

**Pension Fund Committee
6 March 2026**

Responsible Investment and Governance Report

Report by the Deputy Chief Executive (Section 151 Officer)

RECOMMENDATION

1. **The Committee is RECOMMENDED to note the contents of the report.**

Executive Summary

2. A summary of results of the member survey sent out to members asking about their attitudes towards Responsible Investment, with a focus on investments into the Defence & Aerospace sector and on Local investment. Respondents seem to take a balanced view to these issues which is well-aligned with the current approach being taken by the fund. There is a range of views but a consistently strong ask for transparent decision-making that is clearly explained.
3. The Local Authority Pension Fund Forum issued a voter alert in December asking for support for two resolutions at the Microsoft AGM asking the company to carry out enhanced due diligence around human rights risks in Conflict Affected and High Risk Areas (CAHRAs). Brunel on behalf of Oxfordshire voted in support of both resolutions as they aligned well with our human rights commitments.

2025–26 Member Survey on Responsible Investment, Defence & Aerospace, and Local Investment:

Background:

4. The Oxfordshire Pension Fund conducted a member survey between November 2025 and January 2026 to gather views on responsible investment (RI), Defence & Aerospace exposure, and local investment priorities. The survey was sent to all members where an e-mail address is held. The survey received 2,185 responses, a good level of engagement but significantly below the 2023 survey (4,026 responses). The lower response rate may reflect more limited promotion of the survey through Newsletters, etc.

Respondent profile:

5. The respondent base was skewed towards older members: over 55% were pensioners and more than 80% were aged 55+, despite this group

representing only around half of total membership. Younger members, particularly those under 45, were underrepresented. Around 58% of respondents were women, reflecting the wider scheme profile. These biases should be considered when interpreting results. For example, analysis of attitudes taken by different age groups showed that contributing members were more likely to prioritise sustainability than pensioners, who had a stronger focus on returns.

Attitudes towards Responsible Investment

6. Awareness of RI is high, with more than 80% reporting they were familiar with the concept. Regarding the Fund's RI policy:
 - 43% support the current approach,
 - 11% feel it does not go far enough,
 - 8% feel it goes too far, and
 - 38% selected "don't know", highlighting a need for improved communication and clarity around the policy.
7. When asked about overall RI priorities, around two thirds believe investments should either avoid negative impacts or avoid negative impacts **and** actively contribute to positive outcomes. Around one third prioritise financial returns first. Only 2% reported not caring how their pension is invested.

Attitudes towards engagement

8. There is good alignment with the Fund's engagement-first approach.
 - 34% support remaining invested while seeking positive change.
 - 43% support engagement with clear escalation and potential divestment if progress is insufficient.
 - 14% favour immediate divestment.
9. These results indicate strong member support for structured, consequence-based escalation where companies fail to address negative impacts.

Free-text RI themes

10. The 352 free text comments show a broad spread of views:
 - 60% Balanced: supportive of RI within a disciplined investment framework.
 - 25% Ethics first: favour stronger exclusions (e.g., fossil fuels, arms).
 - 10% Returns first: emphasise fiduciary duty and financial primacy.
 - 5% Trust: express confidence in officers and trustees to make decisions
11. Across all viewpoints, members consistently asked for greater transparency, including clearer reporting on holdings and exclusions, outcomes of RI actions, accessible updates, and plain English summaries of policies and reports.

Defence & Aerospace Investment

12. The Fund currently invests less than 1% of assets in the Defence & Aerospace sector. Given recent public scrutiny, the survey tested member sentiment on continuing investment in the sector, engagement, and potential exclusion.
13. Just over 50% agreed they are primarily interested in the financial returns from this sector with around two thirds supporting enhanced engagement, especially on reducing civilian harm in conflict affected and high-risk regions. A clear majority wanted to remain invested in the sector, with 56% disagreeing that the Fund should avoid investing in the sector entirely, while 30% supported non-investment.
14. This suggests members generally favour continued but conditional investment, with strong expectations around active stewardship, safeguards, and harm reduction.

Free text Defence & Aerospace themes

15. 295 responses revealed several clear patterns:
 - Many expressed balanced, conditional support, recognising the sector's strategic importance.
 - 12% voiced ethical objections, focused on civilian harm and profiting from conflict.
 - Nearly 20% referenced national security, UK industrial capability, and geopolitical risks.
 - 14% raised concerns linked to Israel/Palestine, representing a major area of divergence.

Smaller groupings called for clearer exclusions, separation of "aerospace" from "defence", or prioritisation of returns.

16. Across positions, members consistently asked for:
 - Clear definitions of what is included/excluded
 - Greater distinction between Aerospace and Defence
 - Transparent and consistent application of human rights criteria
 - Evidence of active decision making, rather than passive exposure
 - Clear explanation of trade-offs and constraints

Local Investment

17. On defining what "local" means, in first place 30% selected Oxfordshire specifically, whilst in second place 22% selected the whole UK. Around 60% chose options with a geographic link to Oxfordshire (county, neighbours, mayoral area, or pool geography). This shows tension between place based and national interpretations of "local" but with a strong tilt towards the county of Oxfordshire itself.
18. Members prioritised local investments supporting energy transition, including renewables, climate aligned infrastructure, and net zero transport. Nature based solutions, local SME financing, and affordable

housing also ranked highly—closely aligning with existing Fund work and pipeline projects.

Free text Local Investment themes

19. Free text comments (186 in total) again reflected the RI pattern: the majority taking a balanced approach, with smaller ethics first and returns first camps. Members generally support local/impact investment as part of a diversified portfolio, provided decisions remain grounded in risk/return discipline and are clearly explained.

Key messages from the survey

20. Member views are diverse but not polarised; most support a nuanced, evidence-based approach rather than absolutist positions.

There is strong alignment with the Fund's current emphasis on engagement, escalation, and risk management, particularly on Climate and Defence & Aerospace.

Transparency and communication are as important to members as policy substance.

Members are more accepting of difficult or controversial decisions when trade-offs, constraints, and reasoning are clearly articulated.

No RI approach will satisfy all members; clarity of purpose and consistent application are critical.

LAPFF Voting alignment:

21. The last quarter of 2025 was relatively quiet in terms of LAPFF voting alerts related to resolutions being put forward for a vote, as there are very few AGMs at this time of year. However, there was one significant voter alert for two resolutions put forward at Microsoft in relation to the company's operations in areas experiencing heightened human rights risks.
22. Resolution 8, '*Report on Data Operations in Human Rights Hotspots*', requested that the company assess the human rights implications of locating cloud datacentres in countries of significant concern and outlining strategies to mitigate related risks.
23. Resolution 9 '*Report on Human Rights Due Diligence*', requested that the company assess the effectiveness of its human rights due diligence processes in preventing, identifying, and addressing customer misuse of its AI and cloud services that could contribute to human rights violations or breaches of international humanitarian law.
24. LAPFF issued a voting alert to its members, including Oxfordshire, recommending a vote in favour of both resolutions 8 and 9, with a view

that companies operating in CAHRAs should demonstrate clear, transparent, and robust approaches to heightened human rights due diligence.

25. As Microsoft continues to expand its cloud and AI infrastructure globally, including in jurisdictions with restrictive civic environments and heightened risks of state surveillance, shareholders should have the confidence that the company is actively assessing and mitigating potential adverse human rights impacts linked both to its operations and to end-use of its technologies.
26. Brunel used its votes in both passive and active portfolios to support Resolutions 8 and 9 as they aligned with Brunel's, and client funds such as Oxfordshire's, commitments on human rights and promote better management of human rights risks by Microsoft.

Appendix 1

Appendix 1 is a more detailed report on the results of the 2025-26 member survey

Financial Implications

7. There are no direct financial implications arising from this report

Legal Implications

8. There are no direct legal implications arising from this report.

Staff Implications

9. There are no direct staff implications arising from this report.

Equality & Inclusion Implications

10. There are no direct equality and inclusion implications arising from this report.

Sustainability Implications

11. There are no direct sustainability implications arising from this report.

Risk Management

12. There are no direct risk management implications arising from this report.

Lorna Baxter, Deputy Chief Executive (S151 Officer)

Annex: Appendix 1: 2025-26 Member survey on Responsible Investment, Defence & Aerospace and Local Investment

Background papers: Nil

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February 2026

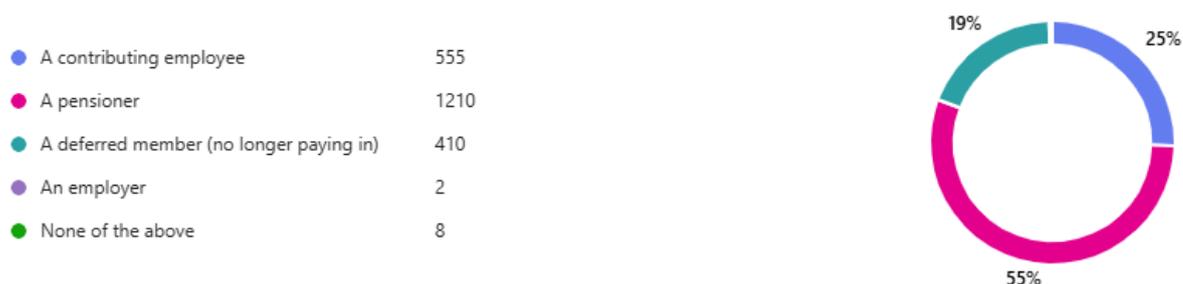
APPENDIX 1 - 2025-26 Member survey on Responsible Investment, Defence & Aerospace and Local Investment

In November 2025 a survey was sent to all members of the Oxfordshire Pension Fund Scheme where an email address is held by Pension Services. The survey was also cascaded through employers. The survey was open for 45 days, with the deadline for responses being the 16th January 2026.

The aim was to collect feedback from members on their views about Responsible Investment in general and specific questions about investment into the Defence and Aerospace sector and local investment, with an emphasis on understanding what member priorities are in these areas.

There was a good response, with 2,185 people filling out the survey. However, this is significantly below the response rate for the 2023 member survey on responsible Investment, which received 4,026 responses. The reasons for the lower response rate are unclear, although one factor could be that it wasn't possible to promote this survey through the newsletters to the same extent as the 2023 survey due to the publication dates.

Below is a breakdown by type of membership for the survey respondents

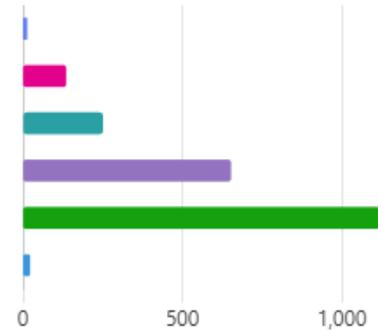


Interestingly over half of the respondents are already taking their pensions, with around a quarter being employees currently making contributions to the scheme. The high response rate from pensioners could be down to the fact that this group is more engaged with communications from Pension Services and has more time to fill out the survey..

In terms of gender, more women (58%) filled out the survey than men (39%). This is not surprising given that the overall membership has significantly more women than men. Around 3% of members preferred not to state their gender and less than 0.1% identified their gender as non-binary or other.

There was also an age-related bias, with older members more likely to fill out the survey than younger members. As the following data shows, those aged 55+ made up over 80% of respondents, whilst only making up around half of the total membership. Those under the age of 45 were particularly underrepresented, making up around 6.5% of respondents, despite representing around a third of the Fund's membership.

● 16-29	12
● 30-44	134
● 45-54	250
● 55-64	651
● Over 65	1117
● Prefer not to say	21

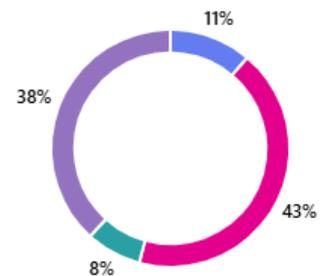


Attitudes to responsible investment

Responses to the survey show that there is both awareness and a generally positive attitude towards responsible investment amongst the majority of participants. When asked about how familiar they are with the concept of Responsible Investment over 80% said they were somewhat or very familiar.

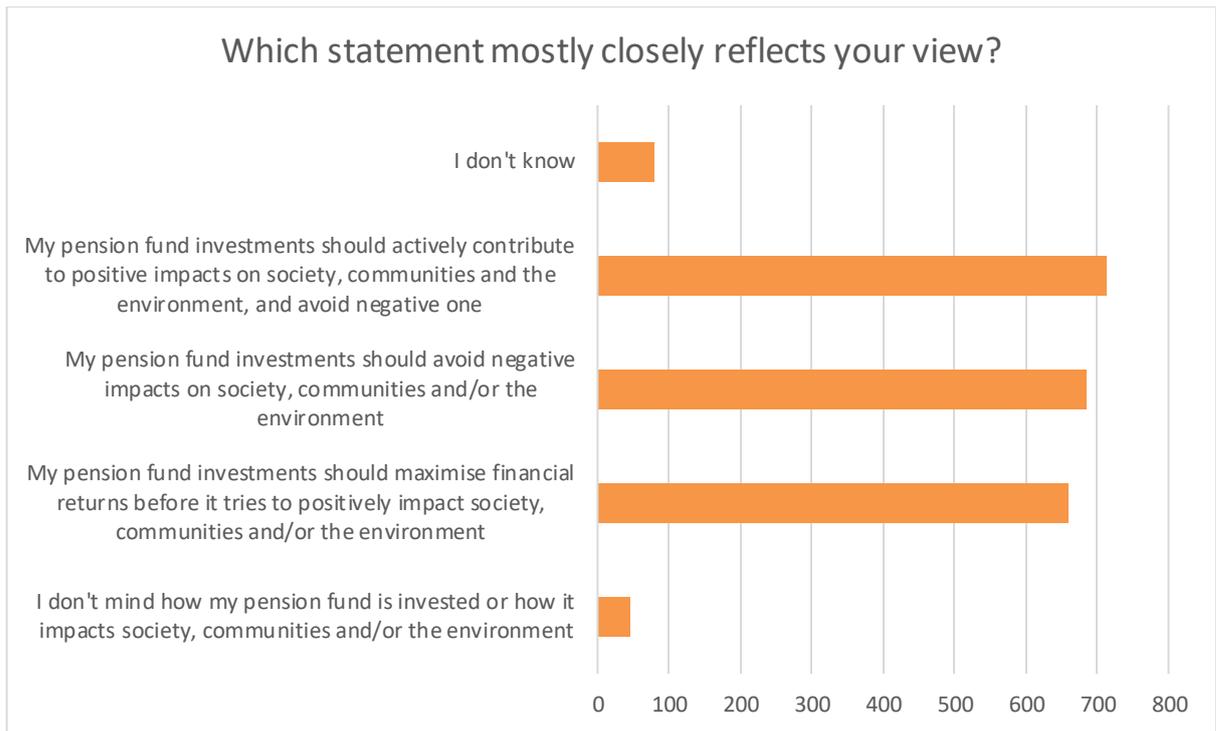
When it came to asking opinions about the Fund's Responsible Investment policy the following results came back:

● The Responsible Investment policy doesn't go far enough	244
● The Responsible Investment policy does not need changing	941
● The Responsible Investment policy goes too far	164
● I don't know	836



It is encouraging to see that the most popular statement was support for the current policy at 43%, and perhaps not surprising to see that 11% of respondents said it does not go far enough whilst 8% said it goes too far. These are representative of the attitudes of members towards responsible investment more generally. However, it is worth noting that 38% of people responded 'Don't know' to this question, which suggest that there is more work to be done to inform members about the Fund's responsible investment policy. This echoes some of the free text responses received asking for greater clarity and transparency around our RI commitments.

In response to the question asking people which statement fitted their views about responsible investment, nearly two thirds said that pension fund investments should either avoid negative impacts on society or should actively contribute to positive impact. Around a third of people agreed with the statement that pension fund investments should maximise financial returns before trying to positively impact society, communities and/or the environment. Interestingly only around 2% of people agreed with the statement that they did not mind how their pension fund is invested or what impacts those investments have.



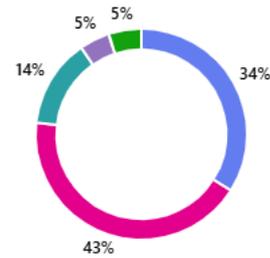
The fund's current climate change policy states that the fund believes that engagement is a key tool in pursuing the achievement of its climate change commitments, as it provides a route to deliver real change. The fund's approach is that engagement and selective divestment with clear public explanation of the escalation process is a more effective strategy than divestment on its own.

When asked about the best approaches to engaging with the companies that the fund invests into, there is a good alignment between the views of the members taking the survey and the current approach being taken by the fund.

Survey participants were asked what actions should be taken where a company was found to have a negative impact. 34% of respondents said that the fund should remain invested and try to influence the company to make a positive change. Another 43% said that the fund should initially stay invested but there should be consequences if the company does not make progress in stopping its negative impacts, including no longer investing into the company. Comparing the results with the last survey, where the same question was asked, there has been a shift towards a higher percentage of respondents wanting a strong escalation policy where companies are assessed as not stopping their negative impacts. In total over three quarters of respondents were supportive of an engagement strategy where a company has negative impacts.

14% of people said that they would not want to be invested in the company and than 5% said that they did not care if an investment had negative impacts..

● Yes, I support staying invested and helping influence these companies to make positive change	742
● Yes, but there would need to be consequences if the company did not make progress in stopping its...	935
● No, I wouldn't want to be invested in these companies	297
● I don't care about the impact of companies my money is invested in	101
● I don't know	110



Free text RI question

This section finished with a question asking “Do you have any additional comments or suggestions regarding the Pension Fund’s approach to Responsible Investment?” Respondents were provided with a free text box to give their answers.

In total there were 352 responses to this question. An analysis of the positions of respondents in relation to responsible investment identified around 60% taking a balanced view, with these members not seeing RI and financial performance to be mutually exclusive but expect that there are trade-offs that need to be managed carefully. Examples of some of the comments from this group:

“Investing responsibly and investment performance are not mutually exclusive... but over concentration on priorities that damage performance should be avoided.”

“There needs to be a balance – returns matter, but it is right to consider ethics as well.”

There were just over 25% of respondents that could be classed as having an “Ethics first” approach. Contributing employees made up a higher proportion of this group. Examples of some of the comments from this group:

“Our pension contributions should be a force for good. We should divest from investments that cause harm.”

“Please don’t invest in fossil fuels, arms manufacturers or companies linked to serious human rights abuses.”

Just under 10% of respondents could be classed as having a “Returns first” approach where the primacy of good investment returns to ensure that pensions could be paid ranked much more highly than other considerations. Examples of some of the comments from this group:

“The function and purpose of the fund is to maximise returns for members. It is not a vehicle for social change.”

“Security of investment and quality of financial return should be paramount.”

Lastly just under 5% of respondents were happy to trust and defer to the fund’s officers and trustees. Examples of some of the comments from this group:

“How this is achieved is why we have trustees – I trust them to make the right decisions.”

What is clear is that there is a broad spectrum of opinion on responsible investment, with some members strongly in favour of expanding responsible investment to include blanket divestment from some sectors such as fossil fuels or defence and others who felt that RI should not play any part in the investment decision process. However, there is a majority who are supportive of a nuanced and evidence-based approach to managing sustainability related risks and opportunities whilst continuing to deliver the returns needed to pay pensions.

Across all viewpoints, respondents frequently request clearer transparency and reporting on:

- What the Fund is invested in
- What has been excluded or divested
- Outcomes of RI actions
- More regular, accessible updates
- An executive summary or “plain English” version of the RI Policy
- Examples of real world decisions influenced by RI

The key takeaways are:

- Any RI approach will inevitably dissatisfy some members
- Clarity of purpose, limits, and trade offs are critical
- Transparency and communication may reduce tension even where disagreement remains
- Framing RI as part of risk management and long-term value, rather than moral consensus, may resonate more broadly

Attitudes to Aerospace and Defence investments:

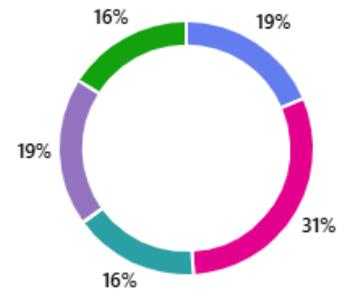
One of the key challenges for the Fund over recent years has been around investments into the Defence & Aerospace industry, which is the supplier of weapons to participants in several of the current conflicts taking place around the world. The Fund invests a relatively small amount into Aerospace & Defence companies (less than 1% of its assets) spread across several companies in the sector. These companies make most of their sales to the UK, NATO countries, and Ukraine. Some of these companies supply Israel. All conflicts harm civilian populations.

Given the increased scrutiny on these investments, we felt it was worthwhile to canvass the opinion of members on investments in the Defence & Aerospace sector. We did this by including in the survey a number of statements and asking people the extent to which they agreed or disagreed with them.

The first statement was *“I am primarily interested in the financial returns from investments into the Aerospace and Defence sector”*.

Just over half of all respondents agreed either strongly or somewhat with this statement, whilst just over a third disagreed either strongly or somewhat.

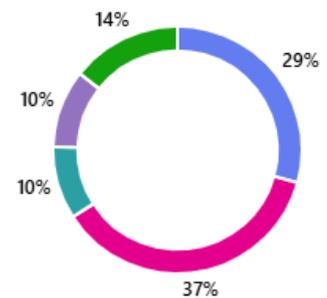
● Agree strongly	406
● Agree somewhat	667
● Disagree somewhat	349
● Disagree strongly	413
● I don't know	350



The next statement related to the approach to take around engaging with companies in the sector. *“I would like to see enhanced engagement with companies in the Aerospace & Defence sector, particularly to reduce harm to civilians in conflict situations.”*

There was strong support for this statement with two thirds of respondents agreeing strongly or somewhat with this statement and only 20% disagreeing strongly or somewhat.

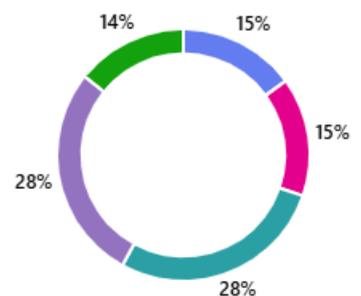
● Agree strongly	640
● Agree somewhat	800
● Disagree somewhat	208
● Disagree strongly	223
● I don't know	314



Lastly we presented a statement about not investing in the sector: *“I do not think the Fund should invest into companies in the Aerospace and Defence sector.”*

Over half (56%) of respondents either disagreed strongly or somewhat with this statement, whilst 30% agreed either strongly or somewhat:

● Agree strongly	328
● Agree somewhat	333
● Disagree somewhat	607
● Disagree strongly	605
● I don't know	312



Taken together these results point to a consensus amongst members that they wish to remain invested in the Defence & Aerospace sector, with their main concern being the financial returns from that investment. Having said that, there is strong support for there to be strong engagement with those companies to seek to reduce harm to civilians in conflict affected and high risk areas (CAHRAs).

Free text Aerospace & Defence question

There were 295 responses to the free text question on investing into the Aerospace & Defence sector.

Many of the responses could be classed as taking a balanced approach. This is not to say that they expressed indifference, instead it reflects that most members recognise the strategic importance of aerospace and defence in the current geopolitical context, but also express clear conditions, limits, or safeguards around how and where investment should occur. For many respondents, support is explicitly conditional, rather than unconditional.

Drilling into the detail 12% of respondents expressed clear ethical opposition to the sector, with concerns framed around:

- harm to civilians,
- profiting from conflict, and
- moral responsibility for downstream impacts.

Illustrative quotes

“A better return on investments cannot justify contributing to the killing of people.”

“I don’t think my old age should be funded by conflict.”

A significant proportion of respondents framed their response in reference to national security and strategic necessity.

- 17.6% referenced a UK, local, or European preference
- 15.3% framed investment through national security or defence capability

Many respondents explicitly link their support to:

- the UK’s industrial base,
- local employment,
- NATO and European security,
- current threats (e.g. Russia, Ukraine, instability in alliances).

Illustrative quotes

“This is one area in which the UK is relatively strong. The Fund ought to encourage its development.”

“Without a secure defence infrastructure, all other things could become irrelevant.”

There were also a significant number of responses that sought to frame the issue in human rights terms, with a particular focus on the Israel/Gaza conflict with 14.2% explicitly **referenced Israel/Palestine**

This is one of the clearest fault-lines in the data. Members who raise this issue do so from multiple positions, including:

- calls for divestment or exclusion,
- concern about international law and civilian harm,
- concern about selectivity or inconsistency in country-based exclusions.

Illustrative quotes

“I would not want to gain from investments in companies that supply arms to Israel.”

“If singling Israel out, there needs to be a balanced policy across all supplied countries.”

Around 7% of respondents explicitly referred to wanting conditions, exclusions or limits applied to investment in the sector. Around the same number argued that Aerospace and Defence should be treated as separate categories.

Just over 5% explicitly prioritised returns or fiduciary duty above other considerations. While a minority, these respondents are often very direct in their expectations.

Illustrative quotes

“The Pension Fund is about financial returns, not politics.”

“You are charged with getting the best returns and nothing else.”

As with the question on RI more generally certain themes came through whichever side the the debate respondents were on:

1. Members want clarity on:

- what is included and excluded,
- how aerospace differs from defence,
- how human rights concerns are applied consistently

2. Acknowledge complexity

Many respondents explicitly say this is not a binary issue and expect the Fund to navigate that complexity transparently.

3. Avoid appearing passive

Whether through engagement or divestment, members want to see active decision making, not default exposure.

4. Explain trade offs clearly

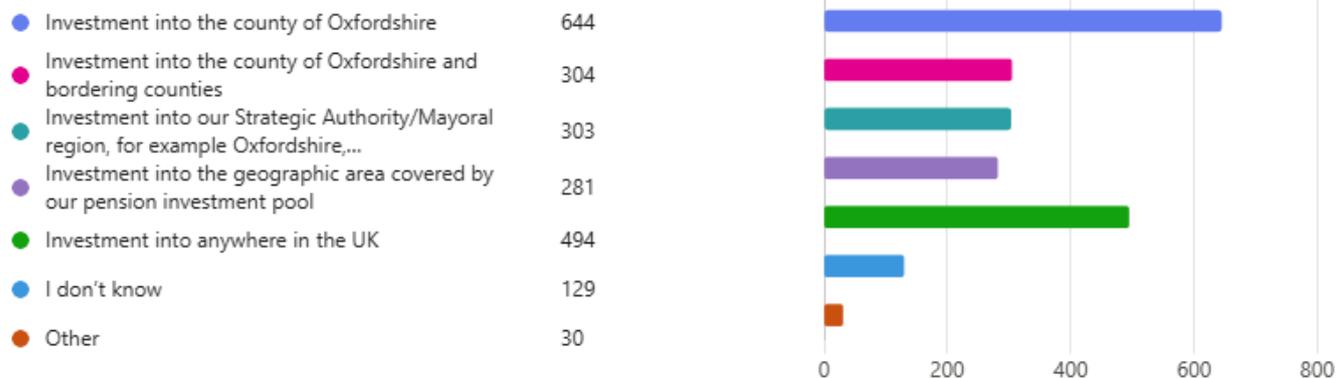
Members are more accepting of difficult decisions when:

- trade offs are acknowledged
- reasoning is explained
- and constraints are clear

Local Investment

The government has made it clear that it has an expectation that LGPS funds such as Oxfordshire should be investing locally. As a fund this is something that we are supportive of and already have a track record of doing. Given the increasing focus on local investment we thought it would be useful to consult with members to try and better understand what their definition of local investment is, and what priority areas they would identify for local investment.

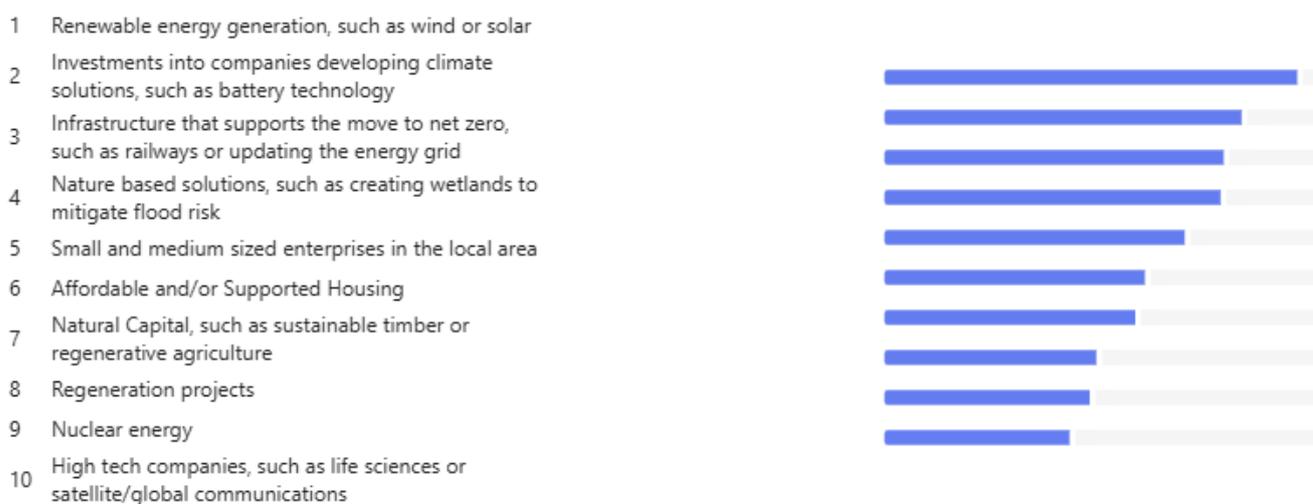
The first question asked respondents to choose an option from a list that best describes “local” investment. The results are shown below:



It is not surprising that around 30% of respondents chose investments specifically into the county of Oxfordshire as “local”. What is more unexpected is that the second highest option selected, at 22%, is investment into anywhere in the UK. This shows there is definitely a tension between the very local and the national as being identified as local investment by members.

Around 10% of respondents each selected Oxfordshire and bordering counties, the Strategic/Mayoral authority, or the geographic area covered by the Fund’s pension investment pool as representing local investment. Taken together geographic areas with some connection to the county of Oxfordshire received around 60% of votes, showing that there is strong support for local investments to have some geographic link to Oxfordshire amongst members.

The final question asked members to rank various priorities for local investment, with 1 being the highest and 10 being the lowest:



Looking at the results there is clearly strong support amongst members for local investments that contribute towards a transition of the economy away from fossil fuels

and towards a more sustainable, net zero, energy infrastructure. Options that contribute towards an energy transition made up the top three spots.

Investments into nature-based solutions and natural capital also received good support, as did investments into small and medium sized enterprises in the local area and affordable housing.

These results align closely with the work currently being done to identify priorities for local investment by officers and our pooling partner, for example through the allocation of around £65m for investment into affordable housing and transitional housing funds that have a strong pipeline of projects in Oxfordshire.

Free text Local Investment question

There were 186 free text responses to this question. When these responses were categorised it produced the following results:

- Balanced: 67.7%
- Returns first: 15.6%
- Ethics first: 9.1%
- Trust / unsure: 7.5%

Overall, the free text responses indicate broad support for positive impact investing as part of a wider portfolio, provided the Fund remains clear that:

- investment decisions are grounded in risk/return discipline, and
- “positive impact” is pursued where it is compatible with long term pension objectives, with clear communication about how decisions are made

Representative member quotes:

Balanced (impact with financial discipline)

“Just so long as the investment allows the returns to make sure all pensioners ... are guaranteed a secure lifelong pension, I am happy to support positive impact investments.”

“These things are not black and white... some goals conflict with others, so choices need careful judgement.”

Returns first

“Financial return first and foremost... then positive impact.”

“The pension fund should focus on obtaining ROI... it should not be made to invest in projects that do not have financial return.”

Ethics first

“We surely must protect the planet (even if this means a net zero return)... I prefer a static pension and a planet my grandchildren can safely live in.”

“I would support investment in companies which promote social justice... education, training and support for disadvantaged backgrounds.”