

**MEETING RECORD
MRTI COMMITTEE
February 1-4, 2006
New York, New York**

Wednesday, February 1, 2006

Several members of MRTI met with representatives of the Union of Reform Judaism, Anti-Defamation League and the Jewish Council on Public Affairs at the offices of the Union of Reform Judaism.

Thursday, February 2, 2006

In the morning, MRTI met with representatives of the Community Development Department of J.P. Morgan Chase. Arthur Casavant hosted the meeting for the bank. The bank presented an overview of their community development projects nationally, and their performance on lending to low and moderate income and people of color borrowers.

I. MRTI Introductory Business

- A. Roll call and Introductions:** The following members, staff and guests attended MRTI: Members: Carol Hylkema, Gary Skinner, Andy Browne, Adele Langworthy, Lois Clarke, Jack Stotts, Ron Stone, Evelyn Kelly, Karen Breckenridge, Jacque French, Bernice McIntyre and Liz Letzler. Staff: Vernon Broyles, Judy Freyer, Dennis Murphy, George Rue and Bill Somplatsky-Jarman. ICCR Liaison: Don Kuespert. Guests: Valerie Heinonen, James Kuhn, John McCarthy and David Wildman. PCUSA News Service: Toya Hill.
- B. Agenda:** The draft agenda was reviewed and approved.
- C. Meeting Record:** Evelyn Kelly **MOVED** (Bernice McIntyre seconded) that the draft meeting record be approved. Motion **CARRIED**.
- D. Assignment of Meeting Recorder:** Gary Skinner agreed to take notes.

II. Conversation with Ambassador John McCarthy: Mr. McCarthy served as ambassador to Tunisia in 1991-1994 where he conducted negotiations with Yasir Arafat, and in Lebanon from 1988-1990 at the end of its civil war. In retirement, he teaches part-time at Marymount, and serves in the national board of Save the Children. In the latter capacity, he has visited Israel and Palestine where Save the Children has been working for many years in education, feeding programs and micro-credit lending.

III. Dialogue with Citigroup

MRTI met with Citigroup at its corporate offices to discuss the bank's policies and procedures for preventing money laundering or inappropriate transfers. The bank was represented by Mr. Stephen Long, President of Global Operations, Mr. Richard Small, head of the Anti-Money Laundering Group, and Mr. Ken Cohen for the legal department.

Mr. Small outlined the bank's procedures and full cooperation with U.S. government authorities, particularly since the attack on the World Trade Center in 2001. The bank has a process and set of criteria for evaluating risk based upon the background of the client and the countries involved. The level of risk determines the level of due diligence in reviewing transactions. Also, transactions are monitored randomly, and questionable transactions are reviewed further, and sent to government authorities. The bank made it clear that it could not discuss individual clients and their transactions. There was brief discussion of Citigroup's micro-credit lending business, and what role it might play in the economic development of Palestine and Israel. Due to time constraints, not everything was covered. Citigroup expressed its openness to a follow-up meeting.

IV. Dinner Conversation with James Kuhn

Dr. Kuhn is a Professor Emeritus of the Graduate School of Business at Columbia University, and served as its Dean. A Presbyterian who has served on various church committees over the years, Dr. Kuhn was the Courtney C. Brown Professor of Management and Organization, and is an expert in business ethics. Dr. Kuhn discussed the evolution of business ethics and approaches to teaching it. He worked through some case studies, and stressed the need for checks and balances to insure ethical behavior by business leaders.

Following dinner, MRTI celebrated the service of Dennis Murphy who is retiring from the Presbyterian Foundation, and MRTI members Jack Stotts, Jacque French and Evelyn Kelly who will be completing their terms of service at this meeting.

Friday, February 3, 2006

MRTI reconvened with devotions.

V. Dialogue with ITT Industries

ITT Industries is a large conglomerate that has a significant military-related business. It supplies the Israeli military with sophisticated night-vision and communications equipment that is used in Gaza and the West Bank. ITT management agreed to come to meet with MRTI for a brief time, but declined in advance to discuss its relationships with any customers. A February 2nd letter outlining their position was shared with MRTI.

ITT was represented by Ms. Kathleen Stolar, Vice President, Secretary and Associate General Counsel, and Mr. Thomas R. Martin, Senior Vice President and Director of Corporate Relations. They provided an overview of the company stressing its work on water quality, and the awards the company has received. They discussed the company's foreign military sales made through the Department of Defense. While not discussing specifics, they noted that if the DoD approves a sale, ITT considers it legal and valid.

Later, MRTI debriefed the meetings with J.P. Morgan Chase, Citigroup and ITT.

VI. Update on Work Plan

- A. Shareholder Resolutions:** Bill Somplatsky-Jarman reported that shareholder resolutions had been filed with Abbott on HIV reporting, Coca-Cola on Columbia and human rights, and Wal-Mart on sustainability.
- B. Dialogues Scheduled:** Meetings are scheduled with Citigroup on community reinvestment and J.P. Morgan Chase on equal credit opportunity (a more detailed discussion of the performance numbers presented at the earlier dialogue).
- C. Web Site Revamping:** The MRTI web site is being revamped. Suggestions from members are welcome.
- D. Israel-Palestine Dialogue Teams:** MRTI members reaffirmed their preferences for participation on dialogue teams as follows: Caterpillar: McIntyre, Breckenridge, French, Skinner, Clarke; Motorola: Breckenridge, Skinner, Stotts, Langworthy; Citigroup: Kelly, Letzler, Stotts, Langworthy, Stone; ITT: McIntyre, Letzler, Stone; and United Technologies: McIntyre, French, Letzler and Clarke.
- E. General Assembly Preparations:** MRTI ADOPTED two actions:
1. MRTI would request additional funds to hold one additional meeting in 2007, and additional funds for the consultation teams to hold dialogues.
 2. The MRTI Chairperson is authorized to work with staff to formulate a statement with recommendations to be forwarded to the GAC in April 2006 for action by the 217th General Assembly.
- F. Pro-Active Investment in Israel-Palestine:** Worldwide Ministries was assigned to take the lead on this. Dr. Donald Mead, a retired professor of economics and development from Michigan State University, traveled to the region with GA staff to consult with a wide range of people regarding the priorities for pro-active investment. Four areas were identified preliminarily: tourism, affordable housing, marketing of olive oil and other products, and micro-credit lending.
- G. Overtures Coming to the General Assembly:** Vernon Broyles reported on several presbytery meetings he has attended regarding divestment. Several overtures representing the spectrum of perspectives and recommendations will be coming to General Assembly. Some call for rescinding the divestment directive of 2004, some call for reaffirmation, some link divestment to pro-active investment. Another overture would require that any future overtures or commissioner's resolutions affecting investments first be referred to MRTI for review and action. Another overture calls for the creation of a new Task Force on Middle East policy. It can be expected that supporters of all these positions will be at the General Assembly.
- H. MRTI Responses to Referrals:** MRTI reviewed the draft responses to referrals that will be submitted to the General Assembly. These included MRTI's work on executive compensation, a living wage, the Central American Free Trade Agreement and a description on work done on Israel-Palestine.
- I. Next Meeting Dates:** MRTI will hold its fall meeting on September 7-9 with the location to be determined.

VII. Election of Officers: Carol Hylkema and Bernice McIntyre were reelected as Chairperson and Vice Chairperson, respectively.

VIII. Open Session on Israel-Palestine: MRTI hosted an open session on Israel-Palestine in the chapel of the Interchurch Center. Members of area churches attended to express their views on the General Assembly's work on corporate engagement and possible divestment.

IX. Report from Member Groups

- A. Board of Pensions:** Judy Freyer reported that 2005 had been a good year from an investment standpoint with total return at 7.6%. Total assets are now over \$7 billion. The Board completed its review by the GA Review Team, and it turned out to be a positive experience.
- B. Foundation/New Covenant Trust:** George Rue echoed the positive year on investment returns, and noted that significant year-end contributions made 2005 the most positive in the past four years. He also reported that shareholder resolutions were filed with Wal-Mart and Coca-Cola.
- C. Advocacy Committee on Women's Concerns:** Karen Breckenridge reported that ACWC, ACREC and ACSWP all met together recently, and worked on the integration of concerns.
- D. Advocacy Committee on Racial Ethnic Concerns:** Evelyn Kelly distributed a written report, and expressed appreciation for the opportunity to serve on MRTI.
- E. Advisory Committee on Social Witness Policy:** Ron Stone handed out a written report, and thanked MRTI for its work.

X. Dinner Conversation on Israel-Palestine

MRTI met with David Wildman of the United Methodist Church Board of Global Ministries, and Valerie Heinonen of Mercy Asset Management, one of the shareholders co-sponsoring the resolution with Caterpillar. David's portfolio includes the Middle East and corporate social responsibility, and he co-chairs the U.S. Campaign to End the Occupation. Valerie has been active in ICCR since the 1980's, and served as Interim Executive Director at one point. She has worked with MRTI on engagement of several companies, particularly banks on community reinvestment issues.

David had just recently returned from taking a delegation to Israel and Palestine. He reported on the deteriorating situation there as the Separation Barrier continues to be built in such a way as to isolate Palestinian communities, and cut them off from essential services. He was there during the Palestinian elections, and provided his analysis on the Hamas election victory. He noted that there is a lot of interest among Palestinian NGO's and Israeli peace groups in the effort to engage corporations, and highlighted the Morally Responsible Investment paper of Sabeel as an example. He also reported that two United Methodist Conferences had adopted divestment positions, and that he expected that several more would join them in 2006. Their General Conference is scheduled to meet in 2008.

Valerie reviewed the history of engagement with Caterpillar over the past three years, and the experiences of attending the annual meetings. She noted that the company had refused to discuss Israel-Palestine with them, but had sought out a meeting when they switched the resolution to a corporate governance request. She said that there is growing support among the Roman Catholic religious orders to become involved in corporate engagement on this issue.

Saturday, February 4, 2006

MRTI reconvened at the Fifth Avenue Presbyterian Church with prayer.

XI. Proxy Voting Recommendations

A. Previous Shareholder Resolutions: MRTI reviewed the shareholder resolutions for which a recommendation of support, opposition or abstention had been made previously. MRTI reconsidered the previous recommendation of abstention on resolutions calling for an end to the staggered terms of corporate directors, and voted to recommend support. MRTI also reaffirmed all other previous recommendations including abstention on resolutions calling for adoption of the MacBride Principles in Northern Ireland.

B. New Shareholder Resolutions: MRTI considered sixteen new resolutions, and after discussion, voted to recommend support for each one. These included:

1. Corporate Governance:

- a. Annual shareholder approval of future compensation packages for non-employee directors.
- b. Create an ethics oversight committee at Monsanto to report on and prevent bribery abuses
- c. Policy at ExxonMobil of annually nominating at least two independent directors with expertise in the oil, gas and energy industry.
- d. Report at Halliburton on policies and procedures to reduce or eliminate fraud violations and investigations.

2. **Access to Health Care:** Report on health care and employees on government programs at Wal-Mart.

3. **Environmental Justice:** Report on environmental and health impacts of South Bronx facility of Synagro.

4. **Promoting Human Rights:** Adopt policy prohibiting sexual exploitation at Marriott facilities.

5. **Water and Food:** Report by independent committee on Dean Foods policies and procedures for sourcing raw milk for organic dairy products.

6. Member-Related Issues:

- a.** Report on feasibility of phasing out use of PFOA compounds (a chemical processing aid used in the production of Teflon and other products) in the production of all DuPont products.
- b.** Report on Dow Chemical products and asthma.
- c.** Report on feasibility of discontinuing use of synthetic pesticides at TruGreen Chemlawn by substituting natural and non-toxic lawncare services.
- d.** Report on efforts at Honeywell to educate public and communities of dangers from consuming fish and water from Onondaga Lake.
- e.** Report on feasibility of acquiring Forest Stewardship Council (FSC) certification for Weyerhaeuser forest lands and forest products manufacturing facilities.
- f.** Report by Dow Chemical on lowering risk of potential harm to people in danger of potential catastrophic chemical release through various strategies.
- g.** Adopt policy barring intimidation of Wal-Mart employees exercising their right to freedom of association.
- h.** Report by Applied Digital Solutions on potential harm from radio frequency identification chips (RFID) to the public's privacy, personal safety and financial security.

XII. Adjournment: Following prayer, MRTI adjourned.

Respectfully submitted,

Gary Skinner and William Somplatsky-Jarman, Recorders
APPROVED: September 7, 2006