

<b>LONDON BOROUGH OF CAMDEN</b>		<b>WARD:</b> All
<b>REPORT TITLE:</b> Progress Update on Responsible Investment Actions and Conflict-Affected and High-Risk Area (CAHRA) Review		
<b>REPORT OF:</b> Executive Director Corporate Services		
<b>FOR SUBMISSION TO:</b> Pension Committee		<b>DATE:</b> 17 July 2025
<b>SUMMARY OF REPORT:</b> <p>This report provides an update on progress against the five actions agreed by the Pension Committee in March 2025 in response to the petition on ethical investment. It outlines work undertaken to scope the independent fund review, enhance transparency on fund holdings, initiate CAHRA-related disclosures, review investment beliefs, and coordinate with investment managers.</p>		
<b>Local Government Act 1972 – Access to Information</b> No documents required to be listed were used in the preparation of this report.		
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<b>RECOMMENDATIONS:</b> <p>The Committee is requested to note the contents of this report.</p>		
<b>Signed by</b>  Director of Finance       ..... <b>Agreed</b> .....  Date                         ..... <b>08/07/2025</b> .....		

## 1. INTRODUCTION

At its meeting in March 2025, the Pension Committee agreed a series of five actions in response to a petition concerning the ethical investment of the Camden Pension Fund. These actions were intended to strengthen the Fund's approach to responsible investment, including greater transparency of holdings, alignment with human rights principles, and an updated review of investment beliefs. This paper provides a detailed update on the work undertaken to date, including engagement with London Collective Investment Vehicle (LCIV) and Local Authority Pension Fund Forum (LAPFF), preparatory steps toward an independent review, and data collection from fund managers regarding exposure to Conflict-Affected and High-Risk Areas (CAHRAs).

## 2. Action Points

Action 1: Independent fund review

Action 2: Annual Stewardship Review and Human Rights Policy

Action 3: Further Enhancement of Responsible Investment Approach

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

Action 5: Fund Manager Engagement on Risk Management

### Delivery Against Agreed Action Plan

Action Area	What Was Agreed (March 2025)	Progress / Delivery to Date
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.	Terms of Reference document has been drafted and is presented with this report for Committee approval (Appendix 1). This defines the scope, objectives, and governance of the proposed review.
2. Annual Stewardship Review & 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.	LAPFF has already embedded human rights and CAHRA-related risks into its engagement programme (Appendix 3), as reported to the March 2025 Committee. Officers are in ongoing contact with LAPFF to monitor developments and will incorporate outputs into future policy work.
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	Camden has already shared a proposed scope for a Responsible Investment Policy Project with LCIV, outlining key priorities including CAHRA considerations. Officers are awaiting LCIV's response on next steps. This workstream will complement the fund review and align

	to addressing climate change and reducing inequalities, reinforcing our holistic approach to responsible investing.	with the upcoming Investment Beliefs update.
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.	Camden officers have begun preparatory work on a potential Conflict Zone Exposure Policy, in line with the Fund's ESG framework. Camden has shared a scope for a Responsible Investment Policy Project with external stakeholders, which includes this element. Further development will follow once external stakeholders provide input on next steps.
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.	Managers have been engaged across all listed holdings. Responses have been analysed and summarised in this paper (Appendix 2). Officers will continue to monitor developments and review practices at the aggregate LCIV level.

### 3. **FINANCE COMMENTS OF THE EXECUTIVE DIRECTOR CORPORATE SERVICES**

The finance comments of the Executive Director Corporate Services are contained within the report.

### 4. **LEGAL COMMENTS OF THE BOROUGH SOLICITOR**

This report provides an update on the Camden Pension Fund's progress in implementing actions agreed by the Pension Committee in March 2025 relating to responsible investment, human rights, and exposures to Conflict-Affected and High-Risk Areas (CAHRAs). Detailed legal comments were included in the March 2025 report to Committee which can be found [here](#) and remain relevant to this work. As stated in paragraph 9 input from legal advisor will be sought at appropriate points and following the independent review of fund holdings.

### 5. **APPENDICES**

**APPENDIX 1** – Terms of Reference for Independent Investment Review

**APPENDIX 2** – CAHRA risk exposure summary

**APPENDIX 3** – LAPFF Engagement Report Extract (q.e. March 2025)

**Terms of Reference (ToR): Independent Review of Pension Fund Investment Assets – Conflict Zone Exposure**

Version: Draft for Comment

Date: 16 May 2025

Prepared by: Camden Council Treasury and Pension Fund Manager

**1. PURPOSE**

To commission an independent review of the Camden Pension Fund's investment portfolio, with a focus on identifying and assessing exposures to companies involved in defence and related industries operating in or deriving revenues from conflict zones globally, including but not limited to the Occupied Palestinian Territories (OPT). In addition, it will also identify and assess exposure to investments that may be linked to:

- Conflict zones and sanctioned regimes
- Human rights violations and abuses
- Child labour and human trafficking
- Sin stocks (e.g., tobacco, alcohol, gambling, adult entertainment)
- Controversial weapons and armaments (e.g., nuclear, cluster munitions, landmines)
- Environmental degradation, including water pollution from reckless mining activities
- Mercenary activities and involvement in wars
- Other ESG (Environmental, Social, and Governance) risks
- Any other illegal or morally unacceptable activities

The review will inform the Fund's approach to managing conflict-related ESG risks and support future policy development, including the potential introduction of a Conflict Zone Exposure Policy.

**2. Objectives**

- To map and analyse the Fund's direct and indirect holdings against a comprehensive set of ethical and ESG risk indicators
- To identify companies, sectors, or jurisdictions associated with high-risk or controversial activities
- To assess the Fund's alignment with international standards such as:
  - UN Guiding Principles on Business and Human Rights
  - UN Global Compact
  - Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises
  - Sustainable Development Goals (SDGs)
- To evaluate the effectiveness of current ESG screening, monitoring, and engagement practices

**3. To provide actionable recommendations for risk mitigation, or enhanced stewardship code**

The review will cover the following:

i. Asset Classes

All asset classes including listed equities, fixed income, private equity, infrastructure, and pooled funds

ii. Holdings Assessment

- Both direct and indirect investments, including those managed by external fund managers
- Full analysis of the Fund's listed and unlisted holdings across all mandates.
- Identification of investments in companies involved in:
  - Arms manufacturing, sales, or services.
  - Surveillance or military technology.
  - Operations in territories under armed conflict or occupation.
  - High-risk supply chains linked to conflict zones.

iii. Geographic Focus

- Global, with emphasis on high-risk jurisdictions and conflict-affected areas
- Assessment of exposure linked to:
  - The Occupied Palestinian Territories (OPT)
  - Other active conflict zones (e.g. Yemen, Sudan, Syria, Ukraine, Myanmar)

iv. Revenue Thresholds

Classification of companies based on percentage of revenue derived from conflict-related activities (e.g. >5%, >10%, >20%).

v. Portfolio Breakdown

Summary by:

- Mandate
- Manager
- Asset class (e.g. equities, bonds, pooled funds, alternatives)

vi. Data Sources and Methodology

- Disclosure of data sources (e.g. Sustainalytics, MSCI, RepRisk, ISS ESG).
- Explanation of thresholds, conflict zone definitions, and sector classifications.

4. **Outputs and Deliverables**

The provider will deliver:

- i. A written report containing:
  - Detailed findings on holdings with conflict zone links
  - Methodology and data caveats
  - Portfolio-level summary and manager-level breakdown
  - Visual dashboards/tables suitable for Committee presentation
- ii. A presentation to Pension Fund Officers and, if requested, to the Pension Committee.
- iii. A comprehensive report detailing:

- Identified exposures to unethical or high-risk investments
- ESG risk ratings and thematic analysis
- Recommendations for engagement, or enhanced due diligence
- A proposed framework for ongoing ESG monitoring and ethical compliance
- A summary report for public disclosure

## 5. **Use of the Review**

The report will inform:

- Action 4: Taking steps to introduce a Conflict Zone Exposure Policy within the ESG framework.
- Action 2: Annual Stewardship Review & Human Rights Policy.
- Risk assessments and future Investment Strategy Review.

## 6. **Timelines**

<b>Activity</b>	<b>Deadline (estimated)</b>
Appointment of provider	Within 4 weeks of ToR approval
Initial findings shared with officers	8 weeks from appointment
Final report and presentation	12 weeks from appointment

## 7. **Confidentiality and Compliance**

The appointed provider will be required to:

- Treat all data as confidential
- Adhere to Camden Council data security policies
- Confirm any potential conflicts of interest

## 8. **Selection Criteria for Provider**

The selected organisation must demonstrate:

- Expertise in ESG research, particularly defence/conflict analysis
- Experience working with LGPS or institutional investors
- Ability to analyse both segregated and pooled fund data

## 9. **Governance**

The project will be overseen by Pension Fund Officers with input from:

- Investment consultant (ISIO)
- Investment adviser (Apex)
- Legal advisors, as required
- ESG and stewardship partners (e.g. LAPFF)

## APPENDIX 2

In line with Action Point 4 from the March 2025 Pension Committee — “Engage with Fund Managers on Conflict-Affected and High-Risk Areas (CAHRAs)” — officers issued a formal data collection request to all managers. The request sought to establish the Camden Pension Fund’s exposure to companies operating in CAHRAs as defined by the EU list, and to understand how managers identify, monitor, and respond to the associated human rights and ESG risks.

Responses were received from all managers except CBRE and Partners Group, which are still pending at the time of writing. The table below provides a summary of responses received, including Camden-specific exposure levels (where disclosed) and the key policies, systems, and escalation practices fund managers apply in this area.

<b>Fund Manager</b>	<b>Exposure to CAHRA – Camden Level</b>	<b>Measures/actions taken by fund managers</b>
LCIV	Limited or nil exposure (based on aggregate LCIV manager responses)	LCIV managers implement ESG integration processes that include human rights due diligence aligned with the OECD Guidelines and UN Guiding Principles. Managers conduct periodic screenings of portfolios for exposure to conflict-affected and high-risk areas (CAHRAs) using tools such as RepRisk, MSCI ESG ratings, and proprietary scoring systems. Where material ESG risks are identified, managers may engage with issuers to seek additional disclosure or changes in business practices. Some managers apply exclusions where thresholds of involvement in controversial weapons or sanctioned geographies are exceeded. Ongoing monitoring mechanisms are in place, and escalation protocols vary depending on severity, with non-response or high-risk conduct sometimes leading to divestment or proxy voting action.
Harris Associates	Not specifically disclosed by region; policy-oriented response provided	Harris incorporates ESG factors in their bottom-up fundamental research and applies an internal ESG Risk Flag system to flag and track risks, including those linked to CAHRAs. The team leverages external research (e.g., MSCI ESG Ratings) and direct issuer interactions to inform investment decisions. High-risk companies may be escalated for internal review. Engagements focus on long-term value creation, with emphasis on governance, transparency, and ethical conduct. Proxy voting is used to influence corporate behaviour where appropriate. Harris commits to aligning with best practice standards and regulatory developments, including those concerning human rights and conflict exposure.
LGIM	Country-level exposure provided for GPEV fund; CAHRA mapping in progress	LGIM supplied a detailed country exposure breakdown as at 31 March 2025. While not mapped specifically to the EU CAHRA list, the data supports assessment of geographic risks. LGIM applies ESG integration across all portfolios, with investment stewardship teams conducting thematic engagements on human rights and conflict-linked risks. They maintain exclusion lists for high-risk sectors and regions (e.g., cluster munitions, controversial weapons) and support regulatory initiatives aligned with UN principles. LGIM's voting policies also reflect concerns around social and geopolitical risk, and they disclose engagement outcomes and risk mitigations in their annual ESG reports.

HarbourVest	India: 1.42%, Philippines: 0.18%, Colombia: <0.001%	HarbourVest uses RepRisk to identify and monitor ESG and human rights-related incidents. ESG risk monitoring is formalised through a bi-weekly review process. As of 31 December 2024, Camden's exposure to companies listed in CAHRA regions was low and no companies were involved in sectors associated with elevated ESG risks. Their engagement approach includes escalation with underlying GPs when ESG concerns are identified. HarbourVest has adopted the UN Guiding Principles framework across its due diligence, monitoring, and incident engagement practices. They maintain centralised records of ESG incidents and their outcomes, and report periodically to clients. In cases of adverse human rights impact, they focus on contributing to remedy ecosystems through sponsor engagement.
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**Extract from LAPFF Engagement Report – Q1 2025**

Focus: Human Rights and Conflict-Affected and High-Risk Areas (CAHRAs)

London Borough of Camden Pension Fund – Responsible Investment Action Plan

## 1. **Engagement in Conflict-Affected and High-Risk Areas (CAHRAs)**

During Q1 2025, LAPFF continued its programme of targeted engagement with companies operating in CAHRAs, applying frameworks from the UN OHCHR, OECD, and EU to assess risk exposure and due diligence.

Key regions of engagement included:

- Gaza and Israel (Occupied Palestinian Territories)
- Myanmar
- Xinjiang, China
- Ukraine
- Democratic Republic of Congo (DRC)

LAPFF engaged with companies identified by the UN OHCHR as having operations linked to potential breaches of international law or heightened human rights risks. These included:

Company	Region	Engagement Focus
Motorola Solutions	Occupied Palestinian Territories	Role in surveillance infrastructure; compliance with international human rights standards
Bezeq	Israel/Palestine	Telecommunications infrastructure in contested areas
Bank Leumi	Israel/Palestine	Financial operations linked to settlement activity
Volkswagen	Xinjiang, China	Operations in CAHRA; company has exited region following LAPFF engagement

LAPFF has also continued outreach to Hyundai, Ford, Mercedes, Volkswagen, and General Motors concerning mineral sourcing from CAHRAs, notably the DRC, with a focus on cobalt and lithium in electric vehicle supply chains.

## 2. **LAPFF Engagement Expectations**

LAPFF has communicated clear expectations to companies operating in or sourcing from CAHRAs, including the need to:

- Conduct heightened human rights due diligence
- Perform robust conflict and human rights impact assessments
- Integrate findings into business operations and supply chain governance
- Avoid relationships that may contribute to or benefit from human rights violations
- Provide transparent reporting on risks, remediation, and ongoing challenges
- Establish defined entry, exit, and operating criteria in high-risk regions

3. **Broader Human Rights Engagement (Q1 2025)**

- Continued engagement with Booking.com and other tech platforms on conflict zone exposure and responsible tourism.
- Follow-up with Drax and Hollywood Bowl on human capital issues linked to zero-hours contracts and supply chain labour rights.
- New emphasis on biodiversity and climate resilience in vulnerable regions.

4. **Relevance to Camden Pension Fund**

This activity aligns directly with Camden Pension Fund's second action point to elevate human rights within its stewardship approach. LAPFF's ongoing work ensures Camden's pooled engagement remains proactive and well-aligned with best practice in CAHRA-sensitive ESG issues.

Officers remain in contact with LAPFF and will continue to monitor developments relevant to the Fund's Responsible Investment Policy.

