

## **Guidelines for Constructive Corporate Engagement Related to Israel/Palestine**

### **A Position Paper of the Joint Advisory Committee on the Ethics of Investment (JACEI)**

#### **1. Introduction**

Ethical aspects of investment in relation to Israel and Palestine were brought to international attention by the resolution of the Presbyterian Church USA (PCUSA) in 2004<sup>1</sup> calling for disinvestment from companies operating in Israel, although the 2006 General Assembly of the PCUSA passed a resolution moderating that position ([Appendix 1](#)). Some NGOs and peace groups have called for ethical investment funds to disinvest from companies that support Israel's occupation of Gaza and the West Bank.

In response to memorial 28 (see [Appendix 2](#) for both the memorial and reply), the 2005 Methodist Conference asked the Joint Advisory Committee on the Ethics of Investment (JACEI) to prepare a report to guide ethical investment in the context of companies operating in Israel and Palestine. The Methodist Council presented a further reply to Memorial 28 to the 2006 Methodist Conference ([Appendix 2](#)).

The purpose of this paper, therefore, is to:

- determine the key concerns that would inform constructive engagement with companies;
- establish how these concerns should be taken forward;
- identify the criteria that should guide Central Finance Board (CFB) policy;

This paper initially draws on JACEI statements relating to human rights and relevant Methodist Church statements and recognises the need for further work to inform our engagement with companies operating in the context of conflict or in situations where human rights are routinely violated.

#### **2. CFB Mission Statement**

The Central Finance Board of the Methodist Church invests on behalf of Methodism in Britain.

Part of the CFB's mission statement is to work... **alongside the Church** ...

- to witness that Christ has bridged the gap between the Kingdom of God and a fallen world
- to speak with relevance on the subjects of money, wealth creation and ownership in a world dominated by material possessions
- to engage with the world and in response to God's love and grace, seek to encourage peace, economic justice and responsible stewardship of physical resources
- to show leadership by example, in accepting the responsibilities that ownership of investments entails

The CFB ethical pledge is that *"The securities held by all CFB Funds will, to the best of our ability, be in line with the ethical policy of the Methodist Church."* The Joint Advisory Committee on the Ethics of Investment (JACEI) advises the CFB. JACEI was established by Methodist Conference and has an independent Chair appointed by the Methodist Council with five members appointed by the CFB and five members appointed by the Methodist Council. The function of the Committee is to advise the CFB of ethical considerations relating to investment, it being accepted that the CFB legally has responsibility for making the final decision on the purchase or disposal of any share ([Appendix 3](#)).

<sup>1</sup> <http://www.pcusa.org/ga216/news/ga04121.htm>

### 3. **A Methodist position on Israel/Palestine**

The Methodist Church has:

- recognised the right of the people of Israel and Palestine to live side by side in secure and viable states.
- condemned suicide bombings and called on Palestinian groups to recognise the right of Israel to exist.
- expressed anxiety over actions of the Israeli Defence Forces that have failed to discriminate between armed militants and civilians.
- expressed increasing concern over the plight of Palestinians in the West Bank and Gaza.
- opposed the Israeli government's policy of settlement expansion in the occupied territories and the building of the separation wall that has damaged the livelihoods of so many Palestinians.
- acknowledged the fear of ordinary Israelis who, since the beginning of the second *intifada*, have felt increasingly insecure.

The Methodist Church has drawn attention to the perspectives of the three Abrahamic faiths in relation to Israel (see [Appendix 4](#) and [Appendix 5](#)) and acknowledges competing theological standpoints within the Christian tradition<sup>2</sup>. For a comprehensive discussion of Christian theological approaches to the Holy Land, the report of the Church of Scotland in 2003<sup>3</sup> is particularly instructive. However, the demands of peace and justice crucially influence Christian thinking with respect to the Holy Land today. In this respect a meaningful peace in Israel and the Occupied Palestinian Territories is dependent on translating the ancient calls of God upon humankind – justice, mercy, humility – into effective action<sup>4</sup>.

Methodist Conference has made statements on Israel and Palestine on several occasions in recent years for example, in 2003, when Conference expressed concern for the desperate humanitarian plight of Palestinians living in the occupied territories. In 2001, Methodist Conference passed a motion directing the Connexional Team to seek clarification from the British Government in relation to its position with respect to human rights and injustice in Israel/Palestine and on its role in exerting influence to promote the implementation of Israel's responsibilities under the 4th Geneva Convention and various UN resolutions.

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<sup>2</sup> "One Land, Many Voices", Christian Aid, 2004

<sup>3</sup> "Theology of Land and Covenant" Church of Scotland, 2003 (extract in [Appendix 4](#))

<sup>4</sup> "One Land, Many Voices", Christian Aid, 2004

#### **4. Peacemaking: A Christian Vocation**

In 2006, the Methodist Church and United Reformed Church produced the report *Peacemaking: A Christian Vocation*<sup>5</sup> which has called the churches to affirm their commitment to peacemaking. Peacemaking, it is observed, does not mean passivity, or acquiescing to injustice; it means being active in creating and maintaining right relationships. Peacemaking in its widest context is concerned with economic as well as social relationships. The report recognises the value of non-violent approaches to conflict transformation and calls the church to be creative in the use of strategies to address violent conflict.

#### **5. Methodist Conference statements on the use of funds in relation to conflict in Israel and Palestine**

The key Methodist Conference statements are Memorial 28, 2005 (see [Appendix 1](#)) and the further report to Methodist Conference in 2006. The latter states that:-

*In line with Memorial 28 2005, the Methodist Council has invited a report from the Joint Advisory Committee on Ethics of Investment (JACEI) to:*

- a) *determine the key concerns that would inform constructive engagement with companies;*
- b) *establish how these concerns might best be taken forward with companies in which the Central Finance Board of the Methodist Church (CFB) has a shareholding;*
- c) *identify the criteria that should guide the CFB in a progressive policy that begins with constructive engagement related to these key concerns but which could ultimately lead to selective disinvestment. Such criteria should also be applied to potential new investments.*

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<sup>5</sup> "Peacemaking: A Christian Vocation", Methodist Publishing House, ref. PD302

## 6. Key Issues

Some groups within Palestine have challenged to Israel's right to exist. This has created a high degree of insecurity in the minds of many living in the State of Israel especially when accompanied with the threat of suicide bombings or rocket attacks on villages or settlements. The following issues are raised with a full appreciation of the right of all Israelis and Palestinians to exercise appropriate security measures during difficult times.

### 6.1 Occupation

Israel's expansion into Palestinian territories has deprived many of livelihoods, pasture and water resources. For example, Israel controls 80% of the water resources in the West Bank<sup>6</sup>. The settlement expansion is now so extensive as to call into question the viability of a future contiguous Palestinian state within secure borders.

### 6.2 Separation barrier/wall

The separation barrier/wall, as well as attempting to minimise the risk from suicide bombers, is widely accepted as a mechanism to establish new "facts on the ground". It has not been built on the 1967 boundaries and constitutes a de facto annexation of parts of the West Bank. It has almost imprisoned some communities preventing access to employment, land and services. The fence or wall represents an impediment to securing a lasting peace, increasing the feeling of isolation in both Palestine and Israel.

### 6.3 International Law

While Israel contests the application of certain aspects of international law to the occupied territories, successive Security Council resolutions indicate that the continued expansion of West Bank settlements does have implications under the fourth Geneva Convention<sup>7</sup>. The Geneva Convention makes specific reference to economic activity and denies an occupying power the right to derive economic benefit from occupation. The UK Government (following the advisory opinion of the International Court of Justice) maintains the view that the building of the separation barrier/wall in the occupied territories is unlawful. Demolition of Palestinian houses and removal of olive groves in the West Bank also represent a contravention of international legal norms.

### 6.4 Violence

Israel and Palestine appear trapped in an escalating cycle of violence. Since the kidnap of an Israeli Defence Forces (IDF) soldier in June 2006, Israeli military action has resulted in the deaths of over 500 people in Gaza<sup>8</sup>. The IDF often fails to discriminate between militias and civilians and many of those killed have been civilians of all ages who pose no threat. Meanwhile Hamas continues to launch rockets at Israeli settlements and refuses to renounce the deliberate targeting of civilians, with suicide bombers still a threat to Israelis. Palestinian violence on Israelis has resulted in the deaths of 17 in 2006<sup>9</sup>.

<sup>6</sup> Intisar Al Wazir, Minister of Social Affairs, Palestinian National Authority, (UN General Assembly, World Summit for Social Development and beyond, Geneva, 28 June 2000)

<sup>7</sup> Security Council Resolutions 242 and 1322

<sup>8</sup> B'Tselem – Israeli Information Centre for Human Rights in the Occupied Territories

<sup>9</sup> *ibid*

## 7. ***Our expectations of companies***

There has been an increasing interest in recent years in standards to guide corporate behaviour with regard to social impact and human rights. In 1999, the former General Secretary of the UN, Kofi Annan, worked with the corporate sector to agree a set of core values in the areas of human rights, labour standards, the environment and anti-corruption. These are enshrined in the UN Global Compact ([Appendix 6](#)), which enjoys widespread support among trans-national companies.

The Global Compact's ten principles reflect a universal consensus and are derived from:

- The Universal Declaration of Human Rights
- The International Labour Organization's Declaration on Fundamental Principles and Rights at Work
- The Rio Declaration on Environment and Development
- The United Nations Convention Against Corruption

The first two principles concern Human Rights:-

*Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights*

*Principle 2: make sure that they are not complicit in human rights abuses.*

When operating in the context of conflict or contested governance, companies face particular challenges. Interpretation of human rights is often contentious particularly where a state itself is accused of contravening rights.

We would therefore expect companies to :-

1. have demonstrated that they have addressed human rights concerns when working within the context of conflict.
2. be conversant with adjudication of the Security Council, the UN Human Rights Council (and prior to 2006 the UN High Commission for Human Rights) and the International Court of Justice on practices or events that have relevance to their operations or contracts.
3. demonstrate transparency in their assessment of alleged violations associated with their activities.
4. be able to articulate their learning from previous contracts/activities as this will inform future corporate behaviour
5. where necessary, be prepared to engage suppliers in dialogue regarding human right principles
6. when selling through intermediaries, to take all reasonable measures to ensure that they are not indirectly complicit in human rights abuses of the end user.

The CFB would also be keen to receive reports of innovative or progressive corporate practice in the context of conflict, for example in the use of conflict transformation tools to assess impact on conflict or in the establishment of business ventures with the intention of contributing to social and economic development in areas of deprivation.

## **8. Areas for ethical concern**

The scope for action on Israel/Palestine through church investment gained public attention with the resolution of the Presbyterian Church USA at their General Assembly of 2004. This resolution produced criteria to identify specific concerns in relation to Israel and Palestine (see Reply to Memorial 28, Methodist Conference 2004 in [Appendix 1](#)). This caused significant upset within the church and in relations with Jewish Groups in the US. Consequently in 2006 the General Assembly passed a further resolution changing the semantics of the 2004 resolution (but not the criteria) firstly, to ensure that the framing of the political situation avoids placing primary accountability on either Israel or Palestine and secondly, to uphold the approach of the church to selective divestment.

The development of a CFB policy on Israel and Palestine should take note of the Presbyterian Church USA resolution, the further work of the Presbyterian Church and that of other ecumenical partners. On the basis of the statements of the Methodist Church and the key issues identified above, JACEI highlights the following by no means exhaustive list of activities that would give rise to ethical concerns:-

1. Provision of equipment or services to the military or police in support of operations in the occupied territory or to terrorist groups in support of any military or terror activities
2. Construction of facilities within the occupied territories without the express permission of the Palestinian Authority
3. Construction or management of transport links between Israel and settlements in the occupied territories
4. Contracts for the supply of materials or other activities related to the construction of the separation barrier
5. Manufacture of goods/produce within Israeli administered areas of the occupied territories or the sale of such items
6. Appropriate country of origin labelling of goods sourced from Palestinian administered areas of the West Bank or Gaza.
7. The establishment of new operations in the region or partnerships with Israeli or Palestinian companies without due regard to possible human rights implications or impact on conflict.

JACEI and the CFB will need to assess a dynamic and changing situation against clear ethical criteria on an ongoing basis. This work should continue in close liaison with other parts of Methodism, ecumenical partners, and through consultation with other faith groups.

## **9. Engagement or divestment?**

The CFB's strategy for influencing change relies primarily on engagement with companies. The CFB pursues engagement until it becomes clear that a company is not open to dialogue or does not accept the concerns that are raised. If engagement fails then divestment is an option that the CFB would consider.

A decision to divest is not taken lightly and requires careful judgement. The following factors would be taken into consideration: -

1. The severity of the concern including: -
  - a) The extent/significance of the activity that has given cause for concern
  - b) Its impact on individuals/communities
  - c) Whether the company is planning to continue or expand such activities
2. The record of the company on human rights elsewhere; is it otherwise progressive in its policies?
3. The significance of a company's business in Israel/Palestine within the context of its global operations
4. The contribution of the company's operations to the economy of the affected Israeli and/or Palestinian communities.

There may be circumstances where the concerns are of such significance (for example, where a company's activities or sales are directly related to violent actions against civilians) that regardless of other considerations, if engagement proves fruitless, divestment becomes the only ethical response.

## **10. Outcome**

This paper was prepared by the JACEI in response to the Methodist Conference request for a report to guide ethical investment in the context of companies operating in Israel and Palestine. It was received by the Methodist Council in March 2007.