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Scotiabank cuts stake in Israeli defence firm Elbit as war with Hamas drags on

Trims holding to 4.3 per cent in the fourth quarter from 5.1 per cent in the third

Bloomberg News
Paula Sambo and Christine Dobby

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An Israeli Air Force drone pilot inspects a Hermes 900 unmanned aerial vehicle (UAV) at Palmachim Airbase in November. The drone is manufactured by Elbit Systems. PHOTO BY KOBI WOLF/BLOOMBERG

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Bank of Nova Scotia's asset-management arm reduced its stake in Israeli defence contractor Elbit Systems Ltd., an investment that sparked protests last year as the war between Israel and Hamas raged on.

Scotiabank's 1832 Asset Management trimmed its holdings in Elbit to 4.3 per cent in the fourth quarter, according to filings with the United States Securities and Exchange Commission. That was down from 5.1 per cent in the third quarter, though the fund manager remains the largest non-Israeli shareholder, according to data compiled by Bloomberg.

Scotiabank spokesperson Heather Armstrong declined to give an explanation for the share sale, saying it doesn't comment on changes to individual securities in its mutual funds and that holdings may fluctuate over time.

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In November, amid a worsening humanitarian crisis in Gaza, protesters briefly occupied the bank's headquarters in downtown Toronto. But the investment was controversial even before the war because Elbit had been accused of manufacturing cluster munitions, which can kill or maim civilians during a conflict or long after it has ended.

Eko, an advocacy group formerly known as SumOfUs, launched a petition in 2022 calling on Scotiabank to divest. Elbit has denied producing cluster bombs and the Canadian bank backed that position when the petition was launched.

The bank told Bloomberg at the time that its asset management arm "does not knowingly invest in companies that directly manufacture cluster munitions" and said it had confirmed with a third-party investment research firm that Elbit doesn't do so.

"Scotiabank's quiet divestment still falls short," Angus Wong, senior campaign manager at Eko, said via email. "They must demonstrate genuine commitment by fully divesting from Elbit Systems and prioritizing human rights over profits."

After the November protests, Scotiabank asked Eko to end its campaign and take down its online petition, accusing the advocacy group of spreading misinformation. A senior executive at the bank said the protesters had endangered staff and customers, according to an email seen by Bloomberg.

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Eko did not remove the petition, which has garnered more than 16,000 signatures online, but updated it to include some of Scotiabank's responses. The group also indicated that it "received information from a research firm after the petition was launched that Elbit, as of April 2022, no longer produces cluster bombs."

Haifa-based Elbit is one of Israel's largest defence contractors and has been awarded a series of contracts from the country's defence ministry since the beginning of the war with Hamas, according to company statements. The shares are up about 17 per cent in the past year.

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