



Rights and Accountability in Development

26 September 2014

Open letter re. Och-Ziff

Maria Antoniou
Chairman of the TfL Pension Fund Trustees
TfL Pension Fund
4th Floor
Wing over Station
55 Broadway
London SW1H 0BD

Dear Maria Antoniou,

RAID wrote to the Transport for London (TfL) Pension Fund a year ago, concerning its use of US hedge fund Och-Ziff as an investment manager. We also wrote to several large US pension funds on the same issue.

You will recall that RAID – which has a long-standing record of researching corporate conduct in southern and central Africa – drew the TfL Fund’s attention to our call for HM Treasury and the US authorities to investigate whether or not EU sanctions against Zimbabwe were breached by a UK mining company’s 2008 transaction to purchase lucrative platinum assets. Money paid to the Mugabe regime originated with a subsidiary of Och-Ziff Capital Management Group LLC and was used to fund the violent subversion of elections (more details [here](#)).

It remains our understanding that the TfL Fund’s Investment Principles require ‘fund managers in their stewardship of the Fund’s assets to pay appropriate regard to relevant corporate governance, social, ethical and environmental considerations when considering the purchase, retention or sale of investments’ [5.2] and that the principles include ‘challenging companies which do not meet such standards’ [5.1].

RAID asked your Trustee Board, in view of the Fund’s continued investments via OZ Management LP (confirmed in the TfL Fund’s latest accounts), to question Och-Ziff about the Zimbabwean platinum transaction; and to consider whether any investments managed by Och-Ziff are consistent with the Fund’s investment policies.

RAID never received a reply from you to our letter; in contrast, the \$300 billion Californian state pension fund (CalPERS) did respond and raised our initial concerns with Och-Ziff.

Since we wrote to you, Och-Ziff has disclosed ([here](#)) that, since 2011, both the Securities and Exchange Commission and the Department of Justice (under the Foreign Corrupt Practices Act) have been investigating certain of its investments in Africa.

Och-Ziff's announcement about the federal investigations was made while RAID was compiling a second report – [Och-Ziff, Mugabe's "Bagmen" and the underpricing of African assets](#) – which we published on 28 April 2014. The report covers dealings by Och-Ziff and its partners not only in Zimbabwe, but also in the Democratic Republic of the Congo (DRC) and Guinea.

On the day RAID released its report, the *Wall Street Journal* published an article on Och-Ziff's controversial Congo transactions. In June, *The Independent* wrote about 'The London connection: Former UK boss of Wall Street hedge fund could be drawn into corruption investigation'. More recently, on 21 and 22 August 2014, *Business Week* and *Bloomberg* published, respectively, 'Och-Ziff Platinum Deal Aided Despot in Time of Need' and 'The Hedge Fund and the Despot'. Most recently, on 5 September 2014, *Bloomberg* has revisited the controversy caused by the award of mining contracts in Guinea, citing an ongoing court case in which the defendant (BSG Resources Ltd.) has claimed that Och-Ziff are among dozens who knew of the "corrupt rigging" of the Guinea elections. Links to press follow-up is available [here](#).

Commenting on this 'bad press', CNBC quotes an adviser to institutional investors: 'It doesn't get any uglier than that in terms of a headline....They hire a firm like Och-Ziff to be the 'sleep at night' fund....When the ballast underperforms and gives you headline risk, it begs the question as to why it's there in the first place.' *Morningstar* analyst Stephen Ellis believes that clients can be 'rightly concerned about Och-Ziff's investment processes and may feel a bit more leery about putting more assets with Och-Ziff'.

In the US, CalPERS announced ([here](#)) on 15 September 2014 its intention to divest from all hedge funds, including Och-Ziff citing 'complexity and costs'. In the UK, It has recently been revealed that Och-Ziff was among the 'priority investors' in Royal Mail who quickly sold their share allocation, taking multi-million pound profits, a matter raised by RAID with the Business Secretary. Following both these events, you are undoubtedly aware of the considerable adverse press comment on the use of hedge funds by pension funds.

In the light of the investigation by the US authorities into Och-Ziff and the disquieting questions that remain (Och-Ziff was given advance copy of our April 2014 report, but has not commented), please can you clarify:

- (i) whether the Tfl Pension Fund raised concerns about Och-Ziff's African investments with the hedge fund;
- (ii) what action the Tfl Pension Fund has taken or intends to take in respect of its investments with Och-Ziff.
- (iii) On what basis the Tfl Pension Fund would consider divesting from an investment fund, given its Statement of Investment Principles, which recognizes 'the Fund's responsibility as an active and long term institutional investor to support and encourage good corporate governance practices in the companies in which it invests' [5.1].

We look forward to hearing from you in due course.

Yours sincerely,

Patricia Feeney

Patricia Feeney
Executive Director