

Dear members of Council,

We are writing to express our frustration with your recent decision on divestment. Council's decision to continue investing in human rights abuses, fossil fuels, arms, and the financiers of these activities is profoundly disappointing. As is blatantly clear from the numerous petitions, protests, and the historic Students Union referendum, Council's decision on divestment stands in stark opposition to the values of LSE students and staff.

In the document we submitted to Council titled *Proposals for Council – Divestment from Egregious Activities* (henceforth, 'Proposals'),¹ we call for your commitment to immediate and full divestment from the four activities outlined in the *Assets in Apartheid* report (which you refer to as the PalSoc report). In Point 5.1, the Proposals call for divestment from companies involved in 1) crimes against the Palestinian people, 2) the proliferation and/or manufacture of arms, 3) those profiting from the proliferation and/or distribution of fossil fuels and 4) the financing of fossil fuel companies and/or nuclear weapons producers.

Our arguments for divestment were clearly communicated to Council through the *Assets in Apartheid* report (henceforth, 'Report'),² the Proposals, and in-person meetings with members of the Finance and Estates Committee (FEC) and the Investment Sub-Committee (ISC).³ Unfortunately, it seems that many of the arguments we presented to you have not been duly considered.

Below is our response to the *LSE Council response to calls for divestment* document attached in the School-wide email sent on 9 July 2024.⁴ This document will sequentially respond to Council's decisions on four key areas: divestment, ESG policy, governance, and transparency. Each section will address the university's respective decision and emphasise the urgency of further action on our Proposals.

¹ LSESU Palestine Society, "Divestment from Egregious Activities – Proposals for Council", June 2024. <https://lsepalestine.github.io/documents/Divestment%20from%20Egregious%20Activities%20%E2%80%93%20Proposals%20for%20Council.pdf>.

² LSESU Palestine Society, "Assets in Apartheid: LSE's Complicity in the Genocide of Palestinian People, the Arms Trade and Climate Breakdown", April 2024. <https://lsepalestine.github.io/documents/LSESUPALESTINE-Assets-in-Apartheid-2024-Web.pdf>.

³ The Proposals were shared with Council on 18 June 2024. The Report was shared with Council on 14 May 2024. Numerous meetings, throughout the months of May and June 2024, were conducted between presenters of the Report and members of the FEC, ISC and SMC.

⁴ Council, "LSE Council response to calls for divestment", July 2024. https://londonchoolofeconomicscommunications.newsweaver.com/icfiles/2/76729/311961/1336467/5d113e6fe91da1654e0600aa/lse_council_response_to_calls_for_divestment_july24.pdf.

Divestment

a. Divestment is not about expressing an “institutional political position on a ‘controversial political dispute’”

The argument for divestment is not simply “to express an institutional position on a controversial political dispute”, as stated in the Council decision.⁵ As outlined in the Proposals, divesting would mean taking seriously Council’s legal obligations, ethical investment considerations, and reputational risks to the School. This is not about political positioning, but rather a matter of adherence to international legal human rights frameworks and standards.

On 19 July 2024 the International Court of Justice (ICJ) ruled that Israel’s actions in Gaza and the West Bank, including East Jerusalem, constitute de facto annexation and are therefore illegal. Report representatives cautioned the FEC of this potential ruling during a meeting in June 2024 and advised LSE to disengage with companies involved in supporting illegal settlements and the extraction of natural resources in the Occupied Palestinian Territories. The ICJ has now formally ruled on these activities, stating that there is a duty to “take steps to prevent trade or investment relations that assist in the maintenance of the illegal situation created by Israel in the Occupied Palestinian Territory”.⁶ It appears these warnings have been entirely ignored in the response from Council.

Divestment is a crucial and actionable step for the institution to take in the interest of aligning LSE’s investments portfolio with international human rights concerns, the university’s founding purpose, and the moral compass of the LSE community.⁷ Investment and divestment are both choices that indicate the School’s position on ethical matters. Actively choosing to remain invested in illegal and discriminatory activities signifies an unacceptable indifference to Council’s responsibility, as Trustees of the Endowment, to consider the investments portfolio’s financial complicity in human rights violations.

b. There is a well-established ‘global consensus’ within the human rights community

Council states that there is “a well-established global consensus on the necessity of transitioning from fossil fuels to other forms of energy.” Here, ‘global consensus’ is cited as the standard required to justify divestment. We ask again how adherence to UN resolutions and ICJ rulings is

⁵ Council, “LSE Council response to calls for divestment”, July 2024. Page 5.

https://londonschoolofeconomiccommunications.newsweaver.com/icfiles/2/76729/311961/1336467/5d113e6fe91da1654e0600aa/lse_council_response_to_calls_for_divestment_july24.pdf.

⁶ Legal Consequences Arising from the Policies and Practices of Israel in the Occupied Palestinian Territory, including East Jerusalem (Advisory Opinion) 2024
<<https://www.icj-cij.org/sites/default/files/case-related/186/186-20240719-adv-01-00-en.pdf>> accessed 20 July 2024 [74 - 76]. Page 76.

⁷ In Point 3.1, the Proposals set out numerous ways in which the LSE community has vocalised its demands for divestment. LSESU Palestine Society, “Divestment from Egregious Activities – Proposals for Council”, June 2024. <https://lsepalestine.github.io/documents/Divestment%20from%20Egregious%20Activities%20%E2%80%93%20Proposals%20for%20Council.pdf>.

seen primarily as a political position rather than a reflection of global consensus. It appears that LSE prioritises the political positions of specific states – namely, Israel, the United States, and the United Kingdom – over the ‘global consensus’.

We disagree with the notion that a “well-established global consensus” exists only in the context of fossil fuels, but not in response to human rights violations against Palestinians. There is a global consensus on the illegality of Israel’s treatment of the Palestinian people that has clearly been expressed by experts and leading organisations in the human rights community, from Amnesty International to Israel’s B’tselem.⁸ Indeed, the UK Government, in a statement made by UK Political Coordinator Fergus Eckersley at the UN Security Council meeting reiterated its “long-standing position remains unchanged: we oppose settlements, which are illegal under international law, and call on Israel to cease and reverse its policy of supporting their expansion”.⁹

c. We are not asking for blind divestment from Israel

It is a gross misrepresentation to claim that the Proposals, based on the findings of the *Assets in Apartheid* report, call for blind divestment from all “companies that do business in or with the state of Israel”.¹⁰ Appendix B of the Report meticulously details the specific crimes against the Palestinian people for each company included in the Report. The sources and databases used to identify corporations complicit in specific violations of Palestinian rights are clearly cited and their genealogy explained in Appendix A.¹¹ One such report is the *Office of the High Commissioner for Human Rights (OHCHR) 2023 Report*, which lists business enterprises involved in illegal Israeli settlement activity.¹² LSE invests in 4 companies on this list. This report also cites the *Don’t Buy into Occupation, European Financial Institutions’ Continued Complicity in the Illegal Israeli Settlement Enterprise* report¹³, which uncovers European financial institutions providing financial services to the business enterprises listed in the OHCHR document. LSE invests in 19 of the top creditors and investors listed. As the *Don’t Buy into Occupation* report notes: “investments in a company generally support the company in its

⁸ The *Assets in Apartheid* report cites reports from the UN Human Rights Council (authored by two UN Special Rapporteurs, John Dugard and Francesca Albanese), Amnesty International, B’tselem, Al-Haq, the Al Mezan Center for Human Rights, and many more. LSESU Palestine Society, “Assets in Apartheid: LSE’s Complicity in the Genocide of Palestinian People, the Arms Trade and Climate Breakdown”, April 2024. Page 16.

⁹ FCDO and Fergus Eckersley, “The security situation in the West Bank and Occupied Palestinian Territories continues to deteriorate: UK statement at the Security Council”, June 2023.

¹⁰ Council, “LSE Council response to calls for divestment”, July 2024. Page 5.

¹¹ LSESU Palestine Society, “Assets in Apartheid: LSE’s Complicity in the Genocide of Palestinian People, the Arms Trade and Climate Breakdown”, April 2024. Page 53.

<https://lsepalestine.github.io/documents/LSESUPALESTINE-Assets-in-Apartheid-2024-Web.pdf>

¹² LSESU Palestine Society, “Assets in Apartheid: LSE’s Complicity in the Genocide of Palestinian People, the Arms Trade and Climate Breakdown”, April 2024. Page 53.

<https://lsepalestine.github.io/documents/LSESUPALESTINE-Assets-in-Apartheid-2024-Web.pdf>

¹³ Don’t Buy into Occupation, “European Financial Institutions’ Continued Complicity in the Illegal Israeli Settlement Enterprise”, 11 December 2023

entirety, investing in a company connects the investor to all the company’s activities, and consequently to all the adverse impacts of these activities”.¹⁴

The *Assets in Apartheid* report comprehensively outlines where and how LSE’s financial relationships are linked to entities engaging in human rights violations against the Palestinian people. Council’s decision on divestment reads as an outright dismissal of LSE’s responsibility, legal and otherwise, to cease financing these crimes.

d. Our Divestment demands:

We urge Council once again to commit to immediate divestment. As outlined in Point 5.1 of the Proposals, we are requesting that the School divest from the following:

“5.1.a. Companies involved in crimes against the Palestinian people, including divestment from:

- 5.1.a.i. Companies that are profiting from the genocide in Gaza;
- 5.1.a.ii. Companies that work with and/or supply the Israeli military;
- 5.1.a.iii. Business enterprises listed by the Office of the High Commissioner for Human Rights as involved in illegal settlement activities;
- 5.1.a.iv. European financial institutions that are investors and/or creditors in business enterprises listed by the Office of the High Commissioner for Human Rights as involved in illegal settlement activities;
- 5.1.a.v. Companies involved in resource extraction and/or operations in the Occupied Palestinian Territory.

5.1.b. Companies involved in the proliferation and/or manufacture of arms.

5.1.c. Companies that are profiting from the extraction and/or distribution of fossil fuels.

5.1.d. Companies involved in financing fossil fuel companies and/or nuclear weapons producers.”¹⁵

ESG Policy:

a) The current ESG Policy is insufficient and ineffective

We appreciate that Council has reviewed its present investments and determined that the School is in compliance with its existing policy. However, as per the *Assets in Apartheid* report, we maintain that LSE “currently invests in companies that violate the *ethos* of its ESG policy”.¹⁶ It is

¹⁴ Don’t Buy into Occupation, “European Financial Institutions’ Continued Complicity in the Illegal Israeli Settlement Enterprise”, 11 December 2023. Page 14.

¹⁵ LSESU Palestine Society, “Divestment from Egregious Activities – Proposals for Council”, June 2024. See Point 5.1 “Divestment”.

¹⁶ LSESU Palestine Society, “Assets in Apartheid: LSE’s Complicity in the Genocide of Palestinian People, the Arms Trade and Climate Breakdown”, April 2024. Page 6. Emphasis added.

a troubling indictment of LSE’s current Environmental, Social, and Governance (ESG) policy that the analysis of the investments portfolio finds £89 million in the four categories of egregious activities. As a result, the Report’s fourth section, “How Does LSE Explain its Investment Decisions?”, outlines the stark deficiencies and ambiguities in the current ESG policy.¹⁷ The subsection, ‘Defining Responsible Investment’ sets out how LSE defines responsible investment, and then details how this does not translate into a substantive ESG policy.¹⁸ It draws attention to how the ESG policy allows for various loopholes—particularly with regards to human rights violations—through vague language, a lack of metrics and accountability, and an outdated distinction between indirect and direct investments.

In the “Immediate Actions and Next Steps” section of the Report, and later in the Proposals (following discussions with members of the ISC and FEC),¹⁹ we outlined precisely how LSE can change its current ESG policy to improve its investment practices and adopt a more ethical approach. The obsolete distinction between direct and indirect investments upheld in the ESG policy requires immediate correction. In its response to divestment, Council has not made an explicit commitment to these crucial ESG changes and we strongly urge they be prioritised in the upcoming ESG review.

b) The ESG Policy review fails to consider all four egregious activities

It is deeply worrying that Council is unwilling to consider, as part of the upcoming ESG review, investments in companies linked to international humanitarian and human rights law violations, such as Israel’s crimes against the Palestinian people. Council’s response has further dismissed the crucial question of financiers of human rights violations and other egregious activities.²⁰

LSE’s upcoming ESG review should adopt exclusionary criteria around violations of international humanitarian and human rights law. Corporations profiting from the genocide in Gaza, the ethnic cleansing of Palestinians, and Israel’s military occupation and settlements in the Occupied Palestinian Territory are actively facilitating operations that contravene these laws. We remind Council that, as per Point 3.6 of the Proposal, the fiduciary duty of Council is not legally compromised by considering ethical factors. In the *Susan Butler-Sloss & Others v Charity Commission* [2022] EWHC 974 ruling, the court affirmed that a charitable trust fulfils its fiduciary duty in cases when it adopts an investment policy with ethical considerations.

¹⁷ LSESU Palestine Society, “Assets in Apartheid: LSE’s Complicity in the Genocide of Palestinian People, the Arms Trade and Climate Breakdown”, April 2024. See section 4.1 Defining Responsible Investment on Page 32.

¹⁸ This clarification is directly in response to Larry Kramer’s document ‘LSE’s Response to “Demands from the Student Voice”’ (sent on June 20). Kramer claims “the PalSoc report is confusing, [...] in places seeming to conflate claims about current investment policy with claims about what the report’s drafters believe that policy should be”. Page 10.

¹⁹ LSESU Palestine Society, “Divestment from Egregious Activities – Proposals for Council”, June 2024. See Point 5.3.

²⁰ Council, “LSE Council response to calls for divestment”, July 2024. https://londonchoolofeconomicscommunications.newsweaver.com/icfiles/2/76729/311961/1336467/5d113e6fe91da1654e0600aa/lse_council_response_to_calls_for_divestment_july24.pdf. Point 7.5.

Furthermore, the court emphasised that trustees' power to invest must not be in conflict with the charities' purpose. The decision to not address LSE's ties to crimes against the Palestinian people on the grounds that it would hinder the School from addressing "many other [conflicts] of concern to various groups within the LSE community" is baffling.

LSE must work to put an end to its investments in institutions providing financial services to companies engaging in egregious activities. As stated in Point 3.11 of the Proposals, along with 20 other UK universities, LSE is already considering changing its relationship to banks financing fossil fuel expansion projects when it comes to the asset managers and fund managers. The coalition is threatening to stop banking with institutions which do not take stronger actions to expedite the Net Zero transition. Why would a university, which recognises the importance of targeting banks to achieve Net Zero, not consider similar ethical considerations in relation to human rights violations regarding the financial institutions it invests in? We strongly urge LSE to reconsider its stance and to include these companies in the review of its ESG exclusions.

Despite all this, we appreciate that Council agrees to revise the ESG policy with regard to arms and fossil fuels. In particular, it is important for Council to acknowledge that the current definition of "indiscriminate arms manufacture" is inadequate and fails to include indiscriminate arms such as chemical weapons, nuclear arms, and white phosphorus.

c) The ESG Policy review is welcome but immediate divestment is still needed

We welcome Council's support for the proposed accelerated review of the ESG Policy to Autumn Term 2024.²¹ Whilst revising the ESG policy is necessary for long-term change, it cannot substitute immediate divestment. Regarding investments in arms and fossil fuels, Council's decision asserts that "further modifying our practice as regards [to] these industries does not comparably entail taking sides in an ongoing controversial geopolitical conflict". Waiting for the ESG review to take place, which may not conclude until the end of Spring Term 2025, is unacceptable. We are deeply concerned that Council is willing to continue investing in arms companies, such as Boeing, until the completion of the ESG policy review. We have, on numerous occasions, underscored the urgency of divestment. As an example, Boeing currently supplies the F-15 fighter jets used in the genocide in Gaza. As expressed to members of the FEC and ISC, both immediate divestment and meaningful ESG changes – regarding all four egregious activities – are necessary and feasible.

²¹ LSESU Palestine Society, "Divestment from Egregious Activities – Proposals for Council", 18 June 2024. See Point 5.3.
<https://lsepalestine.github.io/documents/Divestment%20from%20Egregious%20Activities%20%E2%80%93%20Proposals%20for%20Council.pdf>.

d) Our ESG demands:

As such, we reiterate the Proposals' crucial demands on reforming the ESG policy below:

“ESG Policy. LSE commits to revising the ESG policy starting September 2024 and will:

5.3.a. Actively include a wide range of relevant stakeholders in its drafting. This includes students and staff (e.g. LSE SU, UCU, UNISON, UNITE); LSE-based and external experts in human rights, environmental justice, and business and human rights (e.g. LSE Human Rights, Grantham Institute, SOMO Centre for Research on Multinational Corporations);

5.3.b. Change the exclusion criteria from ‘indiscriminate’ arms to the proliferation and manufacture of arms;

5.3.c. Equally apply the ESG policy to indirect and direct investments;²²

5.3.d. Expand exclusion criteria to companies involved in illegal activities, specifically including business activities that violate International Humanitarian Law and human rights law including the UN database of business enterprises involved in activities related to settlements in the Occupied Palestinian Territory.”

Governance:

a) Provide meaningful opportunities for input in the ESG Policy review

In Council's decision on divestment, it remains unclear to what extent staff and students will have “meaningful opportunities for input” in guiding the School's investment practices. What does this input look like? And what makes it meaningful if Council claims “determining investment policy and endowment management is a fiduciary and not a democratic process”? This position expressed in Council's decision is precisely why the *Assets in Apartheid* report emphasises the “democratic deficit in how LSE manages its investments portfolio”.²³ We urge Council to consider LSE students and staff as relevant stakeholders who, in line with Point 5.3.a. of the Proposals, ought to be *actively consulted* in the drafting process of the ESG policy.

We would further remind the Council that in Point 5.3.a. of the Proposals, it was explicitly proposed that advisors in the ESG policy review hold expertise in human rights, climate justice, and business and human rights (e.g. LSE Human Rights and SOMO Centre for Research on Multinational Corporations). By leaving the advisors' expertise undefined in the proposed ‘Task

²² As outlined in the OCHR UN Expert Statement, *both* direct and indirect investments in corporations such as BAE Systems, Lockheed Martin, and General Dynamics could constitute violations against international human rights law, urging States and institutions to “stop transfers immediately”. Moreover, the statement also holds accountable the role of financial institutions, such as JP Morgan Case. OCHR, “States and companies must end arms transfers to Israel immediately or risk responsibility for human rights violations: UN experts” 20 June 2024. <https://www.ohchr.org/en/press-releases/2024/06/states-and-companies-must-end-arms-transfers-israel-immediately-or-risk>.

²³ LSESU Palestine Society, “Assets in Apartheid: LSE's Complicity in the Genocide of Palestinian People, the Arms Trade and Climate Breakdown”, April 2024. Page 45.

Force', there is a risk that LSE will select advisors who will not adequately account for the impact LSE's investments may have on human rights and climate breakdown. We request clarification on who will be part of this task force and how they will be selected.

b) The Investment Sub-committee must include human rights and climate justice expertise

Council's decision on the ESG Policy review does not include any decision on whether the ISC will include positions for experts in human rights and climate breakdown. We maintain that institutional change of the ISC, in the form of meaningful representation, is important for the long-term consideration of human rights violations in investment practices. As revealed in a recent FOI request, the Governance Committee in a meeting on 5 February 2024 recommended that Council increase the number of External member positions in the ISC from 4 to 5. Please clarify whether the Governance Committee will appoint an expert in human rights and climate breakdown to this position.

c) Our Governance demands

As stated in our Proposals, we are asking Council to "establish accountability mechanisms and reconfigure investment governance to ensure democratic and ethical oversight via the following commitments":

- 5.4.a. Incorporate experts on human rights and climate breakdown through an expansion and/or reconfiguration of Investment Sub-Committee membership
- 5.4.b. Establish a reporting system whereby LSE members can register potential violations of the ESG policy and other instances of fund mismanagement;
- 5.4.c. Institutionalise regular feedback loops between the ISC and key LSE stakeholders (e.g. LSE Human Rights, Grantham Institute, the Student Union, and UCU) concerned with LSE's responsible investment practices and compliance.

Transparency:

a) Private equity investments are not transparent

During discussions with the ISC and the FEC, it was noted that the funds managed by the private equity firm Mercer lack transparency, even to LSE's financial advisors.²⁴ Private equity is notoriously opaque.²⁵ The information on the two holdings that LSE has with the asset manager Mercer is not publicly available (unlike LSE's other investments). As a result, these funds could

²⁴ The Mercer holdings were not publicly available to the researchers of the LSE Palestine Society at the time of writing *Assets in Apartheid*. As such, the £89 million invested in companies engaging in egregious activities should thus be read as a minimum. As outlined in LSESU Palestine Society, "Assets in Apartheid: LSE's Complicity in the Genocide of Palestinian People, the Arms Trade and Climate Breakdown", April 2024. Page 46.

²⁵ Gilligan, J. and Wright, M. (2020) *Private Equity Demystified: An Explanatory Guide*. Oxford University Press.

not be investigated as part of the *Assets in Apartheid* report. We therefore question LSE's ability to confidently assert that its assets are "in full compliance with its ESG policy."

b) Define transparent investment practices

We appreciate the Council's shared aspiration for full, accessible transparency in investment practices. Council's revised commitment around transparency and accessibility must explain clearly, publicly, and effectively LSE's investment practices and investment policies. In the interest of such renewed commitment to transparency, Council must carefully and clearly set out what it considers 'feasible' transparency. We remind Council that members of the ISC had previously expressed a commitment to 'radical' transparency to report representatives in a meeting on 7 June.

Throughout meetings with both FEC and ISC members, report representatives have highlighted two major shortcomings of how our university currently publishes its investments portfolio: 1) for bond holdings, LSE does not list, in full, the name of the company in which they have a holding and 2) for mutual fund investments, LSE does not list what company holdings are held within each mutual fund holding. This makes it tricky to understand how LSE invests at an entity level. We believe both of these shortcomings can *feasibly* be addressed by the university as we have seen at other universities, such as Imperial College London.²⁶ A full list of calls to action on making endowment holdings more accessible and transparent to the LSE community can be found in the *Assets in Apartheid* report.

c) Our Transparency demands

As per our Proposals we are asking LSE to "ensure accessibility and public accountability of its investments portfolio, and commit to":

- 5.2.a. Institutionalising dedicated quarterly checks and reports with the LSE Asset Managers to review investments' compliance with LSE's ESG policy;
- 5.2.b. Publishing the full name of the bond issuers in the publication of the investments portfolio;
- 5.2.c. Publishing the full name of all companies held within mutual funds and link to the annual reports of all mutual funds;
- 5.2.d. Releasing all information on funds managed by Mercer;
- 5.2.e. Producing a public annual report communicating relationships with companies at the entity level (explicitly tied to holdings).

²⁶ As outlined in both the *Assets in Apartheid* report, and the Proposals, such transparency measures are already implemented by LSE's competitors such as Imperial College London (Page 46). Imperial lists all companies, whether invested directly or indirectly, when reporting their Endowment Fund holdings.

Conclusion

Throughout the past academic year, students and staff have spent significant time researching and reporting on how LSE can sever financial ties with companies involved in egregious activities, such as the ongoing genocide in Palestine. Council's recent decision on divestment, therefore, is deeply frustrating. It also misrepresents many of the arguments made by representatives of the *Assets in Apartheid* report. We hope this document helps clarify the arguments presented to you and ask that Council reconsider our Proposals at the next Council meeting alongside the clarifications we have provided here. Most urgently, Council must reconsider its decision on divestment and include human rights violations and the financiers of such egregious activities as part of the upcoming ESG review.

Sincerely,

LSESU Palestine Society