

Note on LGPS Investments in Russia – 4th March 2022

Sanctions

The current UK position on sanctions regarding Russian investments is summarised below:

[The Russia \(Sanctions\) \(EU Exit\) \(Amendment\) \(No. 2\) Regulations 2022](#) introduce the following restrictions from 1st March 2022:

Prohibition on dealing with securities or money-market instruments issued by or providing loans/credit to a person connected with Russia (including Russian incorporated entities and residents) or the Russian Government issued on or after 1st March 2022. These prohibitions also apply to all entities listed in [Schedule 2](#), including their UK subsidiaries.

Prohibition on UK credit or financial institutions from establishing or continuing a correspondent banking relationship and from processing sterling payments to, from or via, a “designated person” (currently applies only to Sberbank) or a credit or financial institution owned or controlled by them.

Full details on the UK sanctions regime can be found at <https://www.gov.uk/government/collections/uk-sanctions-on-russia>

Divestment

LGPS funds may wish to consider divesting from assets held before 1st March 2022 for prudent financial reasons, although we are aware that there may be significant challenges to achieving this due to a number of factors including the closure of the Russian stock exchange and the potential lack of buyers for such assets resulting in significantly depressed values.

However, if a decision to divest is not based on financial considerations attention is drawn to the [2014 Law Commission Report](#) which concluded that:

Trustees may always take account of financial factors. They may also take account of non-financial factors if two tests are met.

- 1. trustees should have good reason to think that scheme members would share the concern; and*
- 2. the decision should not involve a risk of significant financial detriment to the fund.*

A similar provision can be found in the LGPS [Guidance on Preparing and Maintaining an Investment Strategy Statement 2017](#) which stated that LGPS administering authorities:

... may also take purely non-financial considerations into account provided that doing so would not involve significant risk of financial detriment to the scheme and where they have good reason to think that scheme members would support their decision.