

LONDON BOROUGH OF CAMDEN	WARDS: All
REPORT TITLE Response to Petition under the Council’s Petition Scheme	
REPORT OF Executive Director Corporate Services	
FOR SUBMISSION TO Pension Committee	DATE 10 March 2025
SUMMARY OF REPORT <p>At the Council meeting held on 20th January 2025, a petition was presented regarding investments in companies potentially linked to the ongoing conflict in Gaza.</p> <p>During the meeting, the Chair of the Pension Committee proposed, and the Council agreed, that the matters outlined in the petition be referred back to the Pension Committee for further review. Additionally, the broader issue of responsible investment was to be examined in conjunction with this petition.</p> <p>This report has been prepared to provide the Pension Committee with the necessary information for their deliberation. It addresses the concerns raised in the petition and includes details on current responsible investment practices and provides information for the Pension Committee to consider the points referred to Pension Committee.</p> <p>Local Government Act 1972 – Access to Information No documents that require listing have been used in the preparation of this report</p> <p>Contact Officer: Daniel Omisore Director of Finance Corporate Services 5 Pancras Square N1C 4AG</p> <p>Telephone: 020 7974 5199 E-mail: daniel.omisore@camden.gov.uk</p>	

RECOMMENDATIONS

That the Committee is:

1. Asked to note and consider the request contained within the petition and the matters referred to the Committee from Full Council as detailed in paragraph 1.
2. Consider and agree the actions summarised in paragraph 2.27 of the report.

Signed: Executive Director Corporate Services

Date: 27/02/2025

1. CONTEXT AND BACKGROUND

1.1. On 20th January 2025 Full Council considered a Petition containing over 4000 signatures, which was handed into officers on 20th December 2024 and stated as follows:

- *People are being killed in Gaza and the West Bank. Camden Council's pension fund invests in some companies that contribute to or profit from those deaths.*
- *We call on Camden Council to urgently undertake a thorough and transparent audit of its pension fund investments in companies involved in any way in the ongoing Israeli occupation of and military assault on the West Bank and Gaza with a view to divesting from them"*

1.2. At that meeting it was agreed that the matter as stated in the petition to be referred for further consideration by the relevant decision maker, which is the Pension Committee. It was also agreed that the wider question as detailed in paragraph 4.7 of the report to Full Council also be referred to the Pension Committee for it to continue its ongoing work with regard to responsible investment.

- *Paragraph 4.7 stated 'The Council could ask the Pension Committee, once the legal position is clearer, to consider within the context of its wider investment strategy and part of its already ongoing review of those policies to what extent it wishes to consider issues concerning investment in companies who are supporting conflicts that have been adjudged to illegal under recognised international law'*

2. BACKGROUND

2.1. London Borough of Camden Pension Fund is part of the Local Government Pension Scheme (LGPS). As the administering authority, Camden manages the fund on behalf of 25 participating employers, their employees, and current and future pensioners. The LGPS, as a statutory scheme, does not have assigned trustees. While Camden Council holds executive responsibility for the fund, it has delegated investment-related decisions to the Pension Committee, in line with Section 101 of the 1972 Local Government Act.

2.2. As reported to the Pension Committee meeting held on 2 December 2024, the total value of the pension fund stood at £2.145 billion as at 30 September 2024.

2.3. Whilst the fund exists to pay the pensions of 25,000 current and former employees (and their dependents) of the Council and other employers that participate in the Fund and our primary responsibility is to ensure that the Fund can meet its financial obligations to pension fund beneficiaries, the Council takes its duty as a responsible investor very seriously and is acutely aware of the environmental, social and governance consequences of how it invests.

2.4. Some of the actions the fund has taken as a responsible investor are outlined below:

Sustainable Development Goals

2.5 The 2030 Agenda for Sustainable Development, adopted by all United Nations members in 2015, created 17 world Sustainable Development Goals. The aim of these global goals is "peace and prosperity for people and the planet" – while tackling climate change and working to preserve oceans and forests.

2.6 Since 2019, our investment beliefs have continued and extended to been aligned with the United Nations Sustainable Development Goals (SDGs), starting with aligning our investment strategy with a policy that agreed we should pursue an investment strategy that supported climate, sustainability and EDI goals (SDG's 5, 8 and 13, and which was reviewed and updated by the Pensions Committee and approved in July 2023 which extended this alignment to the wider UN SDGs .

2.7 Our current investment strategy is aligned with these beliefs, covering areas such as climate action, fair working practices, sustainable development and consumption and good corporate governance, and our intention that continue to align with those goals is set out in the suggested actions set in para 2.27 below.

Upholding human rights through partnership with the Local Authority Pension Fund Forum

2.8 We are an active member of the Local Authority Pension Fund Forum (LAPFF), with one of our Pension Committee members on the executive of the Forum. LAPFF is one of the UK's leading collaborative shareholder groups with 87 participating local government pension funds across the country. The LAPFF engages with companies across the world in pursuit of SDGs and, with particular reference to this petition, has experience of engagement with companies operating in global conflict zones.

2.9 In the Forum's past engagement in the region, it has been focussing on establishing an approach that highlights the human rights framework in which companies commit to best practice in this field. The Camden Pension Fund works closely with LAPFF to uphold human rights, recently taking steps to:

- Evaluate the various risks companies operating in the occupied territories incur, and how far such risks undermine the business operations of those companies in the context of allegations of human rights abuses.
- Continue engagement with the UN authorities and other bodies to further objectives on Palestine. LAPFF continues to issue voting alerts for companies that refuse to engage meaningfully with LAPFF on this issue.
- Align its activities with the UN Guiding Principles on Business and Human Rights (UNGPs). Principle 7 discusses '... the risk of gross human rights abuses is heightened in conflict-affected areas...' such as the Occupied Palestinian Territories (OPT). This Principle also explains that 'States should help ensure that business

enterprises operating in those contexts are not involved with such abuses.'

- Request that companies carry out credible, robust, and independent human rights impact assessments in respect of their operations in the region and that these assessments be made public.
- LAPFF has met with Palestinian Solidarity Campaign and We Believe in Israel to ensure that both of their perspectives have been heard. LAPFF representatives have also met with UN officials to clarify the UN's position.

Investment beliefs

2.10 Camden's Investment Beliefs Statement asserts a strong Responsible Investment approach that adds value over the long term and benefits wider society. The pension fund adheres to the Spectrum of Capital approach, which emphasises:

- **Responsible Investing** (Avoiding Harm) – The Fund assesses environmental, social, and governance (ESG) risks in its investments.
- **Sustainable Investing** (Benefiting Stakeholders) – Camden integrates Sustainable Development Goals (SDGs) into its investment strategies and seeks positive societal impact.
- **Impact Investing** (Contributing to Solutions) – our renewables and sustainable infrastructure mandates and affordable housing allocations and our ESG-titled investments with LGIM and Baillie Gifford funds demonstrate our commitment to invest with impact.

Investment exclusions

2.11 As noted above, the Camden Pension Fund has established strong ethical policies that underpin our investments. It is important to stress that our investment managers employ strict exclusions when it comes to companies that are engaged in activity related to arms, namely:

- The Ottawa Convention on anti-personnel landmines, which entered into force on 1 March 1999
- The Oslo convention on cluster munitions, which entered into force on 1 August 2010
- The convention on the Prohibition of the Development, Production and Stockpiling of Bacteriological weapons that entered into force on 26 March 1975 and Biological and Toxin Weapons and on Their Destruction (BTWC), which entered into force in 1975.
- The Convention on the Prohibition of the Development, Production, Stockpiling and Use of Chemical Weapons and on their Destruction (CWC), which entered into force in 1997.

- The Treaty on the Non-Proliferation of nuclear weapons (NPT), rigorously controlled by the United Nations that entered into force on 5 March 1975.
- The Council Regulation (EU) 2018/1542 of 15 October 2018 concerning restrictive measures against the proliferation and use of chemical weapons.

Pooled Funds

- 2.12 Since between them, the London CIV and Legal General Investment Management (LGIM) manage 88% of Camden's pension assets, their approach plays a crucial role in shaping the investment strategy. The Responsible Investment Policy of 2022 outlines several key components of their approach. Firstly, London CIV integrates Environmental, Social, and Governance (ESG) factors as financial risks, embedding them into both product design and the manager selection process. This integration helps ensure that ESG considerations are factored into investment decisions.
- 2.13 In terms of active stewardship and engagement, London CIV takes a proactive role by engaging through the Local Authority Pension Fund Forum (LAPFF) and partnering with Hermes EOS to handle voting and engagement activities. They focus on influencing companies to improve their practices rather than taking a purely exclusionary stance. While engagement is prioritized, London CIV will consider divestment in cases where companies violate key international treaties.
- 2.14 The London CIV also emphasises human rights considerations, aligning with initiatives such as the UN Guiding Principles on Business and Human Rights. This commitment extends to their participation in the Investor Alliance for Human Rights. Additionally, London CIV is committed to climate action, with a goal to become a Net Zero entity by 2040. They also require that all companies within their investment portfolio disclose climate-related risks in line with the Task Force on Climate-Related Financial Disclosures (TCFD) guidelines.
- 2.15 These approaches reinforce the fact that the Council and London CIV is already working to enhance scrutiny of companies in conflict zones, including Gaza, and has existing mechanisms for addressing human rights concerns.

Camden Pension Fund current exposure

- 2.16 The Camden Pension Fund makes extensive use of pooled funds through both the London CIV and Legal & General (this currently comprises 88% of the Fund). This enables the Fund to access a broad range of diversified investments in the most cost-effective way.
- 2.17 The selection of investments in these funds is fully delegated to the appointed managers, and in the case of the passive index-tracking funds, underlying investments will mirror that of the index being tracked. This means the fund will buy the same investments in the same quantities as that held by the index.

- 2.18 As a consequence, the Fund has underlying exposure to stocks and bonds of companies that operate in the global aerospace and defence industry. Analysis conducted by officers last year determined that, as of 30 June 2024, the Fund's exposure to this sector stood at 0.15% of the fund (approx. £3m).
- 2.19 We continue to be committed to being open and transparent about our investment dealings and our engagement activity, which are reported to the Pensions Committee on a quarterly basis where they are scrutinised and discussed. We also have regular meetings with our investment managers (both those that we employ directly and those that manage our funds in the London CIV) where their environmental, social and governance policies and performance are a key feature of those meetings.
- 2.20 The issues raised in the petition are very much a live discussion in the Local Government Pension Scheme sector and we will continue to monitor, respond to and comply with Government and best practice guidance as it emerges.

Other London Boroughs approaches

- 2.21 While we respect the decisions of other councils, it is crucial for all Pension Funds to balance ethical considerations with their own fiduciary responsibilities to members. Although several councils have discussed responsible investment measures related to the OPT, to our knowledge, none have made definitive commitments to divest from the region, with legal, financial, and operational concerns being key factors. Outlined below is a summary of the positions taken by the pension funds of other London Boroughs in relation to divestment or exclusion of companies linked to activities in the Occupied Palestinian Territories (OPT):

London Borough of Lewisham

- The Pensions Investment Committee updated its responsible investment beliefs in November 2024. They expect asset managers to screen investments for exposure to controversial issues like human rights abuses and operations in occupied territories, including the OPT. However, the decision does not explicitly commit to divesting from the OPT. The approach emphasises the Fund's responsibility to consider and mitigate social risks.

London Borough of Islington

- In July 2024 Islington Pension Fund committee discussed excluding investments in companies on the UN's list of businesses involved in the OPT recognising the significant financial, legal, and regulatory concerns that must be addressed before any decision could be

made. By December 2024, the committee reviewed further legal and financial factors. They received advice that divesting for non-financial reasons could expose the Fund to legal challenges and judicial review, creating financial and reputational risks. They also acknowledged the need for consultation with pension fund members due to the controversial nature of such a decision.

London Borough of Waltham Forest

- In November 2024, the Pension Committee discussed divestment from companies involved in the arms trade, with implications for companies in the OPT. They are working with their investment advisors to define the arms trade issue and develop a roadmap for future discussions. The committee is considering updating its investment policy but is cautious about how such changes might affect the fund's performance and the costs involved.

- 2.22 Whilst these councils have considered or discussed responsible investment measures related to the OPT, none have made definitive commitments to divest from the region, with legal, financial, and operational concerns being significant factors in their decision-making processes.
- 2.23 As highlighted throughout the report, this is a complex issue. Our Investment Strategy Review 2023 provided further legal and strategic insights. Importantly, Camden's fiduciary duty mandates that investment decisions prioritise financial benefits for scheme members over political factors.
- 2.24 Additionally, a divestment policy must satisfy both financial viability and member support criteria, meaning it cannot significantly harm fund returns or be driven solely by political beliefs.
- 2.25 Also, given the government's formal response to the recent consultation - [Local Government Pension Scheme: Fit for the Future](#), is yet to be published, it might be premature to make firm commitments regarding strategic divestment approaches without knowing the future outlook of the Pools. The consultation sought stakeholder input on proposals designed to enhance the management of Local Government Pension Scheme investments, including asset pooling, local and regional investment, and scheme governance. Without clarity on the government's final stance and regulatory framework, making firm commitments could undermine the flexibility needed for future investment strategies and could inadvertently conflict with broader goals outlined in the consultation, such as optimising asset performance, ensuring long-term sustainability, and maintaining compliance with evolving governance standards.
- 2.26 Given this outlook, the actions outlined below aim to strike a balance between taking immediate practical steps on this important and sensitive issue while also allowing time for the sector to collectively address these emerging concerns. This approach ensures

a more informed and cohesive approach for addressing arms conflict zone exposure across London, whilst considering the evolving policy and regulatory landscape.

2.27 Given these considerations, particularly those set out at para 2.25 above, it is proposed that the Pension Committee consider the following actions:

- **Action 1 Independent fund review**

To inform Action 4 below, we will commission an independent review of fund holdings to determine the extent to which the fund is exposed to defence companies which derive revenues from activities in conflict zones around the world, including the OPT. Officers will prepare precise terms of reference for such a review and bring these back to a future meeting of the Committee.

- **Action 2: Annual Stewardship Review and Human Rights Policy**

Ensure that the upcoming annual stewardship review prioritises engagement on conflict zone exposures. Additionally, officers will explore advancing the development and implementation of a comprehensive human rights policy, building on current efforts that have already been agreed upon to strengthen our approach.

- **Action 3: Further Enhancement of Responsible Investment Approach**

Further enhance our award-winning Responsible Investment strategy by taking steps with a view to integrating SDG 16, focused on Peace, Justice, and Strong Institutions, into our core investment beliefs at the next investment strategy review. This will complement our ongoing commitments to addressing climate change and reducing inequalities, reinforcing our holistic approach to responsible investing.

- **Action 4: Taking steps to introduce a Conflict Zone Exposure Policy within the ESG framework**

While direct exclusions may pose legal and financial challenges, alongside Action 2 above, Camden will give consideration to strengthening its Responsible Investment framework by introducing a Conflict Zone Exposure Policy within its ESG framework, similar to climate and fair labour policies at the next Investment Strategy Review. This could ensure that investments in conflict-affected regions undergo heightened due diligence and engagement, and would be developed in step with our investment partners and advisors.

- **Action 5: Fund Manager Engagement on Risk Management**

Continue to proactively engage with our fund managers to ensure they are actively identifying, managing, and mitigating risks and exposures related to conflict zones, human rights, and other critical ESG factors. This will guarantee that our investments align with our ethical and responsible investment principles

3. Finance Comments of the Executive Director Corporate Services

- 3.5 The Executive Director has no comments from a financial perspective but has fully contributed to this report with regard to the matters relating to the operation of the pension fund.

4. Legal Comments of the Borough Solicitor

- 4.1 The fund and those who have responsibility to manage it have a fiduciary duty to act in the best interests of its beneficiaries being existing and prospective pension members. When decisions are made, they should be made with the primary purpose to achieve the required investment returns in an appropriately risk managed way so that pensioners can be paid in full when due and to minimise the need for additional funding from the tax payer.
- 4.2 The Supreme Court has been clear that the administration of LGPS pension funds is not best understood as a “local government function” or part of the machinery of the state”, instead Pension Committees operate in a quasi -trustee role.
- 4.3 It is now established law that pension bodies can take into consideration beneficiaries ethical and moral concerns when devising an investment strategy statement. However as advised by the [LGPS Scheme Advisory Board in its Statement on Fiduciary Duty and dealing with lobbying](#) September 2024 it is not appropriate for investment decisions to be driven directly by political views.
- 4.4 In addition, those considerations need to be balanced against the overarching fiduciary duty to act in the best financial interests of scheme members. Consideration of non-financial matters is permitted but the amount of weight (if any) attached to such factors is at the discretion of the administering body. Authorities are further only allowed to give weight to such factors where to do so would not lead to significant financial detriment to the fund, and did not involve the administering authority in preferring its own particular interests to those of other scheme employers, or in imposing views of its own which would not be widely shared by scheme employers. In February 2024 the Financial Markets Law Committee issued a paper. The paper is intended to provide, in terms that are understandable to pension trustees, a very general explanation of the legal position and the uncertainties and difficulties that exist - <https://fmlc.org/publications/paper-pension-fund-trustees-and-fiduciary-duties-decision-making-in-the-context-of-sustainability-and-the-subject-of-climate-change/>
- 4.5 Under Regulation 7(1) of Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (‘the Investment Regulations’) an administering authority "must, after taking proper advice, formulate an investment strategy which must be in accordance with guidance issued from time to time by the Secretary of State." Regulation 7(2) sets out that the investment strategy must include:

- a) a requirement to invest fund money in a wide variety of investments;

- b) the authority's assessment of the suitability of particular investments and types of investments;
- c) the authority's approach to risk, including the ways in which risks are to be assessed and managed;
- d) the authority's approach to pooling investments, including the use of collective investment vehicles and shared services;
- e) the authority's policy on how social, environmental and corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments; and
- f) the authority's policy on the exercise of the rights (including voting rights) attaching to investments.

4.6 Under Regulation 7(8), any fund money not immediately needed to make payments from the fund must be invested by the authority "in accordance with its investment strategy". Under Regulation 7(3), the administering authority must "consult such persons as it considers appropriate as to the proposed contents of its investment strategy". The investment strategy is to be reviewed from time to time (and at least triennially).

4.7 The statutory [Guidance on Preparing and Maintaining an Investment Strategy Statement July 2017](#) requires that in formulating and maintaining their policy on social, environmental and corporate governance factors, an administering authority, by way of summary:-

- Must take proper advice
- Should explain the extent to which the views of their local pension board and other interested parties who they consider may have an interest will be taken into account when making an investment decision based on non-financial factors
- Must explain the extent to which non-financial factors will be taken into account in the selection, retention and realisation of investments
- Should explain their approach to social investments.

4.8 Following the Supreme Court's decision in *PSC* case, The Public Service Pensions Act 2013, Schedule 3 now sets out the non-exclusive list of matters for which provision may be made in scheme regulations by the Secretary of State which includes guidance or directions on investment decisions which it is not proper for the scheme manager (i.e. 'the administering authority') to make in light of UK foreign and defence policy (paragraph 12). No such guidance has been issued.

4.9 The LGPS Scheme Advisory Board has now received [Nigel Giffin KC's updated opinion on the fiduciary duty in the context of the LGPS](#) – which is intended as a review of and update to Nigel's [2014 advice](#) and is entitled "Local Government Pension Scheme: Investments and Non-Financial Considerations". The Secretariat have stated that they will now consider whether any further advice on specific points would be helpful. The advice of Nigel Giffin KC confirms, by way of summary, his previous opinion that to take account lawfully of non-financial factors when investing an LGPS fund an

administering authority must satisfy both the financial criterion, and the member support criterion.

- 4.10 Paragraphs 53 – 62 of the advice set out his advice on applying the financial criterion and the member support criterion. He emphasises that the key point, so far as non-financial factors are concerned, is the desirability of addressing these issues through the process of making and reviewing the authority’s investment strategy, including the required consultation and suggests that an authority will not normally be obliged to review its strategy with a view to the introduction of new ESG policies outside the statutory triennial cycle.
- 4.11 With regard to investments which may be related to either Israel, Gaza or the West Bank, bearing in mind the complexity outlined in the report above advice has been received from Nigel Giffin KC on behalf of the sector as a whole and he has confirmed clearly that should a fund have such investments:
- a) Those placing those investments have not in any way committed any offence – criminal or civil liability
 - b) That the investments themselves are lawful

This advice is irrespective of whether or not Israel have or have not breached international law by way of their activities in Gaza, a subject on which there are differing views. However, Mr Giffin is very clear that:

“It is therefore clear that international law does not impose any enforceable legal obligation upon administering authorities, or their members or personally, to divest from or refrain from making particular investments”

5. Environmental Implications

- 5.1 There are no environmental implications

6. APPENDICES

- 6.1 None

REPORT ENDS