

Meeting: Council  
Meeting Date: 12 December 2024  
Agenda item: 7 – Petition Debate

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## Subject: Petition response

Substantive response to the ‘Islington Council - Divest Now!’ petition from Cllr Paul Convery (Chair, Pensions Committee) and Cllr Diarmaid Ward (Executive Member for Resources)

### Introduction

As the conflict across the Middle East continues, we are horrified by the violence inflicted upon the people of Gaza. We hope for peace in the region and, whilst acknowledging the deep pain felt following the massacre of October 7th 2023, believe Israel should immediately cease the humanitarian catastrophe which has unfolded.

In December 2023, Islington Council unanimously passed a motion calling for a ceasefire and the release of all hostages and political prisoners. We have also supported calls for an embargo on the sale of offensive weapons for this conflict, an investigation by the International Criminal Court into alleged breaches of international law and to begin a political process for permanent peace based on a 2 state solution to the conflict: a viable Palestine and a safe Israel.

The full Council meeting in September received a petition signed by more than 2,000 people. It presents 5 principal requests regarding the Council's pension fund and banking services contract. This statement responds to that petition.

#### 1. **Disclose the Pension Fund's holdings**

Islington's Pension Fund is valued at £2 billion and this generates revenue to pay the pensions of our former employees and safeguards the future pensions of our current staff.

The Pensions Committee must have regard to its fiduciary duty to maximise the financial

return of the fund so it is able to pay the current and future pensions of fund members. Regulations and Statutory Guidance say the Fund may consider non-financial concerns in its investment decisions but these are subject to conditions. Such decisions must not cause significant financial detriment to the Fund and the Committee must be assured that pension scheme members share the ethical concern.

The Pension Fund is a responsible investor and has an investment strategy where "environmental, social and governance considerations are an integral part of the Fund's strategy and objectives". We are committed to full transparency of the Fund's investments and **we shall therefore publish a list** of all the Fund's equity (shares) and bond holdings, quarterly, starting with Q4, 2024.

## 2. **Divest from companies which are weapons suppliers to the current conflict**

The Fund does not directly own any shares in any companies. Instead we own units of large pooled funds in which multiple other investors are co-owners and these funds are managed at arms length by professional fund managers in a number of financial institutions. We cannot sell shares in specific companies without all other investors and the fund managers' agreement and this is an unlikely outcome.

The Pension Fund's indirectly held pooled equity funds represent nearly half the Fund's total investments. Of these, about half is held on the London Collective Investment Vehicle (LCIV) platform; the other half is held in a "passive" pooled fund managed by Legal and General and is valued at around £460mn. Over the course of the past 3 years, the Pensions Committee has consolidated several holdings into this single fund which tracks the Solastic ESG Paris Aligned Global Equities Index. This means the pooled fund has very low exposure to fossil fuels or to companies that have poor ESG ratings.

The petition names companies that are 'asterisked' in a list published by the American Friends Service Committee (AFSC) at <https://afsc.org/divest> and cited in the petition. As of Q4 2024, the Islington Pension Fund **will not have holdings** in those companies in its LGIM Fund. However, on the LCIV platform, there is one company which is on the AFSC list - Valero Energy. It is a pooled fund held by the LCIV through a further third party manager in its Sustainability Equity Fund (RBC). We have asked the LCIV to explain why a sustainability themed fund contains the USA's largest oil and gas refining company.

## 3. **Divest from the UNHCHR list of companies**

Under a mandate of the UN Human Rights Council, the United Nations High Commissioner for Human Rights (UNHCHR) in 2020 listed 112 companies as having commercial interests in the illegal occupation of the Palestinian territories. In early 2024, we identified that we indirectly owned shares of 10 companies on the UNHCHR list worth in total about £2.6 mn. These are held in the ESG Paris Aligned Global Equities Fund

and are companies in the banking, IT, travel and tourism sectors. Our investment has reduced to 9 firms and our exposure is now around £2.4 mn.

Because the Pensions Fund doesn't directly own these shares, the Pensions Committee explored a possible mechanism to "de-pool" our holding in the ESG Paris Aligned Global Equities Fund and to create a customised fund that excluded the 9 companies. The Committee took extensive financial and legal advice and concluded that the **technical risks and cost of doing so was disproportionate** and might be judged unlawful.

Of these 9 companies almost a half of the value is accounted for by 3 travel and tourism companies, AirBnB, Expedia and Booking.com and there is a prospect those companies may become compliant and therefore be removed from the next iteration of the UNHCHR list. If so, the value of our exposed holdings will drop to about £1 million. That's a fiftieth of one percent of the Pension Fund's value.

We shall therefore work with the Local Government Pension Fund Forum (LAPFF) to engage and challenge the legality and probity of those companies' involvement in the Occupied Palestinian Territories. It's worth noting that LAPFF began engagement in 2020 with 17 of the original 117 companies on the UNHCHR list. These 17 are the ones that UK local authority pension funds have holdings in. By 2023, the 17 companies had been reduced to 10 and LAPFF is scheduling further engagement with these.

Local authority pension funds are likely to be significantly restructured very soon. The Government will shortly legislate to pool all the assets of 84 individual LA pension funds into 8 "mega funds". This means that, as a London Borough, all our equities will be consolidated on the LCIV platform by March 2025. Whilst the LCIV will invest our funds in line with our investment strategy it is very unlikely that a single customised fund would survive the consolidation. So, even if we overcame the technical, financial and legal complexities and risks of creating a customised fund, it might last only for a few months before our equities were consolidated into the LCIV pools. However, as we transition into the mega-pool, we will press LCIV to offer us a pooled fund that meets our ethical criteria and does not include controversial companies and will make a *financial* case for this.

#### 4. **Update the Investment Strategy**

The petition asked us to update the investment strategy to say we shall divest from companies that profit from human rights violations. We have **recently revised the strategy** to the maximum extent that we believe is legally possible. The statement now says: "As a responsible institutional investor, the Fund will use its influence to encourage the promotion and protection of human rights around the world. The Fund will regularly review its exposure to companies which raise human rights concerns."

## 5. Barclays banking services

Islington Council has a banking service contract with Barclays. We used to bank with the Co-op but the Co-op some years ago decided to stop providing services to local authorities. As a result we tendered for a new supplier from amongst the financial institutions that are capable of meeting Islington's requirements. Barclays won the contract. We have discussed a number of Environmental, Social and Governance (ESG) matters directly with Barclays, including two meetings with the Bank's Global Chief Executive.

The contract is up for re-tendering in 2025. The petition calls on us to simply exclude Barclays from the tendering process. We are advised that **there is no lawful basis to exclude Barclays** from the tendering process. However, we are determined to incorporate robust criteria around adherence to human rights, international law and environmental commitments into our tendering process. A cross-party councillors' working group has met to set these criteria.

Response authorised by:

Cllr Paul Convery, Chair of Pensions Committee  
Cllr Diarmaid Ward, Executive Member for Finance and Performance

Date: 11 December 2024