

# BANKTRACK

MS LAURA PADOVANI  
CHIEF COMPLIANCE OFFICER

CC MS VICKY McALLISTER, SUSTAINABILITY DIRECTOR  
CC MS KIM CROUCHER, SUSTAINABILITY TEAM  
CC MS ELSA PALANZA, GLOBAL HEAD OF SUSTAINABILITY & CITIZENSHIP  
CC MR JOSEPH PIGOTT, VP SUSTAINABILITY

**BARCLAYS**

**SUBJECT: BARCLAYS' EXPOSURE TO THE MAINTENANCE AND EXPANSION OF ILLEGAL SETTLEMENTS IN THE OCCUPIED PALESTINIAN TERRITORIES**

24 AUGUST 2020

Dear Laura Padovani,

We are writing to you regarding the business relationships Barclays maintains with the state of Israel, the Israel Electric company, Delek Group and the main Israeli banks (Bank Hapoalim, Bank of Jerusalem, Bank Leumi, First International Bank of Israel, Igud Bank and Mizrahi Tefahot). The situation in Israel and the occupied Palestinian territories (OPT), and in particular the maintenance and expansion of Israel's illegal settlements, is of great concern to the international community and businesses committed to the protection of human rights. In light of this, we are concerned about Barclays' ongoing financial activities and relationships with several actors within Israel which are directly involved in supporting the maintenance and expansion of illegal settlements. We are writing to you in collaboration with a working group of Israeli activists, as well as the councils of two Palestinian villages, Bilin and Qadum, which are located in the Israeli-occupied West Bank.

It has been widely reported by Human Rights Watch, Amnesty International and various Israeli organisations, including the leading Israeli human rights organisation, B'tselem, that the Israeli government, as well as large parts of the Israeli economy, are involved in ongoing violations of the rights of Palestinians. In December 2019, the prosecutor of the International Criminal Court [concluded](#) that there is sufficient grounds to start a formal investigation of Israeli war crimes. Following this, the UN Human Rights Office issued [a list of companies](#) involved in activities relating to illegal settlements. A number of these companies, including several mentioned in this letter, are business partners of Barclays. Additionally, and perhaps most significantly, the new Israeli government has announced its intention to annex parts of, or all of, the occupied West Bank.

We consider that Barclays' ongoing business relationships with companies involved in the illegal settlements contradicts the bank's [commitment](#) to respect and promote human rights, including through the responsible provision of products and services, and is in contravention with the requirements of the UNGPs and OECD Guidelines. We kindly request your response to the concerns raised in this letter, including your account of how your business relationships with these organisations align with your human rights statement and your responsibilities under the UN Guiding Principles.



## UNDERWRITING OF ISRAELI GOVERNMENT BONDS

Our foremost concern is the ongoing [underwriting](#) of Israeli government bonds by Barclays to the amount of USD \$15 billion. The [prospectuses](#) for these bonds only specify that the funds will be used “for the general purpose of the state” and give no indication that due diligence has been carried out regarding the intended use by the state of these funds. In addition, we have been unable to find any statement by the bank which indicates that it has considered the [reports of Israeli violations](#) of international humanitarian and human rights law, or possible war crimes and crimes against humanity.

Due to the ambiguity regarding the intended use of the bonds which Barclays underwrote, there is no evidence that this money has not been used for the purpose of establishing settlements in the occupied Palestinian territories, a systematic policy of the Israeli government which the UK government has clearly and repeatedly [stated](#) is contrary to international law. B'tselem has [described](#) the impact of the settlements as “the single most important factor in shaping life in the West Bank. Their destructive impact on the human rights of Palestinians extends far beyond the thousands of hectares, including farmland and grazing areas, that Israel appropriated from Palestinians in order to build them”.

Under both the UN Guiding Principles (UNGPs) and the OECD Guidelines, Barclays’ underwriting of these government bonds links the bank to the adverse human rights impacts caused by the actions of the Israeli government, and Barclays should have, as part of its due diligence, taken steps to prevent or mitigate these adverse human rights impacts. In the situation where the bank lacks the leverage to prevent or mitigate adverse impacts and is unable to increase its leverage, the enterprise should consider ending the relationship.<sup>1</sup>

## RELATIONSHIP WITH THE ISRAELI ELECTRIC COMPANY (IEC)

In 2012 and 2014 respectively, Barclays underwrote two large bond offerings for the Israeli Electric Company (IEC). This company is included in the UN list of companies involved in activities relating to illegal settlements, mentioned above. The IEC supplies electricity to Israeli settlements which, as established, are built in violation of international law and international humanitarian law. As part of the building of settlement infrastructure in the OPT, the IEC has erected countless electricity utility poles on Palestinian land without the consent of the land owners. This means that the IEC has adversely affected the rights of the Palestinian people in two ways – they sustain the illegal settlements built in the OPT and make unpermitted use of Palestinian farm lands.

The prospectuses of both bonds give no indication of any consideration for the actions of the IEC in relation to the illegal settlements in the OPT. This is, again, in contradiction of the due diligence requirements under the UNGPs and OECD Guidelines. The OHCHR has [made it clear](#), regarding the application of the UNGPs in the context of the banking sector, that where “a bank provides financing to a client for an infrastructure project that entails clear risks of forced displacements” the bank “may be considered to have facilitated – and thus contributed to – any displacements that occur, if the bank knew or should have known that risks of displacement were present, yet it took no steps to seek to get its client to prevent or mitigate them”.

We consider that Barclays was aware, or should have been aware, of the activities of the IEC in the OPT and, having taken no action of which we are aware to prevent or mitigate the impacts of these activities, has contributed to the human rights violations of Palestinians living in the OPT. It therefore has a responsibility to provide for or cooperate in the remedy of these adverse impacts, and should set out the steps it is taking or will take to do so.

<sup>1</sup> See, for example, UN Guiding Principles 13, 19



## RELATIONSHIP WITH DELEK GROUP

Barclays' business relationship with Delek group is also concerning. Delek group owns and operates gas storage facilities and gas reserves bordering the Gaza strip, and also operates a petrol station chain with stations serving the illegal settlements in the OPT. Thus, this company is involved in providing infrastructure for the illegal settlements in the OPT. In a review of Israeli policies with respect to the energy market, Palestinian NGO Al Haq commented that "Corporations operating in Israel's oil and gas industry are benefitting from violations of international human rights and international humanitarian law. They have facilitated the closure of the Gaza Marine zone to secure gas export pipelines, the protection of the Mari-B storage facility and the unilateral exploitation of the Noa North reserve draining migratory gas from the Border Field."<sup>2</sup>

Barclays [extended a bridge loan](#) for Delek group in 2011 to finance its gas exploration in the Mediterranean, which includes Delek's assets on the border of the Gaza strip. In addition, Barclays [bought a significant share](#) of Delek US in 2012 and [underwrote an offering of stocks](#) for Delek US in 2013, indicating a continuing relationship with the Delek group. We consider that, through its continued business relationship with Delek group, Barclays is has a business link with the violations of international law and humanitarian law caused by the company, and a responsibility to seek to prevent or mitigate these impacts.

## FINANCIAL SERVICES PROVIDED TO ISRAELI BANKS

Another concern is the financial services which Barclays has provided to Israeli banks<sup>3</sup>, all of which are also included in the UN list of businesses involved in activities relating to illegal settlements mentioned above. These banks are involved in the illegal Israeli settlement project as they provide the full range of banking services to the Israeli settlement economy. This includes, but is not limited to, the construction and operation of branches in the illegal Israeli settlements in the OPT. Their activities make these banks central participants in the illegal Israeli settlement project. The conduct of the banks, which is adversely impacting the Palestinian population, has been ongoing for decades, and is therefore fully foreseeable.

Barclays provides correspondence banking for Bank Hapoalim<sup>4</sup>, the largest Israeli bank. It is our understanding that Barclays also provides its full range of financial services to other Israeli banks. We have not been able to find any indication that Barclays considers the part which these banks play in the settlement construction as part of its due diligence. If Barclays has, in fact, attempted to limit its exposure to Israeli banks' involvement in settlement construction in some way, we kindly request confirmation of this.

Furthermore, given the ongoing nature of the Israeli settlement project, the activities of the Israeli banks is clearly foreseeable and adversely impacts the Palestinian population. Thus, according to the OECD Guidelines, the relationship between the Barclays and these banks, including the activities of these Israeli banks in the OPT, should be closely scrutinised as part of Barclays' due diligence process. If Barclays is unable to influence the actions of Israeli banks, it should sever its business relationship with them, as per the OECD Guidelines.

<sup>2</sup> "Annexing Energy; Exploiting and Preventing the development of Oil and Gas in the occupied Palestinian territories", accessed June 15 2019 <http://www.alhaq.org/publications/Annexing.Energy.pdf>

<sup>3</sup> A report by Human Rights Watch documented that Bank Hapoalim, Bank of Jerusalem, Bank Leumi, First International Bank of Israel, Igud Bank and Mizrahi Tefahot are involved in construction in illegal Israeli settlements in the OPT. We will refer to these collectively as the group of Israeli banks. See <https://www.hrw.org/report/2018/05/29/bankrolling-abuse/israeli-banks-west-bank-settlements>

<sup>4</sup> [https://www.bankhapoalim.biz/wps/portal/smallbiz/article?WCM\\_GLOBAL\\_CONTEXT=smallbiz/sbizsite/home/currencysa/documentgov/shitatdl&proceed=1](https://www.bankhapoalim.biz/wps/portal/smallbiz/article?WCM_GLOBAL_CONTEXT=smallbiz/sbizsite/home/currencysa/documentgov/shitatdl&proceed=1) (in Hebrew) accessed June 25 2019



## QUESTIONS FOR BARCLAYS TO ANSWER

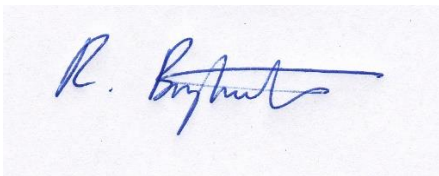
We kindly request a response to the issues we have outlined in this letter. We specifically ask:

1. Can Barclays confirm whether it maintains ongoing businesses relationships with the government of Israel, the IEC, Delek Group and the Israeli banks, and whether it has ceased any of these relationships?
2. Can Barclays set out how it considers its business relationships with the government of Israel, the IEC, Delek Group and the Israeli banks align with its human rights statement and responsibilities under the UN Guiding Principles; and provide an account of its human rights due diligence and related engagement with these companies and entities, including the results and outcomes of this due diligence?
3. Can Barclays conduct an audit of the bank's exposure to human rights abuses in the OPT, report on the results of this audit, and set out its approach to meeting its human rights responsibilities in relation to these links?

We and our partners are concerned that Barclays' continued business relationships described above amount to causing or contributing to adverse human rights impacts. We would welcome the opportunity to discuss the content of this letter with Barclays, together with representatives of the partner councils and individuals with whom we are collaborating on this issue, including how we intend to move forward with our concerns.

We kindly request a response to this letter by Monday 14<sup>th</sup> September 2020, and would welcome a discussion of the issues covered in this letter at a mutually convenient time.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'R. Brightwell', on a light-colored background.

Ryan Brightwell

Human rights campaign coordinator, BankTrack