NFLA Policy Briefing No.217

Date: 9th September 2021
Subject: Divestment – should Local Authority Pension Funds seek to divest from fossil fuels and arms / nuclear weapon investments?

i. Overview of report

This Policy Briefing has been developed by the NFLA Secretariat and it considers a parallel discussion that has taken place on two issues of interest to many of its member authorities – lobbying and encouraging Local Authority Pension Funds to consider divesting some of their funds from core investments in either fossil fuels, as part of commitments to tackling the climate emergency; and divesting funds invested in arms manufacturers, and particularly those who are involved in the production and maintenance of nuclear weapons.

This is not just a national debate, but very much an international debate. It does not just include Local Authority Pension Funds, but a widespread divestment movement is lobbying other public bodies like universities, central governments, faith groups, as well as large private companies, banks and financial institutions. Almost 75% of UK & Ireland Councils have passed climate emergency resolutions, with some including proposed divestment from fossil fuels. A number of Councils have also passed resolutions seeking divestment from investments in companies involved with nuclear weapons and other weapons of mass destruction. Divestment in this area, led by a wide coalition of civil society groups focuses not just on this matter but also at challenging banks and finance companies to develop policies that include not providing financial support to weapons companies.

This report will look at some of the core issues and challenges around divestment, whether it is an effective and useful policy instrument for positive change and looks at some examples of it in the UK and around the world.

1. Introduction – what is divestment?

Divesting is the process of reducing the exposure to a company, financial institution or pension fund to an asset so as to achieve specific financial, political or social goals. This could be done through selling the asset entirely or part closure of the position.

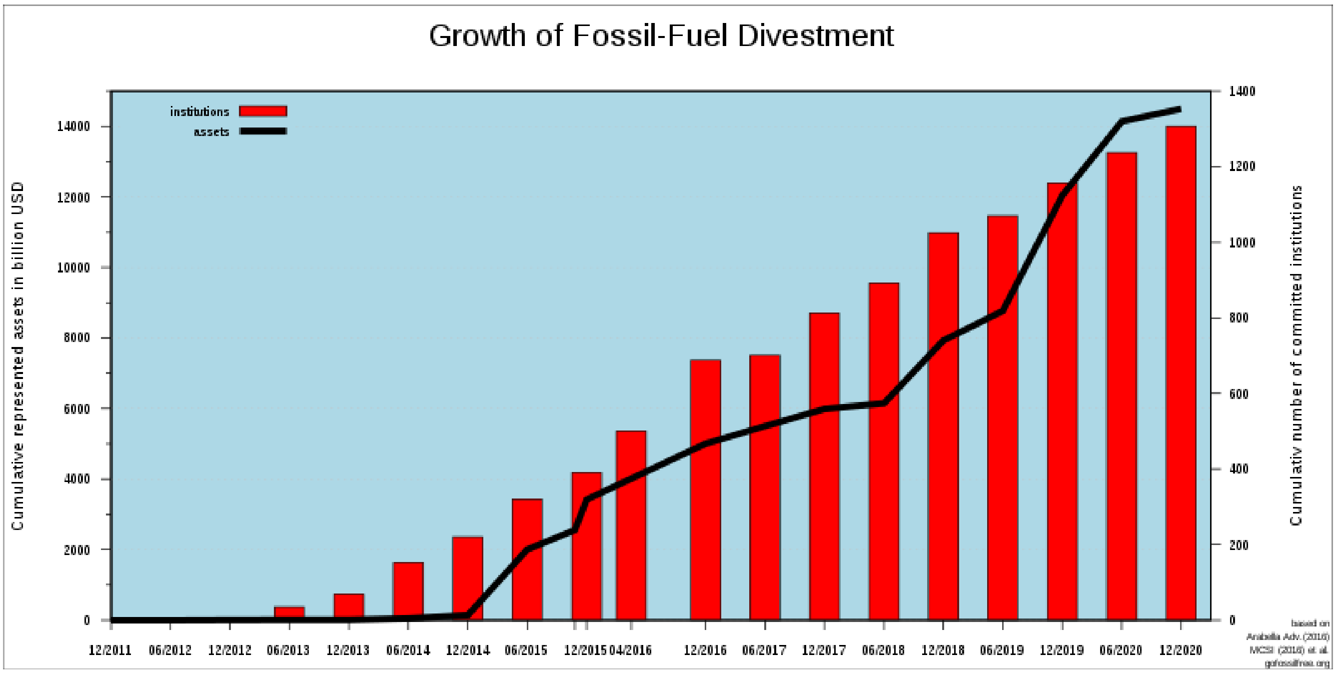
Although divestment is commonly used to refer to the downsizing of a business, more recently the term has been used to describe the strategy of both institutional and individual investors to dispose of some assets for moral, political and ethical reasons. (1) This report will be focusing on the divestment campaigns that see Local Authority Pension Funds reduce their investment or exposure in fossil fuels and weapons of mass destruction for such type of reasons.

There have been divestment campaigns going back decades, sometimes over specific national issues, such as had occurred in the international campaign to encourage divestment from South African companies in the battle to challenge the system of apartheid, but more often it will be over discouraging or removing controversial investments in the likes of fossil fuels, arms companies / weapons of mass destruction, tobacco, gambling, alcohol and so forth. There are large and well-organised coalitions involved in this work; and increasing public support over such activity.

2. **The rapid growth of the divestment movement**

The campaign for fossil fuel divestment is currently by far the largest internationally of these movements, and one of the most effective. A recent April 2020 study found that a total of 1,192 institutions and over 58,000 individuals, with investments representing $14 trillion in assets worldwide, have decide to divest such amounts from fossil fuels alone. (2) The campaign for divestment from nuclear weapons and other weapons of mass destruction is a smaller campaign by comparison, but nonetheless broad and global in scope. It has also had some real success, as noted later in this report.

This table from ‘Go Fossil Free’ shows the rapid growth in fossil fuel divestment in just a decade, from virtually zero in 2011: (3)



Divestment from fossil fuels has increasingly become seen as a possible policy instrument in the global campaign to mitigate the damage of climate change and move towards a ‘zero carbon’ economy. By focusing on investors, divestment provides a tool to pressurise companies that campaigners are targeting. Corporations depend on investment from banks and other financial institutions. If this investment dries up because the company is involved in a particular harmful activity, an incentive is created for the company to cease that activity.

Focusing on the investor-company relationship can also highlight the unethical nature of the activity concerned. For example, during the current crisis over Taliban forces taking control in Afghanistan, divestment campaigners pointed out that the share prices of all core defence companies had increased significantly over the course of the war, demonstrating how arms companies can profit from political instability and conflict. With the entry into force of the Treaty on the Prohibition of Nuclear Weapons in January 2021, many civil society groups see tackling the companies involved in nuclear weapons production, as well as the banks and financial institutions that support them, as being a key lever of the campaign for global nuclear disarmament.

From the perspective of local government, the financial clout of local authority pension funds is an important part of why divestment campaigns have increasingly started to focus on them in the past decade. Local councils in the UK manage pension funds worth over £230 billion. Around £10 billion of these funds are invested in fossil fuels. (4) Whilst complete figures for the whole of the UK are not available, the group Don’t Bank on the Bomb Scotland’ estimate the 11 Local Authority Pension Funds in Scotland have £275 million in companies working on the development of nuclear weapons. (5)

In terms of the climate change debate, the size and reach of Local Authority Pension Funds means they could play an important role in encouraging zero carbon projects at the local level, assisting their Councils in finding some of the budget to support their local climate emergency ambitions. In the parallel debate over funds invested in arms and defence companies, the argument can be made that financial investments by pension funds in such companies indirectly contributes to an increase in violence and instability in the world, with innocent civilian populations indirectly impacted by the support of this sector.

2. The climate emergency and divestment

The renewed interest in divestment has been sparked by the dramatic interest virtually all councils have recently taken in tackling climate change. As NFLA reports have noted, tackling the climate emergency has become one the core challenges in local government, as they realise how important their role is for providing local delivery of zero carbon projects and policies, encouraging behavioural change and inspiring all areas of the community to decarbonise.

NFLA's latest report on tackling the climate emergency in the post-pandemic era notes that over 300 Local Authorities, or around 75% of local authorities in the UK and Ireland, have passed climate emergency resolutions calling on dynamic decarbonisation policies over the next 2 – 3 decades. (6)

A significant number of those resolutions included an express mention of seeking to encourage divestment from fossil fuel investments of their Council Pension Funds. For example, Manchester City Council's climate emergency resolution included:
"Through our role on Greater Manchester Pension Fund, encourage divestment in fossil fuels as early as possible." (7)

In London, the Greater London Mayor Sadiq Khan, with the support of the Greater London Authority committed to encouraging divestment not just in their own pension fund, but also to encourage other funds to do likewise. The Mayor has worked with the LPFA (London Pension Fund Authority) on creating a new climate change policy covering combined assets of just under £10 billion. This agrees to no longer consider new active investments in fossil fuel companies and for the fund to implement this policy on climate change by 2020, including all necessary divestment. The Mayor has also called on London boroughs to follow his lead and divest from fossil fuels. (8) The GLA are also founder members of the C40 Cities Divest / Invest Forum which is aimed at expanding fossil fuel investment globally. It provides the opportunity for mayors and other city leaders to share the knowledge and tools proven to accelerate divestment. The forum will also draw upon expertise of city leaders and external financial consultants to develop joint solutions to the challenges presented by divestment. (9)

In Ireland, the state's €8bn national investment fund will be required to sell all investments in coal, oil, gas and peat "as soon as is practicable", which is expected to mean within five years. This followed the passing of the 2018 Irish fossil fuel divestment bill. It defined a fossil fuel company as a company that derives 20% or more of its revenue from exploration, extraction or refinement of fossil fuels. The bill also allowed investment in Irish fossil fuel companies if this funds their move away from fossil fuels. (10) This matter of internal challenge is taking up later in this report.

Other notable countries like Norway and Liechtenstein (a major centre of international finance) have also made major changes to their investment policies.

4. Challenge from the civil society divestment movement on local authorities

A detailed joint report by Platform and Friends of the Earth national groups in England, Scotland, Wales and Northern Ireland (as part of a coalition known as UK Divest) has outlined the scale of investment in local government pension funds in fossil fuels (11). Arguing that the climate crisis is necessitating workers, investors, policymakers and the general public to reconsider how their pension fees are being used by their pension funds, the report calls for a withdrawal of investments in fossil fuel companies and its reinvestment in financing a local green recovery.

Its key findings, based on the 2019/20 financial year, include:

- Local government pensions in the UK hold investments of nearly £10 billion in fossil fuels.

- That equates to £1,450 being invested in fossil fuels for each of the 6.8 million members of the Local Government Pension Scheme in the UK, and roughly 3% of the total Scheme value.
- The three local authority pension funds with the largest amount of investments in fossil fuels are Greater Manchester, Strathclyde and West Midlands. Together, these funds account for nearly 20% of all the local government pension fossil fuel investments in the UK.
- The three local authority pension funds with the largest percentage of their assets invested in fossil fuels are Teesside, Dyfed and Dorset—all of which invest around 5% of their pension fund total value into fossil fuels.
- The report also notes that these figures only consider local authority pension fund investments in the top 200 most harmful fossil fuel companies worldwide. A wider consideration of investments would lead to an overall figure far greater than £10 Billion.

Local authority pension fund investments in fossil fuels:

	All assets (£m)	(% total)	Direct investments		Indirect investments	
			(£m)	(% total)	(£m)	(% total)
Coal	3,364	1.0	1,027	0.7	2,337	1.2
Oil & gas	6,495	2.0	1,732	1.2	4,763	2.5
Total	9,859	3.0	2,759	1.9	7,100	3.7

Total council fossil fuel investments in England, Scotland, Wales and Northern Ireland

Region	Fund count	Fund total (£m)	Fossil fuel value (£m)	Fossil fuel (%)
England	78	261,744	8,003	3.1
Scotland	11	47,856	1,205	2.5
Wales	8	16,679	538	3.2
N Ireland	1	3,285	113	3.4

Local authority pension funds with the highest amounts of investments in fossil fuels

LA pension fund	Fund value (£m)	Fossil fuel value (£m)	Fossil fuel %
Greater Manchester	22,035	1,012	4.6
Strathclyde	22,702	508	2.2
West Midlands	14,768	508	3.4
West Yorkshire	13,214	503	3.8
Nottinghamshire	5,770	241	4.2
Merseyside	8,633	240	2.8
Tyne and Wear	8,453	238	2.8
South Yorkshire	8,454	230	2.7
Kent	5,717	210	3.7
Teeside	4,110	201	4.9

Funds with the highest proportion of investments in fossil fuels

LA pension fund	Fund value (£m)	Fossil fuel value (£m)	Fossil fuel %
Teeside	4,110	202	4.9
Dyfed	2,378	114	4.8
Dorset	2,705	128	4.7
Warwickshire	2,025	94	4.6
LB of Greenwich	1,160	53	4.6
Greater Manchester	22,035	1,012	4.6
Gloucestershire	2,245	100	4.4
LB of Wandsworth	2,385	103	4.3
Shetland Isles	459	20	4.3
Somerset	2,270	97	4.3

The report argues that one of the biggest economic disruptions in energy history is the current transition from fossil fuels to renewable energy. As well as the 'Just Transition' that is needed in retraining and reskilling workers to adjust to this change (see NFLA Policy Briefing 219 on a Just Transition (12)) there also needs to be a consideration by local authority pension fund committees and fund managers that investments need to transition from one to the other, or face being 'stranded' and increasingly worthless.

It adds that the cost of renewables is dramatically falling and the sector is becoming the increasing majority of all new energy capacity additions in the UK and Ireland, as well as around the world. This means over the near future the pressure on reducing fossil fuel production – as can be seen in the campaign to stop new oil and gas production in the North Sea / Atlantic Ocean – will grow more intense. It claims peak demand for fossil fuels in the industrial OECD economies was reached in 2005, and for peak coal in 2013. Despite this, large fossil fuel companies like Chevron, Exelon, BP and Shell are still planning to invest billions in new fossil fuel infrastructure and extraction. The real risk for investors though is that as renewables eat into the energy sector, demand will fall creating over-capacity and 'stranded' assets.

Furthermore, over-capacity would mean lower prices for consumers and lower profits for companies, inevitably meaning lower returns for investors.

The report notes:
"Financial markets know this. And that is why we have seen the collapse in the valuations of the fossil fuel sector, followed by write-downs and bankruptcies. For example, after the 2007 peak, the European electricity sector wrote down €150 billion in stranded assets. In the last year, the global oil sector has written down $100 billion of assets. The Norwegian state sovereign pension fund saw this in 2020: it announced at the start of 2021 that it had sold its entire portfolio of companies focused on oil exploration and production, but only after the fund revealed an approximately $10 billion loss in 2020 on oil and gas holdings that had been valued at more than $40 billion at the start of the year."

The report argues that trustees and fiduciaries need to take the following three steps:
(1) implement investment beliefs that allow them to incorporate decarbonisation goals and risk parameters that work together, not against each other;
(2) put in place financial performance measurement benchmarks together with decarbonisation goals, in ways that recognise that this transition is happening;
(3) ensure that investment consultants and fund managers do not think this is an ESG (environmental social governance) issue. It is a classic risk issue, as the transition is fundamentally disrupting markets.

In terms of local authorities, the report argues that for many councils the largest carbon emissions they are permitting is those in their pension fund investments. Divestment shows a clear commitment to climate action. It remains a financial risk, given that UK public pensions have lost £2 billion in the last four years from investments in the oil industry. (13) It is also a real political risk given strong public support for carbon reduction policies. (14) Finally, following over a decade of the largest cuts in local government budgets in history, local authority pension funds are one of the few areas of policy to adequately support local low carbon investment priorities.

It should be acknowledged, as the report does, that local authority pension funds have reduced their financial exposure to fossil fuels by 40% since 2017, when £16.1bn was then invested in companies. (15) This arguably can show the real impetus that the separate movement to encourage councils to declare climate emergencies is having a direct and indirect impact on Council pension funds. The reduction is to be welcomed, and it needs to continue.

It is interesting to note how some councils and pension funds responded to the challenge of the Platform / Friends of the Earth report. For example, Strathclyde Pension Fund noted, that whilst transitioning to a low carbon economy was essential: "the fund has felt that divestment is a blunt tool in terms of securing that transition to a low-carbon economy and not on its own radical enough to have a meaningful impact on the climate emergency. Instead, it has preferred to be an activist investor – pushing for improvements on everything from carbon disclosure and lowering emissions, while committing hundreds of millions of pounds into a range of renewable energy projects." (16)

Since this comment, Strathclyde Pension Fund's lead authority, Glasgow City Council, passed a resolution calling on more concerted action on divestment from fossil fuels. Its updated policy will see it drop investments in fossil fuel firms which fail to meet environmental standards. (17) Friends of the Earth Scotland and Unison welcomed the new move from the Pension Fund, but they both noted that they would keep a close eye on whether this mounted to a significant new change.

Councillor Steven Coutts, leader of NFLA member Shetland Islands Council, also noted that divestment is only one of a number of tools that councils should be looking at to encourage a transition to low carbon solutions: “We have acknowledged that there needs to be a step change in the global response to climate change and we are actively engaged in the energy transition, working with the oil and gas industry to transition to net zero by electrification, utilising onshore and offshore wind.”

A number of council pension funds, like Dorset and Wirral, have noted that, whilst they were doing what they could to reduce fossil fuel investments, this needed to be done carefully to ensure returns are not negatively impacted, and within the similar time boundaries of the IPCC reports around 2030 and 2050 net zero targets. (18)

These challenges are a focal part of the dilemma for councils – how to divest from ‘unethical’ investments whilst not jeopardising returns to pensions to ensure members interests are protected.

5. The fiduciary duty and ‘staying in or out of the tent’

Whilst the dynamic to divest appears attractive and persuasive, moves from many pension funds to do so remains slow and patchy. There are a number of factors in this, which this section will consider in more detail.

If a campaigning group asks a council or a pension fund to divest from a particular industry, the first core issue that will be raised is the fund’s ‘fiduciary’ duty. This requires that Fund managers have a legal obligation to act in the best interests of fund members and ensure that good returns on investment continue to take place. As such, representatives of the funds often say that it precludes them from divesting from harmful industries as they cannot take non-financial considerations into account in their investment decisions.

Divestment campaigners respond by arguing that this is based on a narrow construction of fiduciary duty that is limited to financial return on investments. They argue that the exercise of the duty encompasses a consideration of wider factors that will affect the long-term welfare of fund members and the sustainability of the world in which they live, including the impact of investment decisions on the environment, climate, human rights and peace and security. In the case of industries which pose a grave threat to the future of fund members and the broader community, such as nuclear weapons and fossil fuel production, campaigners argue that the only appropriate course of action is to divest completely from the companies involved.

Furthermore, pension fund managers will often argue that, as they need to take account of Environmental and Social Governance (ESG) policy statements, it can often provide more direct impact if they challenge fossil fuel producing companies like BP and Shell to change through placing internal pressure on them, rather than simply divesting their investments in them. It should be noted that there is currently a process to create a taxonomy around the ESG approach, which can, for example, often ignore weapons issues completely, whilst it has significant gaps within it around human rights responsibilities. The European Union is seeking to address this matter through increasing mandatory human rights due diligence in a similar vein to the Equator principles (a risk management framework (19), adopted by financial institutions, for determining, assessing and managing environmental and social risk in projects that is primarily intended to provide a minimum standard for due diligence and monitoring to support responsible risk decision-making.) NFLA encourage the UK and the devolved governments in Scotland, Wales and Northern Ireland, as well as the Council Pension Funds to also reconsider the ESG approach in a similar manner.

The challenges in this debate has been witnessed by the NFLA Secretariat when recently assisting member authorities calling for divestment in funds of the Strathclyde Pension Fund and Greater Manchester Pension Fund. GMPF for example noted in response to letters on this matter:

"GMPF's policy is that robust engagement on a collective basis is preferable to placing restrictions on particular types of investment. Recent years have seen an unprecedented number of investors support climate related resolutions with companies. Boards that have previously been intransigent on addressing the strategic business implications of climate change have had to devote attention and resources to it as a result of shareholder pressure, which would not be the case with non-ethical asset owners.

Recent significant developments to our (responsible investment) approach include:

- We are a signatory to The Climate Action 100+ which aims for investors to primarily engage with companies in their 'home' markets. Outcomes are demonstrable and can be endorsed. For example, Carbon Tracker has identified that 90% of Petrobras' reserves will be required in a 2-degree scenario because they are low cost reserves relative to the reserves of the rest of the market. If companies are able to conclusively demonstrate that their business is consistent with the below 2-degree scenario, they may be de-listed from the Climate Action 100+ initiative.
- Supporting the Transition Pathway Initiative, which aims to evaluate what the transition to a low carbon economy looks like for companies in high-impact sectors starting with oil and gas, mining, electricity generation, cement, iron and steel and autos. This enables asset owners and other stakeholders to make informed judgements about how companies with the biggest impact on climate change are adapting their business models to prepare for the transition to a low carbon economy.
- Partnering with the Climate Majority Project, which will provide research on company risks and opportunities, analysis of corporate-board climate competencies, and involvement in campaigns to refresh boardrooms as well as supporting the development of a pipeline of credible 'climate-literate' director candidates." (20)

Within this climate risk paper GMPF says that such a consultative approach, which it claims 80% of its shareholders agree with, is more effective than divesting its fossil fuel holdings and 'passing the buck' on to someone else who may not share its commitment to responsible investment. In other words, it remains more effective to 'stay in the tent' and challenge fossil fuel companies to bring about a 'just transition' than to 'leave the tent' by divestment. Similarly, Scotland's two largest pension funds, Lothian and Strathclyde, also prefer to use engagement over divestment (see section 7 below for further consideration and detail on this matter).

Due to the challenges that have been made on Council Pension Funds from the divestment movement, some have sought legal advice on what should be the most effective way forward in dealing with such matters. For example, a legal opinion on fiduciary duty commissioned by the Scottish local government pension scheme's advisory board makes it clear that funds can take into account non-financial factors in their investment decisions, "so long as that does not risk material financial detriment to the Fund". The letter from the advisory board that accompanied the opinion emphasised the importance of guarding "against extremes or selective interpretation of the legal principles by Pension Committees and Pension Boards, for instance which might unduly restrict the consideration of ESG and other wider factors". (21)

To give a flavour of how some pension funds have used such advice, Scottish Borders Council's statement on responsible investment notes:
"Fiduciary duty goes beyond simply enhancing long term returns, and in order to act prudently in the best interest of the scheme members, trustees should consider the impact of their investment decisions on risks such as climate change and other ESG related issues that can have an impact on sustainability and the value of the assets of the Fund over the long term." (22)

In line with this statement, the fund also excludes companies in the production of controversial weapons, including nuclear weapons.

Tayside Pension fund's policy on Environmental, Social and Corporate Governance specifically uses language from the advisory board's letter stating that the fund should "exercise their fiduciary duty to guard against extremes or selective interpretation of the legal principles which might unduly restrict the consideration of ESG and other wider factors". (23)

There are other notable examples of Council Pension Funds taking on board this wider view to permit some forms of divestment from climate change investments, such as Cardiff, Swansea, Lambeth and Waltham Forest Council. Indeed, Waltham Forest Council, which was the first Council to pass a resolution (as early as 2016) to divest from fossil fuels, has instructed its pension advisors to develop an equity protection strategy to ensure it could continue to reduce its fossil fuel investments whilst protecting the financial returns of its fund. Whilst it is a gradual process, significant reductions are taking place. In March 2021, it noted that fossil fuel equities now make up just 0.4% of the Council's pension fund. (24)

In recent months, the NFLA is aware of passionate discussions and a push for divestment from many local authority pension funds, such as South Yorkshire, West Yorkshire, Dyfed, Richmond and Wandsworth amongst others. NFLA recommend all Council Pension Funds hold an open, urgent and wide-ranging discussion on these matters as they review their own investment policies.

Internal debates are also taking place within many Councils and within Council Pension Funds about how to achieve challenging climate emergency targets. With many funds being organised on behalf of a regional collection of councils, it can prove quite difficult to push investment forward while, even if a divestment resolution is passed by an individual council, it is not simply the case that all fossil fuel investments can be removed immediately without careful consideration on reinvestment and anticipated returns by the wider Council Pension Fund. This can prove frustrating given the immediacy of the climate emergency in the minds of most climate campaigners. Conversely, the concern over 'stranded assets' in the medium-term as the energy market changes is bound to be in the minds of fund managers and pension committees.

In terms of concerns over future stranded assets, recent research undertaken by Transition Economics, found that the combined investments by 56 local government pension funds into nine leading oil companies had reduced by half, falling from £3.6bn in April 2017 to £1.8bn in November 2020. The largest losers, according to the analysis, were the Greater Manchester Pension Fund (GMPF), which reportedly has lost £375m and West Yorkshire Pension Fund (WYPF), which reportedly lost £211m. For GMPF this is equivalent to 2.2% of the total fund value, or over £1,000 per member, whilst WYPF losses were equivalent to around £740 per member. (25) The recent rebounding in global oil prices as the pandemic eases may have improved the financial situation somewhat, but the push from many governments over the next decade from diesel and petrol cars to electric vehicles, for example, means all Council Pension Funds need to keep a very careful consideration over such investments.

This core issue of whether engagement or divestment is the best tactic for a rapid transition away from industries that contribute to existential threats has seen diverging tactics by a wide range of Council Pension Funds. The experience of a number of such funds who have taken careful consideration of the issue is that, whilst ESG internal challenge can be useful if actively exercised by pension fund managers, divestment can also be used as a tool for positive change, particularly if it is accompanied with an innovative consideration of replacing investments in those areas of the renewable energy industry that are thriving. Councillors, campaigning groups, trade union views and the views of the members themselves should be actively considered, within a wider discussion of how to ensure the pension funds can continue to provide a rate of return that ensures its successful operation to its members.

6. Pension funds and green investment

As well as the consideration of the divestment debate, a further element of this issue is the unlocking of local funds to assist in schemes that can benefit carbon reduction and tackling the climate emergency at the local level.

As part of its report on local authorities and the 6th carbon budget, the Committee on Climate Change has recommended that local authority pension funds 'should disclose their approach to assessing and managing climate risks and should consider investing in Net Zero aligned schemes within their legal duties'. This is an acknowledgement that, after a decade of deep budget cuts and a lack of clarity over funds from central government to local authorities for low carbon action, Councils may have the ambition to tackle the climate emergency but they lack the resources. Pension funds may be one of the areas where effective climate investment could be found. (26)

A good example, which was profiled at a NFLA Welsh Forum seminar, is that of the Swansea Pension Fund. In 2016, following the Waltham Forest decision, it commissioned a review of its equity investment portfolio to find out the exact extent of its carbon and fossil fuel related investments. As a result, it moved £0.5bn of assets into low-carbon index tracking funds which has reduced further what was already a low level of investments in carbon-related industries. In early 2020, the fund started investing in a range of solar and wind power infrastructure projects that aim to deliver long-term sustainable benefits for the fund and contribute to the transition to a cleaner economy. It has also invested in community-based affordable housing strategies operated by BMO Global Asset Management and Man Group. This provides quality private rented accommodation or share-ownership housing in the UK at below the prevailing market rent in the chosen area by using the recognised Flex-rent/Rowntree Charitable Trust methodology for determining local affordability. (27)

This July, the London CIV, which is the asset pooling vehicle for the UK capital's 32 Council pension funds, announced that it has received commitments from a further five of its clients to develop a renewable infrastructure fund. This additional investment comprises £247.5m, and it comes on top of £435m of seed investment from five other client pension funds. The LCIV Renewable Infrastructure Fund focuses on renewable energy infrastructure assets, investing in greenfield and brownfield assets. Such resource will greatly assist in local projects to develop low carbon energy.

In a similar vein, nine UK local government pension schemes (LGPS) had invested a total of $605m in the final fundraising target of Blackrock's Global Renewable Power Fund III (GRP III). This forms part of a huge $4.8bn, from over 100 institutional investors, that will help fund a wide range of renewable energy schemes. Blackrock note that, in contrast to most UK defined benefit pension schemes, LGPS funds remain open to new members, and as such have a more open-ended time horizon and requirement for exposure to growth and income assets. (28)

NFLA strongly encourages all Council Pension Funds across the UK and Ireland to provide investment in renewable energy and carbon reduction schemes, as many are doing. The increasing level of investment and the financial success of the sector provides a good opportunity for positive financial returns where carefully considered. Reducing exposure to fossil fuels by increasing investment in renewable energy is also a sensible and practical policy for the future.

7. 'Don't Bank on the Bomb' and 'Move the Nuclear Weapons Money'

Whilst the fossil fuel divestment movement is the largest part of the debate in this area for Council Pension Funds, there are other controversial investments which campaigning groups are actively challenging. The most obvious is around investments in arms companies that support weapons of mass destruction, particularly in nuclear weapons.

This has become particularly notable given in January 2021 the United Nations formally accepted the ratification of the Treaty on the Prohibition of Nuclear Weapons (TPNW). This international treaty formally bans nuclear weapons. 55 states have now ratified it with a further 31 states having signed it and in the process of ratifying it. The TPNW has been developed by states seeking multilateral nuclear disarmament. It has also been used by civil society groups that are seeking to follow a similar template used with other international treaties that have outlawed a range of weapons of mass destruction, such as landmines, cluster munitions and chemical and biological weapons. In each of these cases, the creation of the treaty started a process of challenging all states to become engaged in different forms of disarmament, and to highlight and at times stigmatise those states which are resistant to change.

Furthermore, entry into force of the TPNW will inevitably increase the regulatory and reputational risks facing companies that continue to be involved in nuclear weapons production. It increases the stigma associated with nuclear weapons and it is anticipated that, as more and more states ratify the treaty, the demand for nuclear weapons will eventually decrease. For pension funds that may invest in such companies, a real risk for them from the TPNW comes should the process successfully create stigmatisation of nuclear weapons. Companies that have produced other prohibited weapons in the past, even those from states not ratifying the relevant treaties, have found it increasingly difficult to acquire financing from global markets. This has then led to shifts and contract terminations, to no longer engage in the production of the prohibited weapons and regain access to key markets.

There is also a regulatory concern, that some production efforts may take place in countries that have joined the treaty, increasing a regulatory risk for subsidiaries or joint ventures with operations in those jurisdictions.

In terms of the existing nuclear weapons discussion, there are 9 nuclear weapon states who are the most resistant to the change that the TPNW could bring, along with other supporters which are in defence treaty agreements with some of them, such as NATO members, Japan and Australia.

According to the International Campaign to Abolish Nuclear Weapons (ICAN), in 2020, it estimates that nine countries spent $72.6 billion (£52.7 billion) on nuclear weapons, $27.7 billion (£20.1 billion) of which went to a dozen defence contractors to build nuclear weapons. Those contractors then spent $117 million (£85 million) lobbying policy makers and up to $10 million (£7.2 million) funding think tanks writing in a supportive way about nuclear weapons. (29) Of that figure, the UK Government committed $6.2 billion (£4.5 billion) in 2020 alone. As the group 'Move the Nuclear Weapons Money' note, it is expected as much as $1 trillion (£726 billion) is being spent to modernise nuclear weapons over the next 10 years. (30)

As with fossil fuel investments, the amount of Council Pension Fund investments is quite substantial. The 'Don't Bank on the Bomb Scotland' group show the extent of Scottish Council Pension Fund investment in nuclear weapons. Detailed research it has undertaken shows that Scotland's 11 local authority pension funds together held shares worth over £275 million in nuclear weapons companies in September 2020.

Lothian Pension Fund was the largest investor in companies involved with nuclear weapons, holding shares worth nearly £126 million (1.7% of the fund) in five companies with links to producing nuclear weapons. This includes £102 million invested in the world's largest arms company, Lockheed Martin. Strathclyde Pension Fund was close behind, holding shares worth £120 million in 16 defence companies. (31)

Scottish Local Government Pension Fund investment in defence companies involved in nuclear weapons - 2020

Council Pension Fund	**Total invested £**
Dumfries and Galloway	Not known
Falkirk and Stirling	4,079,404
Fife	3,569,195
Highland	5,980,807
Lothian	125,732,872
Orkney Islands	None
North East Scotland	6,297,280
Scottish Borders	None
Shetland Islands	Not known
Strathclyde	120,200,000
Tayside	9,818,685
TOTAL	£275,678, 243

As Don't Bank on the Bomb Scotland note, in a similar manner to the points made on fossil fuel investments:
"Most local authority pension funds say that they address environmental, social and governance (ESG) issues through "engagement" with the companies that they invest in. Fund managers claim that engagement is more effective than divestment at changing company behaviour. However, it is important to understand the limitations of this approach. The engagement undertaken by the local authority pension funds that we have looked at does not, nor is it intended to, address

fundamental concerns about the ethics of investing in harmful industries. Rather, it is only concerned with managing the financial risks related to ESG issues."

In commenting on Lothian Pension Fund's 'Statement of Responsible Investment Principles', the group notes the Fund calls itself a responsible investor, rather than an ethical investor and "the management of ESG issues is a question of identifying and mitigating material financial risks, not a question of ethics". Don't Bank on the Bomb Scotland argue that while investments in nuclear weapon companies do still present a financial risk to the Pension Fund, divestment should happen for ethical reasons as well. It is simply unethical for local authority pension funds to profit, through their investments, from the production of indiscriminate, inhumane weapons of mass destruction.

NFLA Scotland and Don't Bank on the Bomb Scotland met with a senior manager in the Strathclyde Pension Fund in 2019, and followed up with detailed correspondence in 2020, to discuss the level of engagement it makes with the companies who are involved in the nuclear weapons industry.

From the written response following the meeting, Strathclyde Pension Fund noted it employs a company called 'Sustainalytics' to carry out engagement on its behalf, managing financially-material reputational risk and to increase corporate accountability.

'Sustainalytics' monitors company activity to identify risks and rates the risk on a scale of 1 to 5. Where a risk is identified, Sustainalytics may engage with the company concerned. This engagement may have a "specific change objective" or it may "take the form of a dialogue on risk", Strathclyde Pension Fund said. This engagement process is "controversy based", in that it is largely triggered by news flow about the company's activities, "including reports of new contracts, products or lawsuits". To the Don't Bank on the Bomb Scotland group, this suggests that a company's ongoing involvement in a harmful activity will not necessarily trigger engagement by Sustainalytics.

In the letter, Strathclyde Pension Fund noted that "association with the provision of key products or services for nuclear weapons" has been listed as a 'controversy' since 2012 and engagement regarding nuclear weapons is currently in the category of a dialogue on risk. However, the fund did not provide any examples of Sustainalytics' engagement in this area. The fund did note that no recent engagement has been reported in relation to Boeing's nuclear weapons work.

Don't Bank on the Bomb Scotland also asked Lothian Pension Fund whether, in the last five years, if it had carried out engagement with any of the nuclear weapons producers that it invests in regarding the involvement of those companies with nuclear weapons. The response stated: "There has been no such engagement with any of the named companies in this period." (32) NFLA highlight this debate to note that we would argue much deeper challenge is required.

Whilst detailed figures on similar investments on Pension Funds in England, Wales and Northern Ireland have not yet been undertaken by a dedicated group like 'Don't Bank on the Bomb Scotland', it is clear that many will have similar levels of investments, as arms companies can make good returns as a rule, particularly when the world becomes more violent and less peaceful. For example, some recent research from Greater Manchester and District CND has noted that the Greater Manchester Pension Fund had investments in 2020 in companies involved in nuclear weapons including BAE Systems (£54 million), Raytheon (£22 million), Thales (£19 million), Babcock (£51 million) and Leonardo (£1 million). (33)

For NFLA, using the figures in the table above, there have again been differing approaches from Council Pension Funds on this matter, with some funds changing their policies accordingly. For example, the Scottish Borders Council Pension Fund has a policy which restricts investment in controversial weapons and has no members investment in nuclear weapon companies. As with consideration of its investment policies in fossil fuels, NFLA advocate a review by all Council pension funds with investment in companies which are involved with weapons of mass destruction. An open, urgent and honest debate within their pension committees would again be welcomed.

Throughout its 41-year history, NFLA have campaigned against nuclear weapons due to the catastrophic risk that they pose to people, and to the local and global economy. The detonation of just one nuclear weapon in any major UK town or city would destroy most (if not all) infrastructure and businesses across a wide area. The most effective way for financial institutions like Council Pension Funds to guard against these risks is, in our view, to consider divesting from the companies that make nuclear weapons. As within the climate change discussion, this may actually result in financial gains. A recent report focusing on New York City's nuclear weapons investments argues that developing indexes of stocks excluding nuclear weapons tended to track the overall economy and produced higher returns. NFLA notes as well that a decision of the Dutch pension fund ABP's (one of the five largest pension funds in the world) to exclude investments in nuclear weapon companies actually led to an improved risk-return profile for the fund. The decision to divest was very much predicated on the development of the TPNW. (34)

As ICAN / Don't Bank on the Bomb note:
"Early in 2020, ABP introduced a new sustainability policy framework. It also used this opportunity to evaluate the impact of its previous policy framework and to commission scientific research to investigate the relationship between responsible investment and financial performance in general. A team of scientists performed a meta-analysis of over 3000 scientific publications on the issue and concluded that sustainable and responsible investment has a neutral or positive effect on the return-risk profile of an investment portfolio.

The impact of the different sustainability tools that were part of the previous policy framework was also investigated. This showed that the exclusion of companies involved in nuclear weapons and tobacco had a positive effect on the return-risk profile of ABPs portfolio." (35)

If one of the largest pension funds in the world comes to such a conclusion after extensive research, NFLA would argue any Council Pension Fund should look to this report and conduct similar research.

8. Council resolutions around divesting from investments in weapons of mass destruction

With the detailed information brought to the NFLA Scotland Forum by the Don't Bank on the Bomb Scotland group, a number of its members have passed resolutions calling on their Pension Funds to divest from nuclear weapon investments. This has followed on from the wider international campaign to pass resolutions supporting the TPNW (36).

A model resolution was developed, as follows:
"N Council is a member of the Nuclear Free Local Authorities (NFLA) and / or Mayors for Peace (if applicable), the national / international body of Councils working for almost 4 decades to promote multilateral nuclear disarmament and a more peaceful world. N Council has passed a resolution calling on the UK government to cancel Trident replacement plans and support the 2017 Treaty on the Prohibition of Nuclear Weapons (TPNW).

[Name of pension fund] manages the pension contributions of Council employees. [Name of pension fund] is known to hold shares in companies that are involved in the production or maintenance of nuclear weapons or their delivery systems, [if applicable] including some that undertake work on the UK's nuclear weapons programme.

Any investments in nuclear weapons producers are at odds with Council's support for the TPNW and Council's opposition to Trident renewal. Such investments also present a growing risk to [name of pension fund]. The TPNW has increased the stigma associated with nuclear weapons and companies which continue to produce nuclear weapons after the treaty enters into force will face damage to their reputation which could affect their value.

N Council calls on [name of pension fund] to:
Work towards eliminating current and future financial exposure to companies that are involved in the production or maintenance of nuclear weapons and their delivery systems, giving due regard to fiduciary duty.

Council asks the Chief Executive to write to the convenor of [name of pension fund]'s pensions committee to urge them to take full consideration of this resolution."

In May 2019, Renfrewshire became the first council in the UK to pass such a resolution, calling on Strathclyde Pension Fund to divest from nuclear weapons. West Dunbartonshire, Midlothian and East Ayrshire councils passed similar resolutions in 2019 and in March 2021, Inverclyde Council passed a resolution that calls on Strathclyde Pension Fund to divest from the arms industry.

NFLA note that these resolutions do not bind local government pension funds but they are an important political statement of support for nuclear weapons divestment from councillors, who are fund members. In the NFLA's view, the more councils that adopt resolutions, the greater the pressure will be on funds to hold an open discussion on divestment.

Appendix 1 and Appendix 2 provide information on resolutions passed around divestment on fossil fuels and nuclear weapons not just in the UK, but some notable examples from around the world, particularly Germany and the United States.

9. Wider divestment challenge to financial institutions and other public institutions

Whilst this report has focused on the divestment issue as it impacts on local authorities, the wider divestment movement is trying to challenge other public institutions and the financial industry in general.

The Netherlands-based 'Don't Bank on the Bomb' group has provided detailed reports on the levels of investment from financial and public institutions in nuclear weapons. It has a comprehensive list of the levels of investment from such bodies on its website - https://www.dontbankonthebomb.com/investors/.

In addition, they have also outlined the increasing number of banks, pension funds, insurance companies and other financial institutions. Since a concerted challenge was placed on financial institutions since its first report was published in 2014, the number of such institutions who have removed investments or financial support in controversial weapons of mass destruction (nuclear weapons, landmines, cluster munitions and chemical weapons) has grown from 35 to 77. (37) The only UK-based bank on its 'Hall of Fame' profiled in the report was the Co-operative Bank.

The UK-based Nuclear Weapons Financing Resource Group, a collective of faith groups working together to move money out of nuclear weapons, has highlighted in a detailed report called 'Investing in Change' the activity of fifteen of the largest financial institutions in terms of investment in nuclear weapons companies. It assessed them on their policy, practice and transparency. (38) The scores are out of ten with a grand maximum total of 30. This table outlines the core findings:

Institution	Investment policy	Practice	Transparency	Total
Co-op Bank	8	8	5	21/30
Legal & General	4	3	2	9/30
HSBC	4	2	8	14/30
Quilter	3	2	4	9/30
RBS / Natwest	2	4	4	10/30
People's Pension	2	0	4	6/30
Standard Chartered	4	0	6	10/30
Royal London	2	0	4	6/30
Lloyds	2	1	2	5/30
Nest	1	0	3	4/30
Aviva	2	2	0	4/30
Children's Investment Fund	0	3	0	3/30
Janus Henderson	1	0	1	2/30

A wider handbook by the 'Move the Nuclear Weapons Money' coalition provides useful information on how to tackle financial institutions and legislators on such matters. It has been developed by the International Peace Bureau, Parliamentarians for Nuclear Non-Proliferation and Disarmament and the World Futures Council and is well worth a read. (39)

The information included in their handbook, along with that provided by 'Don't Bank on the Bomb' and 'Investing in Change' is helpful when encouraging divestment from local authorities pension funds, banks, universities, faith organisation and other public bodies. In terms of divestment from fossil fuels, the UK Divest (40) and the Go Fossil Free.org (41) provide lots of useful information and suggested actions.

10. Conclusions

As the climate change issue has become ever more pervasive around the world, increased scrutiny has inevitably come to bear on the investments of public and financial institutions in high carbon industries. Similarly, the movement calling for nuclear disarmament and the reduction in other controversial weaponry has focused part of its campaign on how the companies that help develop such weapons are supported through investments by public and financial institutions. Local authority pension funds are vulnerable to criticism in this area as they are investing the 'deferred wages' (as one NFLA member calls it) of their workers and councillors.

Whilst clearly it is imperative that such funds seek to maximise returns to ensure their members receive competitive and sustainable pensions into the future, the debate has increasingly moved on to what should they be investing their money in. Investment in fossil fuel and nuclear weapons companies are inevitably controversial and local government is a political institution, so fund managers and pension committees need to have a detailed and open debate over them.

It is encouraging that pension funds are considering ESG issues in more detail over such investments, but this report questions how deep such discussions really are. NFLA note as well that continuing investments in fossil fuels could risk assets being stranded in the near future as the energy market transforms more swiftly than anyone could have expected. Similarly, as the TPNW is accepted by more and more states, the risk of such assets being stigmatised could become a factor for investments in the nuclear weapons sector as well. This report highlights some growing evidence that ethically run funds can provide a good return to their members whilst avoiding controversial investments.

This is not a straightforward discussion and change can take place in a much slower way than campaigning groups may want, but NFLA argue issues like the climate emergency and the TPNW have brought a renewed sense of urgency to the debate. With such dramatic economic change in the past 15 years, issues like Brexit and now the Covid-19 pandemic have also created an unparalleled period of turbulence for pension funds and all financial institutions. Many private sector funds have closed to new members due to the pressure this has created for them, and there is real pressure on public sector funds to keep returns healthy and ensure that all of their members have a financially comfortable retirement.

However, as this report has outlined, change is happening, divestment is increasingly taking place and many financial institutions are being consistently challenged to assess their investment policies. Given the imperative to seek to mitigate the worst excesses of climate change and the attempts to try to make the world a safer, and more peaceful place, then the divestment movement is not going to go away and has to be engaged with. NFLA support positive and careful moves in this direction which can be undertaken successfully in a financial and ethical way. The experience of a number of Council and other public pension funds shows effective divestment policies can be undertaken. The challenge remains to see if other Council pension funds can be persuaded to do the same.

11. Recommendations

NFLA members are encouraged to send this report to members of their pension committees and to fund managers of local authority pension funds.

NFLA members are also encouraged to pass resolutions calling on pension funds to review their investment policies and the benefits of divestment from fossil fuels and nuclear weapons companies. Some suggested text for resolutions can be found in Appendix 1 and Appendix 2.

Encouraging divestment can be a complicated process, therefore NFLA members should examine the resources and reports outlined in this report. NFLA members are also encouraged to develop connections with some of the expert organisations noted in this report so as to understand the issues much better and determine their own strategy in reference to their concerns over the climate emergency, nuclear weapons and other investments that may be deemed controversial.

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Annex 1

Selected examples of Local Authority divestment decisions / resolutions on fossil fuels

Richmond and Wandsworth Pension Fund, May 2021
https://www.ipe.com/news/wandsworth-adds-renewable-fund-amid-decarbonisation-start/10052971.article
"Richmond and Wandsworth pension fund, part of the UK's local government pension scheme (LGPS), has begun the process of reducing investment in fossil fuels after embedding climate risk and decarbonisation in its investment policy.

Like many other LGPS funds, the Wandsworth scheme believes that engagement is better than divestment, but last year it made the decision to change its equity allocation from 60%, split 24% UK and 36% global, to 55% global, which would significantly reduce its weighting to fossil fuels."

Glasgow City Council, 1st April 2021

- Glasgow City Council recalls its previous support for a transformative Green New Deal to respond to the climate and ecological emergencies;
- believes that a Green New Deal for the city region will require massive investment, and that the Council's own pension investments could play an important part in that;
- recognises that the Strathclyde Pension Fund supports low carbon initiatives through its direct investment portfolio, but is concerned that the Fund retains large holdings, worth in excess of £500 million last year, in fossil fuel industries that are driving the climate and ecological emergencies and perpetuating global inequalities;
- notes the Council's fiduciary duty as administering authority for the Strathclyde Pension Fund must be paramount in all decision making around the pension fund. Further notes the calls made over many years from campaigners on the issue of fossil fuel divestment and notes that many other major public and private institutions have already made and acted on commitments to fossil fuel divestment, demonstrating leadership on the climate emergency at the same time as protecting the long-term interests of their individual investors;
- believes that in the year of the COP26 climate summit, when the eyes of the world will be on Glasgow, the city and its institutions must show climate leadership; and therefore:
- ***resolves*** to write to the Strathclyde Pension Fund Committee, asking that it make a formal commitment to fossil fuel divestment prior to COP26, with the intention of divesting completely as quickly as possible, and no later than 2029; and that it further considers how it can reinvest the Pension Fund Members' hard-earned money to drive a green recovery for the Glasgow region.

Calderdale Council Cabinet report, March 2021
https://www.calderdale.gov.uk/nweb/COUNCIL.minutes_pkg.view_doc?p_Type=AR&p_ID=80506
A core recommendation of this report on climate change and investment was for the Council to:
"Formally endorse / adopt a position statement on pensions investment and that the Leader and Chief Executive of the Council to jointly write to the Chief Operating Officer of West Yorkshire Pension fund to request that West Yorkshire Pension Fund disinvest of their fossil fuels investment in three years, and to invest instead in alternatives (such as green energy) that are expected to offer returns over the long term.

This is in line with one of the Cities Race to Net Zero pledges that Council adopt two other investment related pledges as part of the Cities Race to Net Zero project:

- Advocate for fossil-free and sustainable finance by other investors and all levels of government, including by promoting the importance of strong, long-term climate policies and demanding greater transparency.
- Take all possible steps to divest Council assets from fossil fuel companies and increase our financial investments in climate solutions to help promote decent jobs and a just and green economy."

Carmarthenshire County Council, October 2019
https://democracy.carmarthenshire.gov.wales/documents/s42113/Summary.pdf
"This Council:

- Notes that Carmarthenshire Council unanimously declared a climate emergency earlier this year, with a commit to make the County Council a net zero carbon local authority by 2030;

- Notes the conclusions of the Intergovernmental Panel on Climate Change (IPCC) that "we
- are already seeing the consequences of 1°C of global warming through more extreme weather, rising sea levels and diminishing Arctic sea ice";
- Notes that the IPCC report stated that global emissions of carbon dioxide must peak by 2020 to keep the planet below 1.5C;
- Notes the campaigning and research by Extinction Rebellion, Friends of the Earth and others, on the holdings Local Government Pension funds, including Dyfed, have in fossil fuels companies;
- Believes that current plans are nowhere near strong enough to keep temperatures below the so-called safe limit.
- Calls on Dyfed Pension Fund to divest from fossil fuels within the next two years and invest the funds in local renewable energy schemes."

After a significant debate including consideration of an amendment the original Motion was supported and it was agreed that it would be referred to the Dyfed Pension Fund Committee for consideration. Carmarthenshire County Council is the administering authority for the Dyfed Pension Fund and one of approximately 50 employers in the Fund.

Sheffield City Council, November 2016

That this Council:-

(a) notes reports from the International Energy Agency that at least two thirds of current fossil fuel reserves must remain unburned if warming in excess of 2 degrees is to be avoided;

(b) further notes reports from the Carbon Tracker Initiative that investing in fossil fuel companies is an increasingly risky prospect due to the possibility of fossil fuel reserves becoming "stranded assets" when global deals to mitigate climate change, such as the Paris Climate Agreement, are implemented;

(c) notes that once money has been divested from fossil fuels it can be reinvested in more environmentally sustainable and socially beneficial assets like renewable energy, affordable housing, and the local economy;

(d) therefore believes that there is not only a convincing moral and environmental case for institutional investors to divest from fossil fuels, but also a compelling financial one;

(e) welcomes the decision by Waltham Forest Borough Council's Pension Fund Committee on 22nd September 2016 to "exclude fossil fuels from its [investment] strategy over the next five years" because "investing in companies that rely heavily on fossil fuels, at a time when the environmental impact is a matter of increasing scrutiny, is seen as risky";

(f) notes that the Waltham Forest commitment is the first of its kind from a Local Authority Pension Fund in the UK, and welcomes the leadership that the Waltham Forest Pension Fund Committee has shown;

(g) further welcomes the fact that some institutional investors in South Yorkshire have also shown leadership in this area, for example:-

(i) the University of Sheffield's commitment in November 2015 to divest its £39 million endowment fund from fossil fuels;

(ii) Sheffield Hallam University's statement in January 2016 that it "had not and will not invest in fossil fuels"; and

(iii) South Yorkshire Pensions Authority's adoption of a Climate Change Policy in March 2016 that states the Fund will "endeavour to manage a tilt within portfolios towards lower carbon assets in-line with the Paris Agreement, with a view towards progressively decreasing the Fund's carbon exposure";

(h) believes that, although these are positive steps, Sheffield should set its ambitions higher with respect to fossil fuel divestment;

(i) declares its aspiration that Sheffield should play a pioneering and leadership role in becoming fossil free as a city and recognises that, if this is to be achieved, it is important to work in partnership with stakeholders across the city to develop a collective and shared agenda that all major partners will be involved in;

(j) believes we should look at a full range of ways in which we can reduce the city's reliance on fossil fuels, including action on divestment and also on support for renewable energy and the green economy;

(k) acknowledges the work of the Green Commission in the city to bring together partners to develop an ambitious and broad plan to set out how Sheffield can become more sustainable in the future and believes it is important that this is done through partnership to realise the full potential of institutions in the city who hold the power locally to make change happen;

(l) notes that the Council's response to the Green Commission will be submitted to the Cabinet in the coming months, and that the recommendations of the Green Commission will be used to inform Council policy development;

(m) confirms that the Council does not and will not invest in fossil fuels, demonstrating the Council's existing commitment to leading by example on fossil fuel divestment;

(n) notes that the Administration will include a statement on ethical and environmental investment in the Council's Treasury Management Strategy for 2017/18, incorporating the above commitment;

(o) believes that, as a local authority, we have a considerable degree of power to act, but also believes we can achieve more by working with partners to influence wider adoption and this should inform the approach we take; and

(p) condemns the Government's approach of stating that councils will be penalised for diverging from the same environmental and social policies of central government in its procurement practices and believes this flies in the face of localism.

Waltham Forest Council, September 2016

https://www.walthamforest.gov.uk/content/council%E2%80%99s-decision-divest-fossil-fuels-helps-tackle-climate-emergency-and-create-better

"In 2016, Waltham Forest Council became the first UK local authority to announce it would divest its pension funds away from oil, gas, or coal stocks over the course of a five-year period. The latest audit shows that the decision has resulted in a 44% reduction in the estimated value of the fossil fuel stocks held by the council in three years.

The Pension Fund Committee made the ground-breaking decision to divest from fossil fuels for both environmental and financial reasons. Reducing investment in fossil fuels means a cleaner environment for everyone. It also helps protect the pension fund against possible future underperformance of oil, gas, and coal stocks as the world moves toward a low-carbon economy."

Federal Lander of Baden-Württemberg, Germany, August 2017

http://www.nuclearweaponsmoney.org/wp-content/uploads/2018/12/BadenWuerttemberg-Divest.pdf

In August 2017, the state parliament of Baden-Wuerttemberg decided to invest the state special fund of approx. € 6 billion according to ESG standards (environmental, social, governance). Based on these standards, a negative list is created, which identifies shares and funds that the federal state is no longer allowed to buy or hold. Existing accounts that violate these criteria will be divested, i.e. sold as loss-free as possible and invested in stocks or funds that are in line with the ESG criteria. In the case of Baden-Wuerttemberg, the divestment of the reserve fund with a volume of € 3.88 billion was completed in mid-2018 after which the divestment of the pension fund (€ 2.65 billion) has started.

Bremen, Germany, May 2017

http://www.nuclearweaponsmoney.org/wp-content/uploads/2018/08/Bremen-Eng.pdf

On May 11th, 2017, the City of Bremen decided to revise their investment policies according to ethical and ecological guidelines in order to divest from weapons of war, and the fossil fuel and nuclear energy industries. Current investment policies and practices are being examined closely by the Finance Minister in order to provide detailed investment guidelines from 2018 onwards.

Munster, Germany, December 2014

http://www.nuclearweaponsmoney.org/wp-content/uploads/2018/08/M%C3%BCnster-ENG-revised.pdf

On December 3, 2014, the city council of Münster decided to divest public funds from companies not conforming with minimum standards of environmental, social and governance (ESG) criteria. The new guidelines, adopted in August 2015, do not define the environmental standards. However, in the reasoning for the motion to divest, the city councillors proposing the initiative cited the unprecedented weather phenomena that hit Münster in 2014 and the ensuing deaths of citizens as one reasons for the initiative. Additionally, the city saw the reform of the investment guideline as a way to gain more control over their investments and by prohibiting direct and indirect funding of climate-damaging companies to contribute to the 2° Celsius limit.

Annex 2

Prominent examples of Local Authority divestment decisions on nuclear weapons and other weapons of mass destruction

Provided by courtesy of the 'Don't Bank on the Bomb' coalition campaign, like NFLA they are fellow members of the ICAN coalition - https://www.dontbankonthebomb.com/city-guide/

Existing Decisions

The United States of America

US Conference of Mayors resolution on 'nuclear risk reduction, diplomacy and redirection of nuclear weapons spending to meet human needs and environmental challenges', June 2017
(see http://www.nuclearweaponsmoney.org/wp-content/uploads/2018/06/US-Conference-of-Mayors-resolution-June-26-on-nuclear-risk-reduction-and-redirecting-nuclear-weapons-spending.pdf)
The resolution calls on the US President and the US Congress to, amongst other things:

- 'reduce nuclear weapons spending to the minimum necessary to assure the safety and security of the existing weapons as they await disablement and dismantlement;
- cut military spending and redirect funding to meet human and environmental needs;
- reverse federal spending priorities and to redirect funds currently allocated to nuclear weapons and unwarranted military spending to restore full funding for Community Block Development Grants and the Environmental Protection Agency, to create jobs by rebuilding our nation's crumbling infrastructure, and to ensure basic human services for all, including education, environmental protection, food assistance, housing and health care.

The resolution also calls on 'U.S. member cities to get actively involved by establishing sister city relationships with cities in other nuclear-armed nations, and by taking action at the municipal level to raise public awareness of the humanitarian and financial costs of nuclear weapons, the growing dangers of wars among nuclear-armed states, and the urgent need for good faith U.S. participation in negotiating the global elimination of nuclear weapons.'

Arcata, California, USA
Arcata Nuclear Weapons Free Zone Act, 1991 - https://www.nuclearban.us/arcata-ca-nfz-ordinance/
One of the purposes of this ordinance is to minimize the City of Arcata's contracts for and purchases of the products and services of nuclear weapons contractors, and to phase out investments of public funds in nuclear weapons contractors, within the constraints of state and federal law.

Berkeley, California, USA
Nuclear Free Berkeley Act, 1986
https://www.codepublishing.com/CA/Berkeley/html/Berkeley12/Berkeley1290/Berkeley1290.html
The City of Berkeley declared itself in 1986 to be a Nuclear Free Zone and prohibited, under the Nuclear Free Berkeley Act, any work on nuclear weapons, contracts with companies working on nuclear weapons, and investments with those companies from taking place within the City of Berkeley.

Cambridge, Massachusetts, USA
Policy Order #68, 2016
http://cambridgema.iqm2.com/Citizens/Detail_LegiFile.aspx?Frame=&MeetingID=1557&MediaPosition=&ID=2104&CssClass
Cambridge City Council decided to go on record opposing investing funds from the Cambridge Retirement System in any entities that are involved in or support the production or upgrading of nuclear weapons systems.

Northampton, Massachusetts, USA
Executive policy order, 2019
http://northamptonma.gov/DocumentCenter/View/11503/Executive-Policy-Order---Supporting-the-Mitigation--Abolition-of-Nuclear-Weapons---Sept-26-2019?bidId=
Northampton Mayor David Narkewicz issued an executive policy order establishing a city policy barring, to the extent practical and permitted by law, Northampton from investing and contracting with nuclear weapons companies.

Oakland, California, USA
Oakland Nuclear Free Zone Ordinance, 1992
https://www.nuclearban.us/wp-content/uploads/2017/11/oak042285.pdf
The ordinance dictates that the City of Oakland shall refrain from making any investments in stocks, bonds, securities, or other obligations issued by nuclear weapon makers. Furthermore, within two years after the effective date of this section, the City shall divest itself of any and all investments in stocks, bonds, securities or other obligations issued by nuclear weapons makers, unless the Director of Finance determines, and so reports to Council, that such divestment would result in substantial and immediate losses of investment income, or would require the City to sell investments at prices materially below their fair market value.

Ojai, California, USA
Resolution No. 18-10, 2018
https://www.dontbankonthebomb.com/wp-content/uploads/2018/04/18-10-Nuclear-Free-Zone.pdf
The City Council declared the City of Ojai a nuclear-free zone and adopted a socially responsible investments policy with respect to participation in investment, cash management funds, and financial services institutions by requesting said organizations to disclose any investments in businesses which knowingly engage in work related to the production, transportation, storage, processing, use, or disposal of nuclear weapons or the components of nuclear weapons with no non-military applications.

Takoma Park, Maryland, USA
The Takoma Park Nuclear Free Zone Act, 1983
https://www.codepublishing.com/MD/TakomaPark/#!/TakomaPark14/TakomaPark1404.html
The Act prohibits production of nuclear weapons as well as facilities, equipment, components, supplies, or substance used for their production; requires that the City develop a socially responsible investment policy, specifically addressing any investments the City may have or may plan to have in industries and institutions which are knowingly and intentionally engaged in the production of nuclear weapons; and, prohibits the City from granting any award or contract to a nuclear weapons producer or purchasing or leasing products produced by a nuclear weapons producer.

United Kingdom
East Ayrshire, UK
Resolution, 2019
East Ayrshire Council passed a resolution calling on Strathclyde Pension Fund to divest from nuclear weapons.

Inverclyde, UK
Motion by Councillor Jim McEleny, 2021
https://www.inverclyde.gov.uk/news/2021/mar/pension-fund-arms-and-nuclear-investment-call
Inverclyde Council passed a resolution that highlights the Treaty on the Prohibition of Nuclear Weapons and calls on Strathclyde Pension fund to eliminate financial exposure to arms companies.

Midlothian, UK
Motion Lothian Pension Fund (motion 7.3), 2019
Resolution encouraging Lothian Pension Fund to divest from companies involved in the production, maintenance or development of nuclear weapons in the UK or other Nuclear Weapon States.

Renfrewshire, UK
Motion 11 by Councillors Audrey Doig and Paterson (item 14), 2019
https://renfrewshire.cmis.uk.com/renfrewshire/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/2221/Committee/3/SelectedTab/Documents/Default.aspx
The Council calls on Strathclyde Pension Fund to work towards eliminating current and future financial exposure to companies that are involved in the production or maintenance of nuclear weapons and their delivery systems, giving due regard to fiduciary duty. The Council also asks the Chief Executive to write to the convener of Strathclyde Pension Fund pension committee to urge them to take full consideration of this resolution.

West Dunbartonshire, UK
Motion by Councillor Jim Bollan, 2019

The Council requests Strathclyde Pension Fund that it divest from companies involved in the production, maintenance and development of nuclear weapons in the UK or other nuclear weapon states.

Pending Decisions

New York City, New York State, USA

Res. No. 976, 2020

https://legistar.council.nyc.gov/LegislationDetail.aspx?ID=3996240&GUID=4AF9FC30-DFB8-45BC-B03F-2A6B534FC349&Options=&Search=

Resolution calling on the New York City Comptroller to instruct the pension funds of public employees in New York City to divest from and avoid any financial exposure to companies involved in the production and maintenance of nuclear weapons, reaffirming New York City as a Nuclear Weapons Free Zone, and joining the ICAN Cities Appeal and calling on the United States to support and join the Treaty on the Prohibition of Nuclear Weapons.

New York City, New York State, USA

Int. No. 1621, 2020

https://legistar.council.nyc.gov/LegislationDetail.aspx?ID=3996241&GUID=1B009655-14E1-487F-956A-3B3CBF64451E&Options=&Search=

Creating a nuclear disarmament and nuclear weapons-free zone advisory committee.