

3 December 2009

  
Investment Watch Aotearoa/New Zealand  
  
Auckland

Dear 

The Chairman, David May, has passed to me for response your letter of 16 November 2009 regarding holdings on the New Zealand Superannuation Fund's portfolio.

I think it's important to note first that the majority of our 5000+ equities are held under passive index-tracking mandates. Because of the way such mandates function, we hold companies simply on the basis of whether they are or are not in the index – and in many cases they move in and out of that index – rather than as the consequence of deciding to invest in that company. This index-tracking approach means that we have small holdings in most listed emerging market companies, including in the Israeli companies referred to in your letter.

Notwithstanding that context, our monitoring of companies for environment, social and governance (ESG) issues is done regardless of how we have come to have an investment in a company or companies. The monitoring is done through an external research agency and from other information sources e.g. via issues raised in media reports or by special interest groups. This is significantly assisted by our transparency around our holdings, a list of which is published annually on our website.

Where a breach of standards is identified, we assess the nature of the breach and determine the best means to engage with the company, preferably in conjunction other larger shareholders. We hold this preference because by working with other investors where appropriate, we are able to exert more influence on a company or on corporate standards than by simply divesting ourselves from the companies in question. Such collaborative action is also consistent with the Guardians' objective to encourage companies to manage environmental, social and governance matters responsibly. Please refer to our website for more information on our responsible investment policy, engagement process and other activities.

In respect of the particular issues raised in your letter, we are aware that companies operating in conflict zones such as the West Bank face challenging security, operational and human rights risks. Thank you for the information you have provided on this issue, which we will use to

augment work we are already doing in this area via the UN Principles for Responsible Investment (UN PRI) network. The challenges facing corporations operating in countries with poor human rights records is a key focus for the UN PRI and we have written to the majority of our holdings as part of this UN initiative.

Yours sincerely



Anne-Maree O'Connor  
Head of Responsible Investment  
Guardians of New Zealand Superannuation

cc David May  
Chairman  
Guardians of New Zealand Superannuation

s/d # 273963



COMMERCE COMMITTEE

22 September 2011

Mr David May  
Chairman  
Guardians of New Zealand Superannuation  
P O Box 106607  
Auckland 1143

Dear Mr May

**Petition 2008/143 of Lois Griffiths and 382 others**

The Commerce Committee is considering Petition 2008/143 of Lois Griffiths and 382 others, requesting that the New Zealand Parliament ask the Guardians of the New Zealand Superfund to divest the Fund from Elbit systems, Caterpillar, GAS and three major Israeli banks: Bank Hapoalim, Bank Leumi, and Israel Discount Bank, to ensure that New Zealanders are not profiteering from crimes against international humanitarian law.

To assist in its consideration of the petition, it would be helpful if the Guardians of the New Zealand Superfund could provide the committee with a written response to the issues raised in the petition. A copy of the petition is attached.

Your response should be forwarded by 12 pm on Tuesday, 14 October 2011, in writing, to the Clerk of the Committee, Commerce Committee, Bowen House, Parliament Buildings, Wellington, or emailed to [catherine.corser@parliament.govt.nz](mailto:catherine.corser@parliament.govt.nz).

Please note that your evidence will become public when released by the committee or when the committee makes its report to the House. Before releasing your response to the public, the committee may decide to release it to the petitioner for comment. You may apply for any or all of your evidence to be received in private or secret. The committee would require reasons before agreeing to such a request.

If you have any questions about the petition process, please contact me at [catherine.corser@parliament.govt.nz](mailto:catherine.corser@parliament.govt.nz) or by phone on 04 817 9523.

Yours sincerely

A handwritten signature in black ink, appearing to read 'C. Corser'.

Catherine Corser  
Clerk of the Committee  
Commerce Committee

**PETITION PRESENTED**

on 9 September 2011

*Petition of* Lois Griffiths and 382 others*Requesting* that the New Zealand Parliament ask the Guardians of the NZ Superfund to disinvest the Fund from Elbit Sysystems, Caterpuillar, G4S and three major Israeli banks: Bank Hapoalim, Bank Leumi and Israel Discount Bank.

Keith Locke

Committee referred to	Date	Date of Report	Recommendation
Commerce	9 September 2011		



To the House of Representatives

The petition of Lois Griffiths

*Lois Griffiths*

( I wish to be heard.)

48 St Andrews Square , Christchurch 8052

and 382 others

Respectfully requests:

*That*

the New Zealand Parliament ask the Guardians of the NZ Superfund to disinvest the Fund from Elbit Systems, Caterpillar, G4S and 3 major Israeli banks: Bank Hapoalim , Bank Leumi and Israel Discount Bank.

*Lois Griffiths*

## ORIGINAL PETITION

### To the House of Representatives

We request that the New Zealand Parliament ask the Guardians of the NZ Superfund to disinvest the Fund from Elbit Systems, Caterpillar, G4S and 3 major Israeli banks: Bank Hapoalim , Bank Leumi and Israel Discount Bank, to ensure that New Zealanders are not profiteering from crimes against international humanitarian law.

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## ELABORATION

The British philosopher Bertrand Russell was so disturbed by the Vietnam War that he established a tribunal in 1966, that became known as the Russell Tribunal on Vietnam, to investigate crimes committed in Vietnam and judge them according to international law. The Tribunal's panel included prominent international lawyers, writers and philosophers. Although the Tribunal had no legal status it was influential in exposing crimes against humanity and raising public opposition to the war. "May this Tribunal prevent *the crime of silence*", declared Bertrand Russell.

Today, and in the same spirit, the Bertrand Russell Foundation has supported the setting up of a Russell Tribunal on Palestine to examine the violations of international law, of which the Palestinians are victims, and that prevent the Palestinian People from exercising its rights to a sovereign State. This Tribunal intends to reaffirm the supremacy of international law as the basis for a solution to the Israeli Palestinian conflict. It will identify all the failings in the implementation of this right and will condemn all the parties responsible for these failings, in full view of international public opinion. Members of the International Support Committee of the RToP include Nobel Prize laureates, a former United Nations Secretary-General, two former heads of state, other persons who held high political office and many representatives of civil society, writers, journalists, poets, actors, film directors, scientists, professors, lawyers and judges.

The Tribunal's London Session in November 2010 specifically focused on the role of multinational corporations , including banks, in facilitating Israel's crimes.

The main questions the jury considered in London were:

1. Which Israeli violations of international law are corporations complicit in?
2. What are the legal consequences of the activities of corporations that aid and abet Israeli violations?
3. What are the remedies available and what are the obligations of states in relation to corporate complicity? The tribunal has named a number of corporations as being potential legally liable by enabling Israel to commit war crimes and crimes against humanity. The following list is of those that the NZ Superfund invests in. We request that the Guardians of the NZ Superfund be asked to disinvest the Fund from them.

1) G4S, a multinational British/Danish corporation, supplies scanning equipment and full bodyscanners to several military checkpoints in the West Bank, all of which have been built as part of the Separation Wall, whose route was declared illegal by the ICJ in its Advisory Opinion of 9. G4S operates in settlements, providing equipment for prisons for Palestinian political prisoners and for installations of the Israeli police in settlements.

2) Elbit Systems, a leading Israeli multinational, has an intimate and collaborative relationship with the Israeli military in developing weapons technology first used by the Israeli Army in its active combat operations, before marketing and selling the technology to countries worldwide. For example, Elbit supplied the Unmanned Aerial Vehicles (otherwise known as Drones) that were extensively and illegally used in the Gaza conflict. The Norwegian Pension Fund was divested from Elbit Systems as a result of this complicity in human rights violations.

3) Caterpillar, based in the US, supply specifically modified military D9 bulldozers to Israel, which are used in: (i) the demolition of Palestinian homes; (ii) the construction of settlements and the Wall; and (iii) in urban warfare in the Gaza conflict; in all cases causing civilian deaths and injuries, and extensive property damage not justified by military necessity.

The Church of England disinvested from Caterpillar some time ago.

4) Bank Hapoalim, Bank Leumi and Israel Discount Bank have branches in some illegal settlements and grant mortgages to settlers to buy property in illegal settlements.

**C2 - Internal Use Only**

**Doc Ref 792854**

**From:** Catherine Etheredge  
**Sent:** Friday, 7 September 2012 12:40 p.m.  
**To:** [REDACTED]  
**Subject:** RE: PQ - Russel Norman

Hi [REDACTED]

The company has been excluded from the Norwegian Fund for construction of Jewish settlements in disputed territory in Israel.

Ours will be a passive holding.

Best regards  
Catherine

**Catherine Etheredge**  
Head of Communications

DDI: +64 9 366 4905  
Mobile: +64 27 4777 501  
Email: [cetheredge@nzsuperfund.co.nz](mailto:cetheredge@nzsuperfund.co.nz)

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Office: +64 9 300 6980 | Fax: +64 9 300 6981 | Web: [www.nzsuperfund.co.nz](http://www.nzsuperfund.co.nz)

**From:** [REDACTED]  
**Sent:** Friday, 7 September 2012 12:39 p.m.  
**To:** Catherine Etheredge  
**Subject:** RE: PQ - Russel Norman

Thanks Catherine.

It is likely an ethical question coming from Dr Norman so any thoughts on why the question might be raised would be helpful.

Also, whether it is part of a passive or active mandate?

Thanks  
[REDACTED]

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- a. please immediately delete this email and notify the Treasury by return email or telephone (64 4 472 2733);
- b. any use, dissemination or copying of this email is strictly prohibited and may be unlawful.

**From:** Catherine Etheredge [<mailto:CEtheredge@nzsuperfund.co.nz>]  
**Sent:** Friday, 7 September 2012 10:39 a.m.  
**To:** [REDACTED]  
**Subject:** RE: PQ - Russel Norman

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**Doc Ref 792854**

Hi [REDACTED]

The answer is yes and the value of the holding as at 6/9/12 is NZ\$16,633.12.

Do you require any further background information?

Best regards  
Catherine

**Catherine Etheredge**  
Head of Communications

DDI: +64 9 366 4905  
Mobile: +64 27 4777 501  
Email: [cetheredge@nzsuperfund.co.nz](mailto:cetheredge@nzsuperfund.co.nz)

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**From:** [REDACTED]  
**Sent:** Thursday, 6 September 2012 5:06 p.m.  
**To:** Catherine Etheredge  
**Subject:** PQ - Russel Norman

Hi Catherine

We have had the following PQ come through from Russel Norman. Can you please provide us with an answer by midday Monday if possible?

Does the New Zealand Superannuation Fund have an investment in Shikun & Binui Ltd; and if so, what is the current value in New Zealand dollars of the investment?

Many thanks

[REDACTED]

[REDACTED]

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**Doc Ref 811659**

**From:** Catherine Etheredge [CEtheredge@nzsuperfund.co.nz]  
**Sent:** Wednesday, 21 November 2012 9:04 a.m.  
**To:** [REDACTED]  
**Subject:** FW: Query from website

Hi [REDACTED]

Thank you for your email. The New Zealand Superannuation Fund does not currently hold any shares in Elbit. Elbit was deleted from the MSCI indices in June and has subsequently dropped out of our portfolio.

Best regards  
Catherine

**Catherine Etheredge**  
Head of Communications

DDI: +64 9 366 4905  
Mobile: +64 27 4777 501  
Email: [cetheredge@nzsuperfund.co.nz](mailto:cetheredge@nzsuperfund.co.nz)

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**From:** [formmail@digitalstream.co.nz](mailto:formmail@digitalstream.co.nz) [<mailto:formmail@digitalstream.co.nz>]  
**Sent:** Tuesday, 20 November 2012 2:18 p.m.  
**To:** Enquiries  
**Subject:** Query from website

## Form to Email

Form to email received the following values

**Name** [REDACTED]  
**Company** Student  
**Phone**  
**email from** [REDACTED]  
**Contact me by** Email  
**Website feedback** ==select==  
**My query** How does the New Zealand Superannuation Fund justify helping to invest in Elbit Systems, when they kill innocent Palestinian children?  
**remoteip** 202.50.90.9  
**referer** <http://www.nzsuperfund.co.nz/index.asp?PageID=2145832561>

Message sent to: Recipient: 151

**C2 - Internal Use Only**

**Doc Ref 811659**

Form Completed on Tuesday, 20 November 2012 2:18:20 p.m.

Form submitted from: <http://www.nzsuperfund.co.nz/index.asp?PageID=2145832561>

IP of submitter: 202.50.90.9

Powered By Digital Stream Ltd <http://www.digitalstream.co.nz>

## C2 - Internal Use Only

**Doc Ref 811662**

**From:** Catherine Etheredge [CEtheredge@nzsuperfund.co.nz]

**Sent:** Wednesday, 21 November 2012 9:07 a.m.

**To:** [REDACTED]

**Cc:** Kate; sean.palmer@parliament.govt.nz; simon.oconnor@parliament.govt.nz

**Subject:** RE: Investment enquiries.

Hi [REDACTED]

Thank you for your email. The New Zealand Superannuation Fund does not currently hold any shares in Elbit. Elbit was deleted from the MSCI indices in June and has subsequently dropped out of our portfolio.

Please feel free to contact me directly if you would like further information.

Best regards

Catherine

**Catherine Etheredge**  
Head of Communications

DDI: +64 9 366 4905

Mobile: +64 27 4777 501

Email: [cetheredge@nzsuperfund.co.nz](mailto:cetheredge@nzsuperfund.co.nz)

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**From:** [REDACTED]

**Sent:** Tuesday, 20 November 2012 9:37 p.m.

**To:** Enquiries

**Cc:** Kate; sean.palmer@parliament.govt.nz; simon.oconnor@parliament.govt.nz

**Subject:** Investment enquiries.

The NZ Super Fund holds 36532 shares in (Israeli weapons manufacturer) Elbit Systems Ltd.

[http://www.nzsuperfund.co.nz/files/Equity%20Listings/NZ%20Super%20Fund%20equities\\_listing\\_as\\_at\\_30\\_June\\_2012.pdf](http://www.nzsuperfund.co.nz/files/Equity%20Listings/NZ%20Super%20Fund%20equities_listing_as_at_30_June_2012.pdf)

They are currently valued around \$US34 to \$US35 each.

<http://www.nasdaq.com/symbol/eslt>

I have four questions;

- How much have these shares returned, per annum (in \$NZ), over the last five years?
- Is this a financially sound investment, with regard to security versus fecundity?
- Given the current Gaza unpleasantness, can a far better return be expected in the propinquitous future?



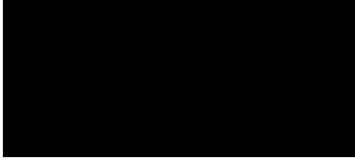
**C2 - Internal Use Only**

**Doc Ref 811662**

- Is this an ethically sound investment?

Thank you in advance for your answers to these questions.

Regards,



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**Doc Ref 811663**

-----Original Message-----

From: Catherine Etheredge [CEtheredge@nzsuperfund.co.nz]

Sent: Wednesday, 21 November 2012 9:09 a.m.

To: [REDACTED]

Subject: RE: Divest from Elbit

Dear [REDACTED]

Thank you for your email. The New Zealand Superannuation Fund does not currently hold any shares in Elbit. Elbit was deleted from the MSCI indices in June and has subsequently dropped out of our portfolio.

Best regards  
Catherine

Catherine Etheredge  
Head of Communications  
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-----Original Message-----

From: [REDACTED]

Sent: Tuesday, 20 November 2012 10:09 p.m.

To: Enquiries

Subject: Divest from Elbit

The NZ superannuation fund owns more than 36K shares in Israeli weapons manufacturer Elbit Systems Ltd. As one of the primary suppliers of Israel's military, navy, and airforce technology and equipment, Elbit has profited greatly from Israel's many attacks on Palestinian (and Lebanese) people.

New Zealand should not be making money from massacres.

Regards,  
[REDACTED]

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**Doc Ref 811664**

**From:** Catherine Etheredge [CEtheredge@nzsuperfund.co.nz]  
**Sent:** Wednesday, 21 November 2012 9:09 a.m.  
**To:** [REDACTED]  
**Subject:** RE: Ethics & the Superannuation Fund

[REDACTED]

Thank you for your email. The New Zealand Superannuation Fund does not currently hold any shares in Elbit. Elbit was deleted from the MSCI indices in June and has subsequently dropped out of our portfolio.

Best regards  
Catherine

**Catherine Etheredge**  
Head of Communications

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**From:** [REDACTED]  
**Sent:** Tuesday, 20 November 2012 11:30 p.m.  
**To:** Enquiries  
**Subject:** Ethics & the Superannuation Fund

New Zealanders should not be making money from human slaughter.

Get rid of shares in Elbit Systems Ltd NOW.

[REDACTED]  
Auckland

## C2 - Internal Use Only

**Doc Ref 811665**

**From:** Catherine Etheredge [CEtheredge@nzsuperfund.co.nz]  
**Sent:** Wednesday, 21 November 2012 9:12 a.m.  
**To:** [REDACTED]  
**Subject:** RE: Investments by NZ Superannuation Fund

Dear [REDACTED]

Thank you for your email. The New Zealand Superannuation Fund does not currently hold any shares in Elbit. Elbit was deleted from the MSCI indices in June and has subsequently dropped out of our portfolio.

Best regards  
Catherine

**Catherine Etheredge**  
Head of Communications

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**From:** [REDACTED]  
**Sent:** Tuesday, 20 November 2012 11:54 p.m.  
**To:** Enquiries  
**Subject:** Investments by NZ Superannuation Fund

Dear Sir or Madam,

It has come to my attention recently that NZ Superannuation Fund has significant investments (some 36.532 shares) in Elbit Systems Ltd, an Israeli company which manufactures what are euphemistically called Unmanned Aircraft Systems (UAS).

These are more popularly known as 'drones', and have been part of the arsenal deployed against the unarmed civilian population of Gaza.

UAS systems targeted and assassinated Hamas leader Ahmed Jabari recently, one of a series of acts of aggression and response (by both sides) which has precipitated this latest tragedy unfolding in the Middle East.

While I realise that NZ Superannuation Fund must seek out the 'best' investment options and maximise returns on investment for its shareholders (who, at this stage, are the citizens of New Zealand), I and others like me are calling on your organisation to divest this sordid shareholding forthwith.

There are very many ethical alternatives available to NZ Superannuation Fund, acting as an agent of the state and on behalf of all New Zealanders as shareholders.

It is disappointing that this situation has come to pass and it would be a positive gesture if NZ Superannuation Fund were to listen to the concerns of New Zealanders who are outraged by the current wave of aggression against a civilian population.

We have no business supporting the arms trade.

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**Doc Ref 811665**

I await your reply with interest.

Regards



**C2 - Internal Use Only**

**Doc Ref 811666**

**From:** Catherine Etheredge [CEtheredge@nzsuperfund.co.nz]  
**Sent:** Wednesday, 21 November 2012 9:13 a.m.  
**To:** [REDACTED]  
**Subject:** RE: Contribution?

Dear [REDACTED]

Thank you for your email. The New Zealand Superannuation Fund does not currently hold any shares in Elbit. Elbit was deleted from the MSCI indices in June and has subsequently dropped out of our portfolio.

Best regards  
Catherine

**Catherine Etheredge**  
Head of Communications

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**From:** [REDACTED]  
**Sent:** Wednesday, 21 November 2012 8:29 a.m.  
**To:** Enquiries  
**Subject:** Contribution?

Hi,

My name is [REDACTED]. As a New Zealander I find it completely inappropriate for NZ Superannuation Fund to have any sort of investment in Elbit Systems Ltd, especially in the light of the loss of human life suffered in the ongoing events in Gaza and Israel.

I find this investment morally offensive. I wonder if it's possible to remove and sort of contribution New Zealand may have to exacerbating this blood shed?

Thank you for your time today,  
[REDACTED]

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**Doc Ref 811669**

**From:** Catherine Etheredge [CEtheredge@nzsuperfund.co.nz]  
**Sent:** Wednesday, 21 November 2012 9:22 a.m.  
**To:** [REDACTED]  
**Subject:** RE: Stop unethical investment

Dear [REDACTED]

Thank you for your email. For your information, the New Zealand Superannuation Fund does not currently hold any shares in Elbit. Elbit was deleted from the MSCI indices in June and has subsequently dropped out of our portfolio.

Your views on the other companies mentioned have been noted and passed to our Responsible Investment team. For further information on the Fund's approach to Responsible Investment see our website at <http://www.nzsuperfund.co.nz/index.asp?pageID=2145876519>. Our most recent Responsible Investment Report is available at pages 38-42 of our 2012 Annual Report. This report is also available on line at [http://www.nzsuperfund.co.nz/files/Annual%20Reports/NZ\\_Super\\_Fund\\_-\\_2011\\_12\\_Annual\\_Report\\_-\\_website.pdf](http://www.nzsuperfund.co.nz/files/Annual%20Reports/NZ_Super_Fund_-_2011_12_Annual_Report_-_website.pdf).

Best regards  
Catherine

**Catherine Etheredge**  
Head of Communications

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**From:** [REDACTED]  
**Sent:** Wednesday, 21 November 2012 5:25 a.m.  
**To:** Enquiries  
**Subject:** Stop unethical investment

To whom it may concern,

It was recently brought to my attention that the New Zealand Superannuation Fund has equity holdings in Elbit Systems Limited, an Israeli company that is one of the principal suppliers of Israel's military. As you are doubtless aware, the Israeli military is responsible for the deaths of thousands of innocent Palestinian and Lebanese children, women and men, not to mention the continued forceful and unjust colonisation of Palestinian land and forcing the land's rightful inhabitants into a life of fear, poverty and misery. Investing money in any organisation that assists and supports the perpetrators of such horrific violence is beyond reprehensible. As a New Zealander, I demand the Guardians of New Zealand Superannuation, a government organisation supposedly acting on my behalf, cease investing public money in such unethical enterprises. Furthermore, a mere cursory glance at the current

## C2 - Internal Use Only

Doc Ref 811669

list of the Fund's equity portfolio suffices to reveal that this is not an isolated example. Other corporations that appear on this list have been reported as having questionable (to put it mildly) activities, including the following:

Chevron Corp, the petrochemical company responsible for some of the worst environmental and human rights abuses in the world.

Halliburton Co., the oilfield services company, responsible for contamination of drinking water and vast environmental damage, including implication in the Deepwater Horizon catastrophe in 2010.

Monsanto, the world's largest producer of genetically modified seeds, with one of most outstandingly horrendous records of abuse of the human rights of food sovereignty, access to land and health.

Veolia, the water distribution and sewerage company that facilitates the unlawful colonisation of Palestinian land by Israel through the construction of transportation infrastructure to illegal Israeli settlements, as well as denying those most in need of the basic human right to water.

Wal-Mart, the American retailer with a shocking workers' rights record, whose average employees earn a salary that keeps them below the poverty line.

Stop unethical investment now!





## C2 - Internal Use Only

Doc Ref 811716

**From:** [REDACTED]  
**Sent:** Wednesday, 21 November 2012 9:55 a.m.  
**To:** Catherine Etheredge  
**Subject:** Re: Investments by NZ Superannuation Fund

Hi Catherine,

Thank you for the swift reply.

If this information was publicly available, I'm sure your office would not be fielding enquiries such as mine at this time.

The latest document available at your website

([http://www.nzsuperfund.co.nz/files/Responsible%20Investment%20documents/Exclusion\\_list\\_31\\_August\\_2012\\_for\\_web.pdf](http://www.nzsuperfund.co.nz/files/Responsible%20Investment%20documents/Exclusion_list_31_August_2012_for_web.pdf)) does not list Elbit as an exclusion or divestment.

regards

---

**From:** Catherine Etheredge <[CEtheredge@nzsuperfund.co.nz](mailto:CEtheredge@nzsuperfund.co.nz)>  
**To:** [REDACTED]  
**Sent:** Wednesday, 21 November 2012 9:11 AM  
**Subject:** RE: Investments by NZ Superannuation Fund

[REDACTED]

Thank you for your email. The New Zealand Superannuation Fund does not currently hold any shares in Elbit. Elbit was deleted from the MSCI indices in June and has subsequently dropped out of our portfolio.

Best regards  
Catherine

**Catherine Etheredge**  
**Head of Communications**  
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Office: +64 9 300 6980 | Fax: +64 9 300 6981 | Web: [www.nzsuperfund.co.nz](http://www.nzsuperfund.co.nz)

**From:** [REDACTED]  
**Sent:** Tuesday, 20 November 2012 11:54 p.m.  
**To:** Enquiries  
**Subject:** Investments by NZ Superannuation Fund

Dear Sir or Madam,

## C2 - Internal Use Only

### Doc Ref 811716

It has come to my attention recently that NZ Superannuation Fund has significant investments (some 36.532 shares) in Elbit Systems Ltd, an Israeli company which manufactures what are euphemistically called Unmanned Aircraft Systems (UAS).

These are more popularly known as 'drones', and have been part of the arsenal deployed against the unarmed civilian population of Gaza.

UAS systems targeted and assassinated Hamas leader Ahmed Jabari recently, one of a series of acts of aggression and response (by both sides) which has precipitated this latest tragedy unfolding in the Middle East.

While I realise that NZ Superannuation Fund must seek out the 'best' investment options and maximise returns on investment for its shareholders (who, at this stage, are the citizens of New Zealand), I and others like me are calling on your organisation to divest this sordid shareholding forthwith.

There are very many ethical alternatives available to NZ Superannuation Fund, acting as an agent of the state and on behalf of all New Zealanders as shareholders.

It is disappointing that this situation has come to pass and it would be a positive gesture if NZ Superannuation Fund were to listen to the concerns of New Zealanders who are outraged by the current wave of aggression against a civilian population.

We have no business supporting the arms trade.

I await your reply with interest.

Regards



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## C2 - Internal Use Only

### Doc Ref 811779

**From:** Catherine Etheredge [CEtheredge@nzsuperfund.co.nz]  
**Sent:** Wednesday, 21 November 2012 2:19 p.m.  
**To:** james.ihaka@nzherald.co.nz  
**Subject:** Response to petition as requested

Hi James,

Nice to talk earlier.

I have attached the response we provided to the select committee in response to the petition in 2011. NB David May has since retired and the current Chair of the NZ Superannuation Fund is Gavin Walker.

Like many institutional investors a sizeable proportion of our investment portfolio is managed passively, tracking global equity indices in order to gain cost-effective, diversified exposure to share markets around the world. These 'passive' investments are selected according to market capitalisation rather than through active stock picking.

As discussed, the New Zealand Superannuation Fund does not currently hold any shares in Elbit. Elbit was deleted from the MSCI indices in June and has subsequently dropped out of our investment portfolio.

Best regards  
Catherine

**Catherine Etheredge**  
Head of Communications

DDI: +64 9 366 4905  
Mobile: +64 27 4777 501  
Email: [cetheredge@nzsuperfund.co.nz](mailto:cetheredge@nzsuperfund.co.nz)

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12 October 2011

Catherine Corser  
Clerk of the Commerce Select Committee  
Parliament Buildings  
Wellington

Dear Ms Corser,

**Response to Petition 2008/143 – Lois Griffiths and 382 others**

You have asked the Guardians of New Zealand Superannuation for a response to the issues raised in the above petition, which requests that *the New Zealand Parliament ask the Guardians of the New Zealand Superannuation Fund to divest the Fund from Elbit Sytems, Caterpillar, G4S and three major Israeli banks: Bank Hapoalim, Bank Leumi and Israel Discount Bank, to ensure that New Zealanders are not profiteering from crimes against international humanitarian law.*

Before addressing the specifics of the petition, it may be helpful if we set out some contextual background about the Guardians and our approach to responsible investment. We have also provided detail about how we approach the exclusion or divestment of stocks engaged in particular activities, in Appendix 1.

Responsible Investment (RI) is part of meeting the investment mandate in our Act<sup>1</sup>. We take that responsibility seriously and we are proud of what we have achieved relative to global benchmarks. We are a founding signatory of the United Nations Principles for Responsible Investment (UNPRI) and are one of the few signatories globally to be rated in the top quartile for our implementation of all six of the UN Principles.

We take a number of criteria into account when assessing our RI approach toward states and companies. As we discuss in more detail in Appendix 1, three of the key criteria are New Zealand law, significant policy positions of the New Zealand Government and international conventions to which New Zealand is a signatory. These criteria have been significant in shaping our decisions to exclude from the New Zealand Superannuation Fund companies involved in the manufacture or simulated testing of nuclear explosives; the manufacture of cluster munitions and of landmines; whaling; and, tobacco manufacturing.

The criteria will continue to be key to shaping any further RI policy decisions we make in respect of state or company activity. We trust this provides useful context as we turn to the matters raised in the petition.

*The petition*

The petitioners' concerns ultimately relate to the activities of the State of Israel. The petitioners' basis for seeking the exclusion of the named companies from the Fund, is their belief that the companies' activities enable those of the state.

As we have referred to above, and discussed in more detail in Appendix 1, we take a large number of issues into account when determining whether to exclude certain companies, including international sanctions and embargos.

<sup>1</sup> New Zealand Superannuation and Retirement Income Act 2001

When determining our RI position relative to sovereign states, including whether we should instruct our investment managers not to invest in relevant asset classes (such as sovereign bonds), we rely heavily – but not exclusively – on our interpretation of the official policy views and actions of the New Zealand Government.

There are a number of reasons for this. In our view the New Zealand Government is better placed to form official views on the impact on New Zealand's international reputation and relations, of commercial dealings with a particular state. The Government is also better placed to balance those views against their assessment of what is acceptable to the average New Zealander. As an agent of the New Zealand Government it is important that we conduct our investment activity consistent with any such official views. But we should not lead those views.

In interpreting the position of the New Zealand Government we take into account any New Zealand sanctions; any existing commercial dealings that New Zealand may have with another state; the stance of other agencies such as the Ministry of Foreign Affairs and Trade; and, from time to time, the advice of relevant independent experts.

Our interpretation of New Zealand's current position relative to the State of Israel means that we do, at present, allow our investment managers to trade in Israel's government securities and we have applied no embargo. Should this position change, for example as a result of the application of sanctions, we would of course take it very seriously.

Having said all that, we do form views and take RI action on companies irrespective of the presence or absence of sanctions against their home state. In that context, we are aware of the range of accusations against the companies named in the petition. As a matter of course the conduct of each is subject to ongoing RI screening by our RI research provider.

We have previously publicly confirmed that Elbit Systems Limited is on our list of companies reported to have breached our ESG standards. Placing a company on our list means that we are considering or are undertaking RI activity, including all or some of research, formal monitoring and engagement. Consistent with what we explain in Appendix 1, we disclose detail about company-specific RI activity only if it otherwise becomes public, or we make a decision to divest from the company.

We have made no public comment about the other companies. We reiterate that we would not disclose information about company-specific RI activity in other than the circumstances outlined in the previous paragraph. We can confirm, however, that based on our current understanding of the facts relating to the named companies' activities, we have not excluded any of the companies from the Fund.

If the Committee has any further questions, please do not hesitate to get in contact with me.

Yours sincerely



David May  
**Chairman**

## Appendix 1

As referred to in the main body of the letter, the Guardians was established under the New Zealand Superannuation and Retirement Income Act 2001 to manage and invest the New Zealand Superannuation Fund on a prudent, commercial basis in a manner consistent with –

- a) best-practice portfolio management; and
- b) maximising return without undue risk to the Fund as a whole; and
- c) avoiding prejudice to New Zealand's reputation as a responsible member of the world community.

We must establish, and adhere to, investment policies, standards and procedures for the Fund that are consistent with our duty to invest the Fund on a prudent, commercial basis. The Statement of Investment Policies, Standards and Procedures (SIPSP) must cover (amongst other things) ethical investment, including policies, standards and procedures for avoiding prejudice to New Zealand's reputation as a responsible member of the world community.

We have developed such a set of ethical investment policies, standards and procedures which are incorporated within our overall SIPSP. The relevant section of the SIPSP is attached as Appendix 2. It is also available on the policies section of our website: [www.nzsuperfund.co.nz](http://www.nzsuperfund.co.nz).

To put our RI policies, standards and procedures into effect we have developed an RI Framework. A copy of that is attached as Appendix 3. It is also available on our website.

### Applying our Responsible Investment Framework

Most of our RI Framework is concerned with how we integrate environmental, social and governance issues into our investment decision making process. A significant part of that is how we exercise our rights as owners of the companies in which we invest to ensure those issues are receiving proper attention. Largely we do that through voting on shareholder resolutions and, in the case of companies who have breached our RI standards, through engagement with companies. We believe we can have a greater impact on company practices through dialogue with company management, especially when we do so in conjunction with others.

We invest across a wide range of companies (some 7000) engaged in a wide range of activities. We recognise that not all of these activities are acceptable to all our ultimate stakeholders, the New Zealand public. However some activities that some find objectionable others find reasonable. To avoid our decision-making becoming captive to the preferences of either the particular set of Guardians' Board and management in place at any one time, or the public interest group that could generate the most media attention, we developed a clear set of guidelines to guide our decisions on these more contentious activities.

In limited cases we come to a view that companies engaged in certain activities will be excluded from the Fund's allowable investment universe. Where we already own securities in a company engaged in those activities, we divest our holdings. To date we have excluded companies involved in whaling, landmine and cluster munitions production, production and testing of nuclear explosive devices, and manufacture of tobacco. In arriving at those decisions we carefully worked our way through the following factors:

- *New Zealand law.* Against this point we are asking whether the activities of the company, were they to be carried out in New Zealand, would be legal under New Zealand law. Whaling, landmines, cluster munitions production and nuclear explosive devices production and testing are captured by this test.
- *International conventions to which New Zealand is a signatory.* In some cases New Zealand has committed to an international stance but that stance has not been codified under New Zealand law. Our original decisions to exclude companies involved in cluster munitions production were driven by this test.
- *Significant policy positions of the New Zealand Government.* A factor much more subject to interpretation but nevertheless important to take into account. This factor was particularly applicable to the exclusion of tobacco manufacturers and in this case the reality that engagement with tobacco companies was unlikely to change their activities was a compounding reason.
- *Impact of exclusion on expected Fund returns.* We consider this because of our obligation to maximise returns without undue risk. In most cases we are satisfied that single name exclusions have no material impact on the Fund's risk and return.
- *Actions of our peers.* This factor relates to our best practice obligations. The reality is that very few of our peers exclude securities. There are a handful of widely publicised exceptions particularly in Northern Europe and Scandinavia. Some US public funds exclude on very narrow issues of particular interest to their communities.
- *Severity of breach/action.* Against this test we need to consider the proximity of a company's activities to a particular excluded activity. Tobacco is a good example: we exclude the manufacturers but not the retailers.
- *Likelihood of success of alternative course (engagement).* Finally we consider whether engaging with the company could cause them to disengage from the activity in question. As mentioned in the case of tobacco we thought such engagement would be fruitless.

While we have established a formal approach to exclusions, our preference is to engage with companies when we are convinced on the facts that they have breached our RI Standards. Where these are foreign companies, we generally prefer to conduct engagements in concert with other investors, most often those who are also signatories – as are we – to the UNPRI.

We also prefer to keep our RI activity involving specific companies confidential as we believe that enhances the probability of positively influencing company behaviour. Confidentiality typically includes detail about all or some of the fact of a specific activity; the identity of the subject company or companies; the identity of any other parties (e.g. other investors) co-operating in the activity (engagements are often collaborative); and detail about the status and proceedings of the activity. This approach to confidentiality changes only to the extent that information is already public; by mutual consent with involved parties; or when we have decided to exclude a company and identify it on our list of exclusions on our website.

We note that we publish an overview of the RI issues we address through our engagement programme, within the RI section of each Annual Report.

**C2 - Internal Use Only**

**Doc Ref 811857**

**From:** Catherine Etheredge [CEtheredge@nzsuperfund.co.nz]  
**Sent:** Wednesday, 21 November 2012 4:34 p.m.  
**To:** [REDACTED]  
**Subject:** RE: NZ superfund enquiry

Dear [REDACTED]

Thank you for your email. The New Zealand Superannuation Fund does not currently hold any shares in Elbit. Elbit was deleted from the MSCI indices in June and has subsequently dropped out of our investment portfolio.

Best regards  
Catherine

**Catherine Etheredge**  
Head of Communications

DDI: +64 9 366 4905  
Mobile: +64 27 4777 501  
Email: [cetheredge@nzsuperfund.co.nz](mailto:cetheredge@nzsuperfund.co.nz)

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**From:** [REDACTED]  
**Sent:** Wednesday, 21 November 2012 4:24 p.m.  
**To:** Enquiries  
**Subject:** NZ superfund enquiry

I wish to enquire why the NZ government is investing NZ taxpayers money in weapons manufacturing companies such as Elbit Systems Ltd in Israe? You have now made me complicit in murdering civilians including children. Shame on you.  
I call for a divestment of tax payers money from companies that profit from war and murder

Yours faithfully  
[REDACTED]  
[REDACTED]  
[REDACTED]

Information from ESET NOD32 Antivirus, version of virus signature database  
7713 (20121120)

The message was checked by ESET NOD32 Antivirus.

<http://www.eset.com>



**C2 - Internal Use Only**

**Doc Ref 811858**

-----Original Message-----

From: Catherine Etheredge [CEtheredge@nzsuperfund.co.nz]

Sent: Wednesday, 21 November 2012 4:36 p.m.

To: [REDACTED]

Subject: RE:

Dear [REDACTED]

Thank you for your email. The New Zealand Superannuation Fund does not currently hold any shares in Elbit. Elbit was deleted from the MSCI indices in June and has subsequently dropped out of our investment portfolio.

Best regards  
Catherine

Catherine Etheredge  
Head of Communications  
DDI:  
+64 9 366 4905  
Mobile:  
+64 27 4777 501  
Email:  
[cetheredge@nzsuperfund.co.nz](mailto:cetheredge@nzsuperfund.co.nz)

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-----Original Message-----

From: [REDACTED]

Sent: Wednesday, 21 November 2012 2:45 p.m.

To: Enquiries

Subject:

Dear Sir/Madam,

It has come to my attention that the NZ Superfund has 36,532 shares in the Israeli weapons manufacturer Elbit Systems Ltd.

New Zealanders should not be making money from massacres! I urge the Superfund to divest divest from this company forthwith!

Sincerely,

[REDACTED]

--

Fear is the Mind Killer...  
La paura uccide la mente  
(\\_/)  
( o.O)  
(")\_(")

## C2 - Internal Use Only

**Doc Ref 811984**

**From:** Catherine Etheredge [CEtheredge@nzsuperfund.co.nz]

**Sent:** Thursday, 22 November 2012 9:25 a.m.

**To:** [REDACTED]

**Subject:** RE: re shares

Hi [REDACTED]

Thank you for your email. The New Zealand Superannuation Fund does not currently hold any shares in Elbit. Like many institutional investors a sizeable proportion of our investment portfolio is managed passively, tracking global equity indices in order to gain cost-effective, diversified exposure to share markets around the world. These 'passive' investments are selected according to market capitalisation rather than through active stock picking. Elbit was deleted from the MSCI indices in June and has consequently dropped out of our investment portfolio.

Best regards  
Catherine

**Catherine Etheredge**  
Head of Communications

DDI: +64 9 366 4905

Mobile: +64 27 4777 501

Email: [cetheredge@nzsuperfund.co.nz](mailto:cetheredge@nzsuperfund.co.nz)

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**From:** [REDACTED]  
**Sent:** Wednesday, 21 November 2012 9:41 p.m.  
**To:** Enquiries  
**Subject:** re shares

Shame on NZ super fund, having shares in an Israeli arms manufacturer...Elbit systems.  
Get rid of them. Palestinian and human blood is on your hands!  
Please reply to this email.

Cheers  
[REDACTED]

## C2 - Internal Use Only

**Doc Ref 812502**

**From:** Catherine Etheredge [CEtheredge@nzsuperfund.co.nz]

**Sent:** Friday, 23 November 2012 3:19 p.m.

**To:** [REDACTED]

**Subject:** RE: Elbit Systems Ltd

Hi [REDACTED]

Thanks very much for sending through the Facebook URL – I did find it through search yesterday.

Regarding your question: simply put, yes. While we exclude companies that are directly involved in the manufacture of cluster munitions, manufacture or testing of nuclear explosive devices and manufacture of anti-personnel mines, armaments companies which fall outside these categories are not excluded.

The decisions on excluded categories take account of: New Zealand or national law; international conventions to which New Zealand is a signatory; significant policy positions of the New Zealand Government; impact of exclusion on expected Fund returns; actions of our peers; severity of breach/action by the company concerned, and the likelihood of success of engagement. With regard to cluster munitions, nuclear explosive devices and anti-personnel mines, we note that New Zealand has signed international conventions banning these weapons, including from its own defence force.

With regards to the practices of companies we do hold, our preferred approach is to monitor our portfolio for breaches of the Fund's environmental, social and governance standards (these are aligned with the UN Global Compact), and to engage with selected companies where we believe those standards have been breached, and where we believe our engagement may have a positive impact. (For further information on our engagement framework and process see <http://www.nzsuperfund.co.nz/index.asp?pageID=2145879296>). In some limited cases we will and have moved to exclude specific companies from the Fund on the basis of their poor practices.

The Fund has investments in more than 7,000 listed companies around the world.

Best regards  
Catherine

**From:** [REDACTED]

**Sent:** Friday, 23 November 2012 10:16 a.m.

**To:** Catherine Etheredge

**Subject:** Re: Elbit Systems Ltd

Hi Catherine,

Thanks for your reply. That has cleared it up. I notice in the intervening time between emails, you have answered several inquiries from others with concerns like mine (your replies have been posted on Facebook).

I am glad the NZSF does not currently invest in Elbit, however, I remain uneasy knowing that we may well invest in them again.

Could you please tell me if the NZSF currently invests in any arms manufacturers, or "defence weapons" manufacturers?

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**Doc Ref 812502**

In reply to your request, I don't think the URL for the picture will work due to the nature of Facebook (although you can try this <http://www.facebook.com/photo.php?fbid=10151294214976273&set=a.80366606272.101379.730066272&type=1&theater> ), but for your information, I've attached a copy of the information to this email.

Perhaps you could do a search in Facebook and find it? However, I see it has now been "shared" 179 times, so it will be a significant undertaking to respond to them all. The viral nature of online social networks, eh?

Regards,

██████████

On Thu, Nov 22, 2012 at 9:23 AM, Catherine Etheredge <[CEtheredge@nzsuperfund.co.nz](mailto:CEtheredge@nzsuperfund.co.nz)> wrote:

Hi ██████████

Thank you for your email. The New Zealand Superannuation Fund does not currently hold any shares in Elbit. Like many institutional investors a sizeable proportion of our investment portfolio is managed passively, tracking global equity indices in order to gain cost-effective, diversified exposure to share markets around the world. These 'passive' investments are selected according to market capitalisation rather than through active stock picking. Elbit was deleted from the MSCI indices in June and has consequently dropped out of our investment portfolio.

This is not the same as exclusion from our portfolio for breaches of our environmental, social and governance standards.

Hope that clarifies the situation for you.

I have not seen the Facebook rumour and would be happy to correct it if you send me a link to the relevant page.

Best regards

Catherine

## C2 - Internal Use Only

Doc Ref 812502

**Catherine Etheredge**  
Head of Communications

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**From:** [REDACTED]  
**Sent:** Wednesday, 21 November 2012 10:40 p.m.  
**To:** Enquiries  
**Subject:** Elbit Systems Ltd

Dear Sir/Madam,

I'm sure you're aware of the rumor going around Facebook that says that the New Zealand Superannuation Fund invests in Elbit Systems Ltd - an Israeli weapons manufacturer supplying the current Israeli offensive on Palestine.

When I first heard that New Zealanders were profiting from the conflict, I was appalled.

Subsequently, I was somewhat heartened by the second rumour that Elbit was excluded from the NZSF investment portfolio in June 2012.

However, I note that the document "Companies excluded from the New Zealand Superannuation Fund as at 31 August 2012" available on your website, that Elbit is not listed as excluded.

[http://www.nzsuperfund.co.nz/files/Responsible%20Investment%20documents/Exclusion\\_list\\_31\\_August\\_2012\\_for\\_web.pdf](http://www.nzsuperfund.co.nz/files/Responsible%20Investment%20documents/Exclusion_list_31_August_2012_for_web.pdf)

Could you please clarify whether the NZSF invests in Elbit Systems Ltd, or whether the company has been excluded?

Regards,

[REDACTED]

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### **Doc Ref 812502**

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**Doc Ref 812573**

**From:** Catherine Etheredge [CEtheredge@nzsuperfund.co.nz]  
**Sent:** Saturday, 24 November 2012 8:51 a.m.  
**To:** Tim Macindoe  
**Cc:** Macindoe Office  
**Subject:** RE: Catherine Etheredge, NZ Superfund RE: Shares in Elbit Systems Ltd

Hi Tim

Yes, of course – please do forward it on.

Best regards  
Catherine

**From:** Tim Macindoe [mailto:tim.macindoe@parliament.govt.nz]  
**Sent:** Friday, 23 November 2012 4:54 p.m.  
**To:** Catherine Etheredge  
**Cc:** Macindoe Office  
**Subject:** Catherine Etheredge, NZ Superfund RE: Shares in Elbit Systems Ltd

Dear Catherine,

Many thanks for copying me into your reply to [REDACTED] and [REDACTED] about their concerns. I appreciate your promptness in dealing with the matter.

I've had a few other emails on that subject so I trust you're happy for me to refer the same reply to the others.

Yours sincerely,

Tim Macindoe



**Tim Macindoe**  
MP FOR HAMILTON WEST  
Chairman of the Justice and Electoral Select Committee

Parliament Buildings Room G-044, Wellington 6160  
Tel: 04 817 8229 | Fax: 04 817 6445

5 King St, Frankton | PO Box 382, Waikato Mail Centre,  
Hamilton 3240 | Tel: 07 846 0055 | Fax: 07 846 0056  
[www.timmacindoe.co.nz](http://www.timmacindoe.co.nz)

**National**  
[www.national.org.nz](http://www.national.org.nz)



Authorised by Tim Macindoe MP, 5 King Street, Frankton, Hamilton.

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Doc Ref 812573

**From:** Catherine Etheredge [mailto:CEtheredge@nzsuperfund.co.nz]

**Sent:** Friday, 23 November 2012 8:32 a.m.

**To:** [REDACTED]

**Cc:** Enquiries; Tim Macindoe; David Bennett; John Key; Winston Peters; ian sinclair; [news@tvnz.co.nz](mailto:news@tvnz.co.nz)

**Subject:** RE: Shares in Elbit Systems Ltd

Dear [REDACTED] and [REDACTED],

Thank you for your emails.

The New Zealand Superannuation Fund does not currently hold any shares in Elbit. Like many institutional investors a sizeable proportion of our investment portfolio is managed passively, tracking global equity indices in order to gain cost-effective, diversified exposure to share markets around the world. These 'passive' investments are selected according to market capitalisation rather than through active stock picking. Elbit was deleted from the MSCI indices in June and has consequently dropped out of our investment portfolio.

For further information on the Fund's responsible investment approach and framework, please see our website at <http://www.nzsuperfund.co.nz/index.asp?pageID=2145876519>.

Best regards  
Catherine Etheredge

### Catherine Etheredge

Head of Communications

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Email: [cetheredge@nzsuperfund.co.nz](mailto:cetheredge@nzsuperfund.co.nz)

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**From:** [REDACTED]

**Sent:** Thursday, 22 November 2012 8:14 p.m.

**To:** [REDACTED]

**Cc:** Enquiries; tim.macindoe; david.bennett; John Key; [winston.peters@parliament.govt.nz](mailto:winston.peters@parliament.govt.nz); ian sinclair; [news@tvnz.co.nz](mailto:news@tvnz.co.nz)

**Subject:** Re: Shares in Elbit Systems Ltd

Agree wholeheartedly! Please be informed that we will be taking this further.

[REDACTED]

On 22/11/2012, at 8:06 PM, [REDACTED] wrote:



**C2 - Internal Use Only**

**Doc Ref 812573**

To whom it may concern

I have just been informed that the New Zealand Superannuation Fund owns 36,532 shares in Israeli weapons manufacturer Elbit Systems Ltd.

I and my fellow New Zealanders should not be benefitting financially from genocide of the Palestinian people.

I request that our funds are withdrawn immediately and any further "unethical" investments the fund has made to also be withdrawn and invested in ethical New Zealand companies. I understand this is not the first occasion the super fund has made unethical investments.

Please confirm your action.



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## C2 - Internal Use Only

**Doc Ref 815972**

**From:** Catherine Etheredge

**Sent:** Thursday, 6 December 2012 4:34 p.m.

**To:** Gavin Walker

**Cc:** Adrian Orr; [REDACTED] Anne-Maree O'Connor; David Rae; Tim Mitchell

**Subject:** FW: NZ Superannuation Fund enquiry

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Hi Gavin,

Thanks for your time earlier today. On a different matter, the below correspondent, Lois Griffiths, who has contacted us regarding the Fund's investments in Elbit Systems Ltd, among other companies active in Israel, has asked for her enquiry to be passed on to you. She was the author of a 2011 petition which sought to get the Fund to divest from Elbit, Caterpillar, G4S and three Israeli banks.

FYI earlier this week the IC decided to exclude Elbit from the Fund on responsible investment grounds, along with two other companies: Shikun & Binui and Africa Israel (and its subsidiary Danya Cebus). We expect to make these exclusions public next week and will be back in touch with Lois again then. If you would like more information on this issue please get in touch. We will copy the Board on the media release announcing the exclusions before it is distributed.

Best regards  
Catherine

**From:** Catherine Etheredge

**Sent:** Thursday, 6 December 2012 4:11 p.m.

**To:** [REDACTED]

**Subject:** NZ Superannuation Fund enquiry

Dear Lois,

Thank you for your email via our website. Your comments have been noted and passed on to our Chairman and CEO.

I have attached a copy of the Guardians' response to the petition and FYI the Committee's report is available at [http://www.parliament.nz/NR/rdonlyres/60EEA9A7-4218-473F-BCFF-2347E483EBEB/244228/DBSCH\\_SCR\\_5595\\_Petition2008143ofLoisGriffithsand38.pdf](http://www.parliament.nz/NR/rdonlyres/60EEA9A7-4218-473F-BCFF-2347E483EBEB/244228/DBSCH_SCR_5595_Petition2008143ofLoisGriffithsand38.pdf)

We expect to be in a position to respond more fully to your email next week.

In future, please feel free to contact me directly on the details below.

Best regards  
Catherine Etheredge

**Catherine Etheredge**  
Head of Communications

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Doc Ref 815972

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**From:** [formmail@digitalstream.co.nz](mailto:formmail@digitalstream.co.nz) [<mailto:formmail@digitalstream.co.nz>]  
**Sent:** Thursday, 29 November 2012 2:53 p.m.  
**To:** Enquiries  
**Subject:** Query from website

## Form to Email

Form to email received the following values

**Name** Lois Griffiths  
**Company** Optional  
**Phone**  
**email from** [REDACTED]  
**Contact me by** Email  
**Website feedback** Responsible Investment

**My query** Query re Responsible Investment Dear NZ Superfund, Please send this message to the Board or at least to the Chair. In September 2011, ex-MP Keith Locke presented a petition to Parliament, on my behalf, asking for Parliament to ask the Guardians of Superfund to divest from several corporations & banks complicit in Israel's breaking international law. I was advised to make the petition very short but I was also led to believe that I would given the opportunity to speak to it. Now I've been told that the Commerce Committee has rejected the petition. An MP friend of mine is unable to trace the Committee's report or the Guardians' report. So I am appealing to you directly. I have been to Israel and the West Bank and have met Palestinians whose houses have been destroyed. And I have followed the unsuccessful efforts of Rachel Corrie's parents to get at least an apology from Israeli authorities for their daughter's murder. So it sickens me that NZ Superfund still invests in Caterpillar USA, who export a specially designed armored bulldozer for the IDF. I hope that you have been shocked by the recent drone attacks on the people of Gaza. Drones are used not just to fire missiles but also to buzz around constantly, terrorizing the population. It sickens me that NZ Superfund invests in Elbit, an Israeli corporation that specializes in drones. Dr Richard Falk, UN Rapporteur on Human Rights in Palestine recommends that all funds everywhere should be divested from Caterpillar USA, Elbit, G4S and some others. There is so much more I could say. My petition also called for divestment from 3 Israeli banks that help finance illegal settlements in the West Bank. I know one could be cynical and argue, why should we care about international law, about morality etc as long as there are profits to be made. But I hope you will take note of what I am saying. ps Congratulations on divesting the Fund from Freeport McMoran on ethical grounds. Yours sincerely, [REDACTED]

**remoteip** 121.75.153.95  
**referer** <http://www.nzsuperfund.co.nz/index.asp?PageID=2145832561>

12 October 2011

Catherine Corser  
Clerk of the Commerce Select Committee  
Parliament Buildings  
Wellington

Dear Ms Corser,

### **Response to Petition 2008/143 – Lois Griffiths and 382 others**

You have asked the Guardians of New Zealand Superannuation for a response to the issues raised in the above petition, which requests that *the New Zealand Parliament ask the Guardians of the New Zealand Superannuation Fund to divest the Fund from Elbit Sytems, Caterpillar, G4S and three major Israeli banks: Bank Hapoalim, Bank Leumi and Israel Discount Bank, to ensure that New Zealanders are not profiteering from crimes against international humanitarian law.*

Before addressing the specifics of the petition, it may be helpful if we set out some contextual background about the Guardians and our approach to responsible investment. We have also provided detail about how we approach the exclusion or divestment of stocks engaged in particular activities, in Appendix 1.

Responsible Investment (RI) is part of meeting the investment mandate in our Act<sup>1</sup>. We take that responsibility seriously and we are proud of what we have achieved relative to global benchmarks. We are a founding signatory of the United Nations Principles for Responsible Investment (UNPRI) and are one of the few signatories globally to be rated in the top quartile for our implementation of all six of the UN Principles.

We take a number of criteria into account when assessing our RI approach toward states and companies. As we discuss in more detail in Appendix 1, three of the key criteria are New Zealand law, significant policy positions of the New Zealand Government and international conventions to which New Zealand is a signatory. These criteria have been significant in shaping our decisions to exclude from the New Zealand Superannuation Fund companies involved in the manufacture or simulated testing of nuclear explosives; the manufacture of cluster munitions and of landmines; whaling; and, tobacco manufacturing.

The criteria will continue to be key to shaping any further RI policy decisions we make in respect of state or company activity. We trust this provides useful context as we turn to the matters raised in the petition.

#### *The petition*

The petitioners' concerns ultimately relate to the activities of the State of Israel. The petitioners' basis for seeking the exclusion of the named companies from the Fund, is their belief that the companies' activities enable those of the state.

As we have referred to above, and discussed in more detail in Appendix 1, we take a large number of issues into account when determining whether to exclude certain companies, including international sanctions and embargos.

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<sup>1</sup> New Zealand Superannuation and Retirement Income Act 2001

When determining our RI position relative to sovereign states, including whether we should instruct our investment managers not to invest in relevant asset classes (such as sovereign bonds), we rely heavily – but not exclusively – on our interpretation of the official policy views and actions of the New Zealand Government.

There are a number of reasons for this. In our view the New Zealand Government is better placed to form official views on the impact on New Zealand's international reputation and relations, of commercial dealings with a particular state. The Government is also better placed to balance those views against their assessment of what is acceptable to the average New Zealander. As an agent of the New Zealand Government it is important that we conduct our investment activity consistent with any such official views. But we should not lead those views.

In interpreting the position of the New Zealand Government we take into account any New Zealand sanctions; any existing commercial dealings that New Zealand may have with another state; the stance of other agencies such as the Ministry of Foreign Affairs and Trade; and, from time to time, the advice of relevant independent experts.

Our interpretation of New Zealand's current position relative to the State of Israel means that we do, at present, allow our investment managers to trade in Israel's government securities and we have applied no embargo. Should this position change, for example as a result of the application of sanctions, we would of course take it very seriously.

Having said all that, we do form views and take RI action on companies irrespective of the presence or absence of sanctions against their home state. In that context, we are aware of the range of accusations against the companies named in the petition. As a matter of course the conduct of each is subject to ongoing RI screening by our RI research provider.

We have previously publicly confirmed that Elbit Systems Limited is on our list of companies reported to have breached our ESG standards. Placing a company on our list means that we are considering or are undertaking RI activity, including all or some of research, formal monitoring and engagement. Consistent with what we explain in Appendix 1, we disclose detail about company-specific RI activity only if it otherwise becomes public, or we make a decision to divest from the company.

We have made no public comment about the other companies. We reiterate that we would not disclose information about company-specific RI activity in other than the circumstances outlined in the previous paragraph. We can confirm, however, that based on our current understanding of the facts relating to the named companies' activities, we have not excluded any of the companies from the Fund.

If the Committee has any further questions, please do not hesitate to get in contact with me.

Yours sincerely



David May  
**Chairman**

## **Appendix 1**

As referred to in the main body of the letter, the Guardians was established under the New Zealand Superannuation and Retirement Income Act 2001 to manage and invest the New Zealand Superannuation Fund on a prudent, commercial basis in a manner consistent with –

- a) best-practice portfolio management; and
- b) maximising return without undue risk to the Fund as a whole; and
- c) avoiding prejudice to New Zealand's reputation as a responsible member of the world community.

We must establish, and adhere to, investment policies, standards and procedures for the Fund that are consistent with our duty to invest the Fund on a prudent, commercial basis. The Statement of Investment Policies, Standards and Procedures (SIPSP) must cover (amongst other things) ethical investment, including policies, standards and procedures for avoiding prejudice to New Zealand's reputation as a responsible member of the world community.

We have developed such a set of ethical investment policies, standards and procedures which are incorporated within our overall SIPSP. The relevant section of the SIPSP is attached as Appendix 2. It is also available on the policies section of our website: [www.nzsuperfund.co.nz](http://www.nzsuperfund.co.nz).

To put our RI policies, standards and procedures into effect we have developed an RI Framework. A copy of that is attached as Appendix 3. It is also available on our website.

### **Applying our Responsible Investment Framework**

Most of our RI Framework is concerned with how we integrate environmental, social and governance issues into our investment decision making process. A significant part of that is how we exercise our rights as owners of the companies in which we invest to ensure those issues are receiving proper attention. Largely we do that through voting on shareholder resolutions and, in the case of companies who have breached our RI standards, through engagement with companies. We believe we can have a greater impact on company practices through dialogue with company management, especially when we do so in conjunction with others.

We invest across a wide range of companies (some 7000) engaged in a wide range of activities. We recognise that not all of these activities are acceptable to all our ultimate stakeholders, the New Zealand public. However some activities that some find objectionable others find reasonable. To avoid our decision-making becoming captive to the preferences of either the particular set of Guardians' Board and management in place at any one time, or the public interest group that could generate the most media attention, we developed a clear set of guidelines to guide our decisions on these more contentious activities.

In limited cases we come to a view that companies engaged in certain activities will be excluded from the Fund's allowable investment universe. Where we already own securities in a company engaged in those activities, we divest our holdings. To date we have excluded companies involved in whaling, landmine and cluster munitions production, production and testing of nuclear explosive devices, and manufacture of tobacco. In arriving at those decisions we carefully worked our way through the following factors:

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*A great team building the best portfolio*

- *New Zealand law.* Against this point we are asking whether the activities of the company, were they to be carried out in New Zealand, would be legal under New Zealand law. Whaling, landmines, cluster munitions production and nuclear explosive devices production and testing are captured by this test.
- *International conventions to which New Zealand is a signatory.* In some cases New Zealand has committed to an international stance but that stance has not been codified under New Zealand law. Our original decisions to exclude companies involved in cluster munitions production were driven by this test.
- *Significant policy positions of the New Zealand Government.* A factor much more subject to interpretation but nevertheless important to take into account. This factor was particularly applicable to the exclusion of tobacco manufacturers and in this case the reality that engagement with tobacco companies was unlikely to change their activities was a compounding reason.
- *Impact of exclusion on expected Fund returns.* We consider this because of our obligation to maximise returns without undue risk. In most cases we are satisfied that single name exclusions have no material impact on the Fund's risk and return.
- *Actions of our peers.* This factor relates to our best practice obligations. The reality is that very few of our peers exclude securities. There are a handful of widely publicised exceptions particularly in Northern Europe and Scandinavia. Some US public funds exclude on very narrow issues of particular interest to their communities.
- *Severity of breach/action.* Against this test we need to consider the proximity of a company's activities to a particular excluded activity. Tobacco is a good example: we exclude the manufacturers but not the retailers.
- *Likelihood of success of alternative course (engagement).* Finally we consider whether engaging with the company could cause them to disengage from the activity in question. As mentioned in the case of tobacco we thought such engagement would be fruitless.

While we have established a formal approach to exclusions, our preference is to engage with companies when we are convinced on the facts that they have breached our RI Standards. Where these are foreign companies, we generally prefer to conduct engagements in concert with other investors, most often those who are also signatories – as are we – to the UNPRI.

We also prefer to keep our RI activity involving specific companies confidential as we believe that enhances the probability of positively influencing company behaviour. Confidentiality typically includes detail about all or some of the fact of a specific activity; the identity of the subject company or companies; the identity of any other parties (e.g. other investors) co-operating in the activity (engagements are often collaborative); and detail about the status and proceedings of the activity. This approach to confidentiality changes only to the extent that information is already public; by mutual consent with involved parties; or when we have decided to exclude a company and identify it on our list of exclusions on our website.

We note that we publish an overview of the RI issues we address through our engagement programme, within the RI section of each Annual Report.

## C2 - Internal Use Only

**Doc Ref 819360**

**From:** Adrian Orr

**Sent:** Wednesday, 12 December 2012 8:41 a.m.

**To:** 'Russel Norman'

**Cc:** Catherine Etheredge

**Subject:** RE: New Zealand Superannuation Fund's investment in Shikun & Binui Ltd

Dear Russel,

Yes, you are right, I promised to get back to you by the end of November. I apologise for my delay.

We have considered the issues you mention very carefully and come to decisions. We will soon be making our decisions public as per our usual course of action. Our professional relationship with our investment managers has had to be respected, with practical issues the key reason for a delay in my responding to you.

We understand the reputational commitment the Guardians have embedded in our Act, and we have been working very diligently to ensure we retain our high global standards.

I hope to be able to chat with you in person on these and any other issues. At this stage, perhaps some time in the New Year may best suit you? I will liaise with your office and see if personal contact is possible and when best suits.

All the best,

Adrian

**From:** Russel Norman [<mailto:Russel.Norman@parliament.govt.nz>]

**Sent:** Tuesday, 11 December 2012 5:18 p.m.

**To:** Adrian Orr

**Subject:** RE: New Zealand Superannuation Fund's investment in Shikun & Binui Ltd

Dear Adrian,

I was expecting a response from you New Zealand Superannuation Fund's investment in Shikun & Binui Ltd before December. Can you please let me know where your consideration has arrived at? Are you considering divesting from other related companies such as Africa Israel Investments Ltd?

Israeli property development in the occupied territories is turning into a significant international human rights issue, so it would be good to ensure that the Fund has a clear position on this and other possibly implicated Israeli companies.

Human Rights Watch and others continue to report on the illegal building of unlawful settlements which will put the Fund's reputation at considerable risk if we are seen to be profiting from these activities.

My best,

Russel