

Report of the Portfolio Holder for Resources and Personnel Policy

Ethical Considerations for Pension Fund Investments, Treasury Management Activity and Banking Services1. Purpose of Report

Members are to note the tensions in the Middle East, with reported breaches of international law and the worsening humanitarian situation in Palestine. It is proposed that the Leader of the Council makes representations to the Nottinghamshire Local Government Pension Fund to express concerns regarding potential investment exposures to environmental, social and governance (ESG) and human rights matters and request that the administering authority review such investments in accordance with its own statutory fiduciary duties to divest any funds from companies complicit in Israel's crimes against Palestinians. The report also considers whether to review the Council's Treasury Management Strategy and Procurement Strategy and to do this through the appropriate constitutional decision-making route where any amendment to the Policy Framework documents is required.

2. Recommendation

Cabinet is asked to RESOLVE to approve to:

1. **Express concern and urge representatives on the Nottinghamshire County Council Pension Fund Committee and the Local Pension Board to request that they divest any funds from companies complicit in Israel's crimes against Palestinians. This includes companies producing weapons and military technology used by Israel in its attacks on Palestinians; financial institutions providing investment and loans to these arms companies; and companies conducting business activity in the occupied Palestinian territories which benefit the occupier, to ensure that any funds invested are consistent with their fiduciary duties and responsible investment policies.**
2. **Request that the Leader of the Council meets with the Chair of the Nottinghamshire Pension Fund Committee and LGPS Central Limited senior leadership, to convey Cabinet's concerns and urge them to:**
 - a. **Extend investment exclusions and restrictions to the prescribed activities and implement an escalation-to-exclusion protocol where engagement fails, consistent with the recommendations of the UN Special Rapporteur on the situation of human rights in the Palestinian territories to end financial flows to the 'economy of concern'.**

movements, such as the Anti-Apartheid Movement in South Africa and Swadeshi Movement in India, in raising global awareness, exerting economic pressure and building international solidarity with oppressed peoples fighting for basic human rights. A petition to Nottinghamshire County Council for pensions divestment from human rights violations has received over 6,000 signatures.

It is proposed that the Leader of the Council urges representatives on the Nottinghamshire County Council Pension Fund Committee and the Local Pension Board to divest any funds from companies that are complicit in Israel's reported crimes against Palestinians.

The Nottinghamshire Pension Fund should not be investing in companies that facilitate Israel's reported breaches of international law. This should include companies producing weapons and military technology used by Israel in its attacks on Palestinians; financial institutions providing investment and loans to these arms companies; and companies conducting business activity in the occupied Palestinian Territories which benefit the occupier.

The Council should also review its own strategies relating to procurement and treasury management to incorporate, wherever possible and in line with applicable legislation, the UN Principles for Responsible Investment (UN PRI) and the UN Guiding Principles on Business and Human Rights (UNGPs) for selection of suppliers, investments, financial institutions, and counterparties.

The Council should also commit to consulting with its employees with pensions held with the Nottinghamshire Pension Fund to seek their views on matters relating to the investment of their pension contributions and to present the results of the consultation to the Pension Fund.

4. Key Decision

This report is not a key decision as defined under Regulation 8 of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012.

5. Updates from Scrutiny

Not applicable.

6. Financial Implications

The comments of the Interim Deputy Chief Executive and Section 151 Officer were as follows:

Any changes to the Council's Procurement Strategy and Treasury Management Strategy must have due regard to the relevant legislation, which may preclude certain specific exemptions being applied. Any changes would need to be considered through the appropriate constitutional decision-making routes.

In terms of Treasury Management, the Council aims to be a responsible investor and will consider environmental, social and governance (ESG) aspects in its treasury management activity. ESG considerations are increasingly a factor in global investors' decision making, but the framework for evaluating investment opportunities is still developing. As such, it is not currently possible to include ESG scoring or other real-time ESG criteria at an individual investment level.

The Council does monitor ESG aspects for its treasury management activities. When investing in banks and funds, the Council prioritises those counterparties that are signatories to the UN Principles for Responsible Banking and funds operated by managers that are signatories to the UN Principles for Responsible Investment (UN PRI), the Net Zero Asset Managers Alliance and/or the UK Stewardship Code. This is set out in the approved Treasury Management Strategy Policy Statement.

7. Legal Implications

The comments from the Monitoring Officer / Head of Legal Services were as follows:

The Council's treasury management activities must conform to the Local Government Act 2003 and related regulations.

The Nottinghamshire Local Government Pension Fund is administered by Nottinghamshire County Council under the Local Government Pension Scheme Regulations. Whilst Cabinet has no power to direct investment decisions, Cabinet can express concerns, make recommendations and review Council policies and strategies, it must avoid fettering the discretion of the Local Government Pension Scheme decision makers and not require representatives to act contrary to fiduciary duties owed to scheme members.

Cabinet is responsible for executive functions not reserved to full Council, may determine the Council's response to external bodies and other authorities, has portfolio oversight in respect of resource and finance governance and may commission reviews of policy frameworks and make recommendations to full Council where required.

Any changes to the Treasury Management Strategy and/or the Procurement Strategy would need to be submitted to full Council for consideration and formal approval where required by legislation and under the Council's budget setting and policy framework.

8. Human Resources Implications

There were no comments from the Human Resources Manager.

9. Union Comments

Not applicable.

10. Climate Change Implications

Climate change implications are considered as part of environmental, social and governance (ESG) aspects in the Council's treasury management activity.

11. Data Protection Compliance Implications

This report does not contain any OFFICIAL(SENSITIVE) information and there are no Data Protection issues in relation to this report.

12. Equality Impact Assessment

As there is no change to policy at this stage, an equality impact assessment is not required.

13. Background Papers

Nil.