Submitter:	Rod Such
On Behalf Of:	
Committee:	Senate Committee On Finance and Revenue
Measure:	SB541

Thank you for the opportunity to address the committee today regarding Senate Bill 541. My name is Rod Such, I live in Portland, Oregon. I am a member of the Portland chapter of Amnesty International and of Jewish Voice for Peace, both of which are part of a coalition of human rights groups supporting this bill.

I want to address some of the concerns that Treasury has raised concerning the bill. Treasury maintains that it already makes a human rights assessment as part of its ESG policy. This policy, however, was adopted in 2020, several years too late to prevent the disastrous $233 million indirect investment in the NSO Group, the Israeli spyware firm that is now on the verge of bankruptcy due to being blacklisted by the Biden administration and due to lawsuits from several major U.S. technology companies.

The problem is that under the current framework ESG is merely a policy, and an ill-defined one at best. A policy can be discarded, revised, abandoned, gutted, or ignored. In the past Treasurer Read has said that he needs guidance from the legislature and statutory authority to commit to certain investment policies.

That is what SB541 does. It guarantees that by law Treasury must make a human rights assessment in making investments. It doesn't stipulate that Treasury cannot invest in human rights violators. It doesn't foreclose any possibility. However, it does ensure that public employee pensioners and Oregon taxpayers will know that Treasury at the very least screened for potential problems in investments due to human rights violations.

The investment in NSO Group is a poster child for what can go wrong when human rights issues are ignored. And, let's face it, the need for reassurance is especially great due to Oregon Treasury's track record. The investment in NSO Group actually dates back to 2014 when Treasury invested in Francisco Partners, which had a 70 percent stake in the NSO Group, according to media reports. It boggles the mind to know that Oregon state funds have been invested in a spyware company for that long a time without any red flags being raised.

Consider the fact that one of the world's largest investment firms for pension funds, Blackstone LP, declined to invest in the NSO Group in 2017 after hearing about the human rights abuses associated with NSO's Pegasus software. This concern on the part of Blackstone should have been a red flag that got the attention of Oregon Treasury.

Then consider the fact that human rights NGOS and others approached Francisco Partners in 2018 with an Open Letter urging them to drop its holdings in NSO whose role in human rights violations was being reported in the media as early as 2016.

Finally, in another stunning display of the lack of due diligence and consideration of human rights standards, let's look at the investment history for NSO. Francisco

Partners invested $300 million to acquire a 70 percent stake in NSO. In 2019, another private equity firm Novalpina Capital acquired Francisco's shares and invested $900 million to obtain a 90 percent stake in NSO. By July 2022 the Financial Times quoted a spokesman for the Berkeley Research Group that now manages the Novalpina portfolio, as saying that NSO's equity was "valueless"—it was worth zero. And guess who's left holding the bag? At the time Novalpina acquired its stake in NSO, it had only one other major asset, a stake in an Estonian gambling company. So the Oregon Treasury indirectly invested in an Israeli spyware firm and an Estonian gambling company. These are not exactly blue chip stocks promising safety and a high return, are they? And why was Oregon the only state pension fund in the entire country to make this investment? Indeed, as The Guardian newspaper pointed out, why was Oregon actually the largest single investor in Novalpina before it went under?

Treasury ought to welcome SB541 as an opportunity to restore its credibility.