
LSE Council response to calls for divestment

The members of Council wish to begin by expressing appreciation for the hard work and extensive efforts made by the authors of the LSE Students' Union Palestine Society report, as well as by members of the Council's Investment Subcommittee and Finance and Estates Committee and others who provided input for the decisions Council makes today. None of these decisions is easy or obvious. The relevant considerations are many and complex, comprised of overlapping and intersecting questions of ethics and morality, the role and nature of the university, the fragility of the academic freedom that lies at its core, and the intricacies of endowment management. Council recognizes, as well, the deep impact of the ongoing violence and humanitarian crisis in Israel and Palestine on so many people in the region and in our own community. With all these considerations in mind, and cognizant of our responsibility to act on behalf of the entire LSE community, both present and future, we have carefully considered how best to address the issues raised regarding LSE's endowment and investment practices. Our conclusions are below.

Background

1. On 14 May 2024, the LSESU Palestine Society (PalSoc) delivered to the School Management Committee (SMC) a 116-page report entitled "Assets in Apartheid." The report asks for reforms in the governance and transparency of LSE's endowment and other investments and calls for immediate divestment "from all companies involved in crimes against the Palestinian people; extraction and/or distribution of fossil fuels; proliferation and/or manufacture of arms; and financing fossil fuel companies and/or nuclear weapons producers."

1.1. The issuance of the report was accompanied by a protest in the form of an encampment on the ground floor of the Marshall Building, followed by additional demands. The other demands were addressed by SMC, which agreed to some and rejected others.

1.1.1. Agreements included £250,000 for Palestinian scholars at risk and £250,000 in scholarship support for students from Palestine who have been displaced by the war and the destruction of their universities; support for an interdepartmental academic programme focused on Palestine; cultural awareness training for LSE staff responsible for enforcing the U.K. government's Prevent duty; and an end-to-end review of the event planning process to improve operations and decision making around "risk spotting" and to ensure that it is carried out in an unbiased manner.

1.1.2. SMC did not agree to demands calling for the School to take institutional positions on the Israeli-Palestinian conflict, to boycott Israel, and to publicly condemn specified individuals.

1.2. As investment policy and endowment management are fiduciary responsibilities of the LSE Council (Council), they are outside the authority of either SMC or the LSE Academic Board. Council agreed to consider the demands in the PalSoc report through its regular processes. It further agreed to hear directly from the report's authors as part of the process.

1.3. Following Council's established procedures, the PalSoc report was considered first by the Investment Subcommittee (ISC) of the Finance and Estates Committee (FEC), which reviewed the demands for accuracy and feasibility and conveyed its conclusions to FEC. FEC then reviewed the ISC report in light of all the issues raised in the PalSoc report and made recommendations to Council.

1.3.1. ISC met on 28 May and FEC on 11 June. Members of ISC and FEC met with members of PalSoc twice between these meetings, and five representatives from PalSoc presented the PalSoc report to FEC. FEC then appointed a sub-group, which met with PalSoc representatives a fourth time to obtain further clarity on the facts and arguments before making its recommendations to Council.

1.3.2. Although unsolicited, various other parties wrote to Council both supporting and opposing PalSoc's demands. The members of Council were provided with this additional information for their consideration.

1.4. These matters were included on the agenda for Council's meeting of 25 June, to which Council also invited the chair of ISC and outside legal counsel. Council gave the issues thorough deliberation.

The issues

2. There was discussion about whether LSE is properly following its current ESG policy. With advice from the chairs of ISC and FEC, Council reviewed its present investments and investment practices carefully and determined that the School is in full compliance with existing policy. The questions under consideration are thus whether and, if so, how to change that policy.

3. The discussions leading up to Council's meeting were valuable in helping to clarify and focus the issues. Based on these discussions, the following questions were addressed by Council at the meeting:

3.1. Whether and, if so, how to make information about LSE's investments and endowment more publicly transparent and accessible.

3.2. Whether and, if so, how to change or modify LSE's current ESG policy, including both its substance and the governance procedures for its administration.

3.3. Whether to divest holdings and prohibit future investment in companies involved in—as set forth in the PalSoc report—(i) “crimes against the Palestinian people”; (ii) “the extraction

and/or distribution of fossil fuels”; (iii) “the proliferation and/or manufacture of arms”; and (iv) financing the above.

3.3.1. PalSoc and its supporters ask that Council divest or issue a clear statement of intent to divest immediately. In their meetings with FEC and the FEC subgroup, PalSoc’s representatives argued that because global attention on these issues is presently so high, immediacy is needed to maximize the persuasive and political impact of a decision to divest.

Decisions

4. On the matters of transparency and accessibility: Council fully supports making LSE’s investments and endowment holdings as transparent and accessible as feasible.

4.1. Feasibility is affected by certain factors outside LSE’s control. In some instances, the information LSE can disclose may be limited by law or fiduciary obligations. In other instances, industry practice may limit the information LSE can obtain. For example, it is common practice for venture and private equity fund managers to sign non-disclosure agreements with entities in which they invest or to require such agreements from those who are invited to invest with them. Where this is the case, LSE will only be able to disclose as much information as it can obtain and is permitted to share.

4.2. Further work will be necessary to determine how to implement a new transparency and accessibility commitment. This includes answering questions about how much information we can disclose, in what form we should disclose it, how often the information can or should be updated, and how and to whom access is allowed.

4.3. Answering these questions can be done independently of a broader review of the School’s ESG policy and should begin as soon as possible. The process will be managed by ISC. To ensure best results, ISC will consult with both members of our community (including the authors of the PalSoc report) and external advisors.

5. On the matter of reviewing the School’s ESG policy: Council supports undertaking a comprehensive review of the policy beginning Autumn Term 2024 and finishing no later than end of Spring Term 2025.

5.1. The School’s last review of its ESG policy was completed in Autumn Term 2022, with a subsequent review scheduled for 2026. Given the strong interest expressed in the policy, Council believes it appropriate to undertake this review sooner.

5.1.1. Except as limited in paragraphs 6 and 7 below, the review will encompass both questions regarding LSE’s investment policies and practices and appropriate arrangements for ongoing governance and oversight.

5.2. Determining investment policy and endowment management is a fiduciary and not a democratic process. Decision-making authority must as a matter of law remain with Council, and Council's decisions must be made independently, with consideration of both the present and future needs and interests of the university.

5.2.1. Authorized actions must be for the purpose of furthering the charitable and corporate objective specified in LSE's Articles of Association, which is "to advance education, learning, and research for the public benefit."

5.2.2. In making decisions about investment policy and endowment management, Council consults with and takes advice and input from other sources it deems relevant. In the past, Council has always relied on input from both outside advisors with expertise in investment practice and the LSE community, in the latter case through Town Hall meetings.

5.3. Given widespread interest in the School's ESG policy across the LSE community, Council will, in addition to these established practices, create a Task Force to gather input, offer advice, and help inform the larger community about our investment policies and endowment management practices.

5.3.1. Terms of Reference for the Task Force, including both membership and procedures, will be determined in the coming summer months. The Task Force will include members with relevant expertise (e.g., from the Grantham Institute), as well as representation from LSE's students and academic and professional service staff.

5.4. The ESG review process will be designed in such a way that the School can begin implementing changes to its investment policy as decisions are reached on particular matters, without having to wait for final decisions on every issue to begin implementation on any.

6. Turning to the matter of divesting from and/or prohibiting future investment in specified categories of companies, two convictions have framed Council's deliberations:

6.1. First, Council strongly supports and embraces the principle articulated in President Kramer's answer of 20 June to the student demands: To preserve free expression and thought on campus and protect the academic freedom of all our faculty and students, the School should not and will not take institutional positions on controversial political disputes. The compelling reasons that support this principle are well stated in President Kramer's answer and need not be repeated here.

6.1.1. This principle applies not just to verbal or written statements and boycotts but also—and equally—to decisions to divest or change investment practices.

6.1.2. This does not mean that LSE will never decide to change investment practices for reasons other than maximizing financial returns. It will not do so, however, if the reason for

and/or primary effect of such action is to express an institutional position on a controversial political dispute.

6.2. Second, Council will not make any immediate decisions to modify or limit our investment practices or policies with respect to any specified category of existing or potential investments. Such decisions should be made through the ESG review process described in paragraph 5.

6.2.1. The endowment is a precious and critical resource for the School's present and future. It provides essential support for core operations, including student financial aid, faculty research, and faculty and staff salaries and benefits. Actions that risk impairing or reducing its value have significant implications for the work of students, faculty, and staff and should not be made without a thorough analysis of the potential consequences.

6.2.2. The risks associated with acting hastily are especially great given the complexity of endowment management and the outsized consequences an erroneous decision in the present could have on the resources available to students and staff in the future.

6.2.3. While circumstances could arise in which, notwithstanding these risks, it is necessary or appropriate to act quickly, such circumstances do not include wanting to amplify a political position for its potential impact on others.

7. Applying these principles to the categories for divestment identified in the PalSoc report, Council concludes as follows:

7.1. The School will not adopt an investment policy of identifying and divesting from companies that, as the PalSoc report puts it, "are involved in crimes against the Palestinian people," which the report makes clear means companies that do business in or with the state of Israel. As clearly indicated in both the PalSoc report and our discussions with the report's authors, the expressed purpose and inescapable effect of such a policy is to have the School take an institutional position on one side of the Israeli-Palestinian conflict—an ongoing geopolitical dispute with many complex dimensions as to which members of our community hold a wide range of views and positions.

7.1.1. Rejecting this demand is consistent with our current ESG policy, LSE's Code of Practice on Free Speech, and the principle described in paragraph 6.1. Council recognizes that some in our community would make an exception to the principle here, but our considered judgment is that the School should adhere to existing policy given the consequences of a contrary decision for LSE's primary mission and the impossibility of distinguishing this conflict from so many others of concern to different groups within the LSE community.

7.2. A different calculus applies when it comes to reconsidering our investment policy with respect to fossil fuels and arms. Further modifying our practice as regards these industries

does not comparably entail taking sides in an ongoing controversial geopolitical conflict. There is a well-established global consensus on the necessity of transitioning from fossil fuels to other forms of energy, while modifying our investment screen as to arms takes no one's side.

7.3. With respect to fossil fuels, Council does not perceive any difference between the goal of LSE's current ESG policy and the goal expressed in the PalSoc report, both of which aim to reduce greenhouse gas emissions in line with the goals of the Paris Agreement.

7.3.1. What disagreement exists is tactical: whether the approach adopted under our present ESG policy—which is guided by the Grantham Institute's Transition Pathway Initiative (TPI) tool—is effective, or whether a different approach would do better. This is a question that can and should be explored in the upcoming ESG review process.

7.4. With respect to arms, LSE's current policy is to avoid investing in companies engaged in "indiscriminate arms manufacture," which was intended and has been understood narrowly to comprise only cluster bombs and land mines, leaving out other weapons classified as indiscriminate, as well as conventional military and non-military arms.

7.4.1. Whether and, if so, how broadly to modify our ESG policy as regards arms can and should be addressed in the policy's upcoming review. Many options exist that warrant careful consideration for impact, feasibility, and consistency with the principle articulated in paragraph 6.1.

7.5. Finally, given how financial institutions continuously shift their investment portfolios, Council rejects as infeasible the request to divest from companies that provide financial services for the above activities. In our highly complex, interconnected global financial system, financial institutions' positions, investments, and assets change regularly and with dizzying speed. Managing an investment portfolio that requires avoiding or divesting from a continually changing list of financial institutions simply cannot be done in a way that fulfils our fiduciary responsibilities to the organisation or meets our broader ESG goals.

Conclusion

We know that some members of our community will be disappointed by some of today's decisions, particularly those who have publicly advocated for divestment. We recognize that the request for divestment reflects their deep concern for the human suffering, death, and destruction being endured by the people of Gaza. No one can be indifferent to this, whether they believe the war is justified or not. But we also firmly believe that the decisions Council has made today about LSE's investment practices are right ones for the School, consistent with our fiduciary responsibilities to the present and future of the LSE community.

These decisions reflect our belief that the institution as such should not take positions on global controversies of intense interest and ongoing debate and disagreement within our community.

To do otherwise is to undermine our effort to create an environment in which every LSE student and every LSE staff member will feel included and able to speak freely and so encouraged to bring their best self to their work and studies.

We expect debate and disagreement to continue, and Council will continue to protect protest and criticism—so long as it does not cross the line into harassment or hate and does not impede the teaching, research, and learning opportunities of others. Debate and disagreement are to be expected in an intellectually and ideologically diverse community like ours, and safeguarding it is a paramount reason for our conclusions.