestine Solidarity Campaign (PSC), which includes detailed legal submissions requesting LGPS funds to divest from companies alleged to be linked to violations of international law.

The SAB has written to the Local Government Minister on 13th October 2025, requesting whether there is a view from the UK Government on this complex matter in order to provide much needed clarity to the 86 LGPS funds across England and Wales.
https://lgpsboard.org/images/MinisterialLetters/13102025_PSClettertoLGMinister.pdf

At a local level, the majority of the Rhondda Cynon Taf Pension Fund's investments are now managed through the Wales Pension Partnership (WPP) as pooled funds, in collaboration with the 8 LGPS Pension Funds in Wales. As such any investment exclusion approach will need to be achieved through a collaborative process between the 8 Welsh Funds.

The WPP is committed to providing its Constituent Authorities with investment solutions that enable them to implement their local level investment strategy, meet their fiduciary duties to their pension fund members and comply with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (**2016 Regulations**) (and associated statutory guidance).

Consideration of Environmental, Social and Governance (ESG) risks is an important part of the Constituent Authorities' obligations when formulating their individual investment strategy statements (further to the 2016 Regulations) and when performing their investment related fiduciary duties to Members. As such the WPP provides investment solutions which have ESG considerations embedded throughout. As you may be aware from the existing legal framework, each Constituent Authority is unable

to simply be driven by ethical considerations when enacting its fiduciary duties relating to investment matters.

The WPP recognises that Human Rights abuse can represent a material ESG risk to assets within the WPP, and its Constituent Authorities, in the form of governance risks (including controversy risk and reputational risk). We also recognise that these risks can also form, or develop into, financial and legal risks.

To further strengthen WPP arrangements in respect of 'Responsible Investment', on the 17th November 2025 WPP published an updated statement on exclusions and divestment intent:

WPP statement on exclusions and divestment

The Wales Pension Partnership (WPP) takes its responsibilities as an asset owner seriously. We aim to be responsible stewards, and work closely with stakeholders to make sure our investments reflect our values and legal obligations. We build environmental, social and governance (ESG) factors into our investment and stewardship work. This covers issues such as climate change, human rights and violations of international law.

We are committed to listening to, understanding, and responding openly and responsibly to our members' concerns, following our legal duties and the latest guidance from the LGPS Scheme Advisory Board.

We take a multi-layered approach to stewardship. Robeco is our appointed Voting and Engagement Provider, and we are also members of the Local Authority Pension Fund Forum. Both parties engage with companies on our behalf to drive improvements in practices and reporting, and to help us reduce risks in our investments. We receive regular reports on their progress, which guide our decisions. If engagement with a company that does not reflect our values and legal obligations fails, we discuss potential courses of action with our investment managers, with divestment as a possible outcome.

Some of our investment strategies already have specific exclusions, meaning we don't invest in companies involved in, for example, tobacco, palm oil, controversial weapons and coal mining. We are currently reviewing our investment framework, including exclusions that could apply to all WPP investments, where possible. We expect to finish this review by early 2026.

The Rhondda Cynon Taf Pension Fund and the Wales Pension Partnership continues to act as responsible investors and takes Environmental, Social and Governance matters into account as an inherent part of the investment decision making process. This latest commitment and direction of travel, to support the development of a suitable exclusion policy will further enhance the 'Responsible Investment' collaborative measures already applied.

The Fund will continue to monitor developments in this regard, while ensuring that all decisions remain consistent with our fiduciary duty and the regulatory framework.