

Public Questions for the Authority Meeting 12th September 2024

Question 1 – Ms. R Hobson

In light of the July 2024 ruling by the International Court of Justice that Israel must end its illegal occupation of the Palestinian territory (Gaza and the West Bank, including East Jerusalem) as rapidly as possible, and that all states are under an obligation not to render aid or assistance towards maintaining Israel's presence in the occupied Palestinian territory, should the South Yorkshire Pension Authority now withdraw its estimated £200 million investment from companies helping to sustain the illegal occupation, such as: Barclays which invests over £2 billion in companies supplying arms to Israel and provides financial services worth over £6 billion to these companies; HSBC which has huge investments in Caterpillar, whose bulldozers destroy Palestinian homes to make way for illegal settlements; and Sony which provides surveillance cameras used by the Israelis to police the illegally occupied territories?

Response

The Authority's responsibility is to ensure that funds are available to pay scheme members' pensions when they fall due. Under UK (United Kingdom) law we can take non-financial factors into account in investment decision making. However, there are clear limits to this.

The most significant limitation which applies in this case is financial materiality. In other words, is the issue financially material in the context of the investment being considered? In the case of the three companies quoted in the question their financial exposure to Israel and the Palestinian territories is not financially material. Therefore, while SYPA (South Yorkshire Pensions Authority) through those who manage money on its behalf will always seek to ensure that companies are meeting their obligations under the UN Global compact, it will consider whether issues should be escalated based on whether they represent a material risk to shareholder value.

It should also be pointed out that SYPA is not able to unilaterally exclude companies from the investment universe of a fund, as changes would need to be agreed by the Fund Manager and all investors.

Question 2 – Ms. S Owen

The Israeli economy is said to be experiencing an economic doom loop because of the continuing war on Gaza.

A July 2024 report by an Israeli credit risk management firm (CofaceBDi), quoted in the Israeli newspaper *Maariv*, claims that 46,000 businesses have gone bankrupt, a figure likely to rise to 60,000 by the end of 2024.

In the final months of 2023, the Israeli economy contracted by nearly 20%. Israel's credit rating has been cut and foreign investment has dropped precipitously, for example AXA has divested from all major Israeli banks.

Tourism has virtually stalled. The agricultural sector has been hit hard, with both the north and the south of the country now being active combat zones.

There are labour shortages in the tech sector because of workers serving in the army, and in the construction sector because of the exclusion of Palestinian workers.

The actions of the Yemeni Houthis in the Red Sea have meant that the revenue of major Israeli ports has dropped considerably, with the port of Eilat declaring bankruptcy.

According to a piece by Dr Shir Hever in *Mondoweiss*, power shortages are causing international tech companies to close branches in Israel.

Israelis are moving their investments abroad because they are worried about their pensions and insurance funds being tied to the performance of the Israeli economy. A number of international pension funds have removed their investment in Israel due to concerns about human rights; Pension Denmark has withdrawn all of its investments from Israeli banks and Norway's sovereign wealth fund has completely divested from Israeli bonds.

Does it make financial sense to invest substantial amounts of members' contributions in companies operating in Israel and the illegal settlements, given the current economic climate and the clear risk it presents, and can SYPA confirm that they are complying fully with their fiduciary duty to act in the best interest of scheme members in this regard? The same questions need to

be asked of Border to Coast, so will you be taking these important issues of concern to the next Border to Coast meeting for discussion?

Response

As noted in the response to the previous question for large multi-national companies' revenue from operation in the Palestinian territories is likely to be marginal and therefore such companies are likely to remain a reasonable investment from a financial point of view.

The Authority's fiduciary duty is to act in the best interests of the Pension Fund beneficiaries. Best interests are usually defined in financial terms, although there are, as indicated in the previous answer, circumstances in which non-financial factors can be considered in decision making. The Authority is content that it is meeting these requirements and can demonstrate it is doing so through the fact that long-term investment returns have exceeded the actuarial target.

The Authority consistently raises issues concerned with responsible investment with Border to Coast and in meetings with the other partner funds. We have continued to seek to give greater prominence to compliance with the UN Global Compact within the Responsible Investment policy, but this is a matter where agreement across the Partnership is required

Question 3 – Mr. Mohammed Yaqoob Ashraf

From my observations at my last visit the current investment strategy is unfortunate. I hope you can for the sake of your scheme members learn from the previous financial crises and start investing in more law abiding, sustainable and green companies.

For example there is a dire need for housing and investment in local industries.

At the last meeting that I attended a short young, wisp of a lady was goose-stepped out of the building until I had to point out to the monitoring officer she was going the wrong way. [1]

Anyway, this lady had tried to the best of her abilities to follow your rules and procedures. She had filled in your online enquiry form without receiving a reply, was ignored when she tried to ring on your phone line and when she supplied her email address for details on how to ask questions she received nothing.[2] [3]

Are these the actions of an open and accountable democratic institution?

I was told at the last meeting a series of rules needed to be followed. [4]

To give the analogie of a race, while some people are trying to run their best others simply draw the finishing line behind themselves and expect everyone else to abide by that outcome.

That is dishonourable behaviour and is simply not cricket.

Ladies and gentlemen whether I am here amongst yourselves or opposite the edl supporters that were about to batter the police, continously riot for hours on end, and try to burn down a building full of people. [5][6]

I only expect equality before the law and equal law for all.

Nothing more, nothing less.

Those of you who are politicians I think will understand the political and media implications of what I am about to say better than most.

Investing in a state that has numerous financial and arms links with multiple terrorist groups proscribed by the UK government should not be morally conscienable. [7] [8] [9] [10] [11] [12]

The personal and business legal implications are not to be sniffed at either. [13][14]

isis that was found guilty of the Manchester Arena bombing is not an organisation that you would want to be associated with even if there is only a couple of degrees of separation. [15]

As I have on the 29th of August provided SYPA clear and fair notice.

What concrete actions have been taken that show SYPA as behaving with integrity, demonstrating a strong commitment to ethical values, and respecting the rule of law?

And could you provide a copy of your legal advice following my detailed revelations please?

As you all know. Your fiduciary responsibilities should have been enacted with due diligence before making such investments.

I have faced more due diligence from someone selling me chickens for the allotment than SYPA, that handles a multi-billion pound fund, appears to have undertaken while investing in a nation that the leaders of which the International Criminal Court Prosecutor has war crimes and crimes against humanity arrest warrants for. [16]

And the International Court of Justice has, ruled that the israeli occupation of Gaza, West Bank and East Jerusalem and all settlements, is entirely unlawful and declares israel is committing racial segregation and Apartheid in the Occupied Palestinian Territories.

And it rules that israel must evacuate all settlers, dismantle settlements and the wall, provide full reparations to the Palestinian victims, and allow all Palestinians that were ethnically cleansed to return. [17]

Could SYPA provide details on what has been done over the previous 11 months especially following the ICC and ICJ actions and rulings?

Ladies and gentlemen the information I have provided is sourced, evidenced and referenced in detail via the United Nations, International Criminal Court, International Court of Justice, and in conjunction with multiple israeli and other media sources.

As self-serving and myopic as the israeli media is, in conjunction with the Secretary Generals UNDOF report to the UN Security Council it is unbelievably damning. [7]

Even in peacetime israel has a military censor regime that has to preapprove before allowing publication. Thereby even the israeli military admits to the veracity of the facts I have highlighted to yourselves. [18] [19] [20]

Ladies and gentlemen they are so open about such heinous terrorist associations because they expect craven acquiescence.

Please do not continue to acquiesce to such vile, odious and extremely repugnant associations.

Ladies and gentlemen I have barely scratched the surface and could bring further honest questions.

Instead could you provide a timeline of when you will be expediting SYPA's divestment from all primary, secondary and all other investments from isis funding israel and company's that further aid and abet the Occupation, Apartheid, Ethnic Cleansings and multiple Genocides?

Ladies and gentlemen.

It is the decent thing to do.

It is the human thing to do.

Please do so.

Thank you.

References

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Response

There are several questions set out here, but in essence the question asks the Authority to divest all holdings in Israeli companies and companies which operate in Israel and the Palestinian territories.

The Authority's investments are made in funds and the Authority cannot unilaterally change the investment mandate for such funds. To do so would require the agreement of the other 10 Border to Coast partners, the operating company, and in some cases external fund managers.

In addition, the Authority's fiduciary duty is to act in the best interests of scheme members, which is primarily defined in financial terms. Disinvesting from large multi-national companies with marginal exposure to Israel which provide strong capital growth and dividend flows is unlikely to be seen as acting in line with scheme members best interests.

Question 4 – Ms. W Cooksey

Following the January 2024 ICJ ruling that there is plausible evidence that Israel is committing genocidal acts against the Palestinian people in Gaza, UN experts have warned that investors who fail to end their financial ties to arms companies supplying Israel “could move from being directly linked to human rights abuses to contributing to them, with repercussions for complicity in potential atrocity crimes.” (UN Human Rights Office of the High Commissioner Press Release 20/6/24). It must surely be possible to find alternative investment opportunities that do not breach international law without damaging the health of the fund. Can the SYPA, and by extension Border to Coast, in respect of its pooled funds, reassure scheme members that the SYPA will not risk becoming complicit in breaches of international law in their investment strategies?

Response

Companies which supply arms to states other than their home country do so in line with licensing regimes put in place by the relevant government. Such companies would therefore argue that they were acting legally in selling arms to a specific country. Investors invest in such companies on the basis that their governance arrangements ensure that they are complying with relevant laws. The argument put forward in the question is a new one which would tend towards advocating that the Fund exclude arms companies from the investment universe. This is problematic as in many cases arms companies are involved in the production of other things such as commercial aircraft or civilian satellites which would be seen as good investments.

The case implicit in the question is an ethical one. However, the Authority is not, nor can it be an ethical investor. Ethical investment flows from faith and a set of ethical beliefs although it is possible for individuals and institutions such as the Church of England to reflect such beliefs in the way in which they invest. The Authority seeks to be a responsible investor which means that we take non-financial issues into account in investment decisions to the extent that they might materially impact on the financial returns that the Fund can achieve.

As indicated in the responses to other questions we raise these issues with our partners and Border to Coast on a regular basis and seek to ensure that the Responsible Investment policy framework continues to evolve.

Question 5 Ms. C Poland

Norway's largest pension fund, KLP, is divesting from 16 companies involved with illegal settlements in the West Bank because of the "unacceptable risks that the companies are contributing to the abuse of human rights ...through their links with the settlements". The Universities Superannuation Scheme has just announced it will sell £80 million of Israeli assets in response to the "financial risks that have become apparent". Islington Council is severing its ties with Barclays, after it failed to provide a satisfactory answer about its "complicity in human rights abuses in the Occupied Palestinian Territory". Waltham Forest Council has recently announced that it is divesting its pension fund from companies exporting arms to Israel after reviewing the ethical terms of its investment strategy. Kings College London is halting its investments in arms companies supplying Israel. AXA is selling its investments in major Israeli banks and the Israeli arms company, Elbit Systems.

In light of these developments, should the SYPA, and by extension Border to Coast in respect of its pooled funds, now urgently re-assess their substantial investment in companies helping to sustain Israel's illegal occupation?

Response

As indicated in the response to previous questions at this meeting those managing money need to consider whether non-financial risks such as those described in the question are financially material in the context of the company being considered. This is a judgement that is made in isolation from ethical or political considerations. Different fund managers will come to different conclusions on this issue. It is also the case that, as with investment in other types of company such as oil and gas companies, simply selling shares in a company will have no impact on the matters of concern. It is simply the case that an investor less concerned than SYPA or Border to Coast about these issues will buy the shares.

As indicated in answer to a previous question disinvesting from large multi-national companies with marginal exposure to Israel which provide strong capital growth and dividend flows is unlikely to be seen as acting in line with scheme members best interests.

Question 6 Mr. F Cross

On page 19 of the Responsible Investment Update for Quarter 4 2023/24, you state that the only fund that is below the interim targets to meet net zero by 2030 is the 'Investment Grade Credit Fund', with all other funds needing to reduce their emissions more rapidly to meet the 2030 target.

What actions are you going to take to ensure the reduction of financed emissions are at a pace necessary to meet the target of net zero 2030?

Response

The Authority continues to work within the Border to Coast partnership to develop policy to focus more on the delivery of effective and more rapid decarbonisation by investee companies. In addition, as also reflected in the Responsible Investment Update the tightening of policy already agreed has resulted in an increased volume of votes against management and pressure on companies.

It is also important to realise that it is unlikely that each of the individual funds will reach a zero emissions position, and the overall goal is for all the fund's investments to achieve Net Zero. This implies that some investments, such as those in natural capital, will in time generate negative emissions, negating the impact of the remaining positive emissions.