

## **Mission Responsibility Through Investment Report and Recommendations to the 221<sup>st</sup> General Assembly (2014): Engagement with Corporations on Israel-Palestine Issues from 2004 - 2013**

### **Recommendations:**

**The Presbyterian Mission Agency Board, upon recommendation from the Committee on Mission Responsibility Through Investment, recommends that the 221st General Assembly (2014) do the following:**

- 1. Receive the report of the Committee on Mission Responsibility Through Investment (MRTI) of its engagement with corporations involved in Israel, Gaza, East Jerusalem, and the West Bank.**
- 2. Direct the Committee on Mission Responsibility Through Investment, to continue the corporate engagement process with corporations operating in Israel, Gaza, East Jerusalem and the West Bank, together with ecumenical partners, as part of MRTI's regular work plan, in accordance with the previously identified positions and priorities of the General Assembly, and report back on MRTI's engagements, along with any recommendations, to the 222<sup>nd</sup> General Assembly (2016).**
- 3. Affirm the selection criteria developed by the Presbyterian Church (U.S.A.) Foundation, Inc. in collaboration with the Presbyterian Mission Agency (PMA), for investment in West Bank owned/sponsored initiatives or companies: economic development, sustainable job creation, peaceful pursuits, Palestinian investments must minimize or eliminate dependence on Israel or others, transparency of use and impact, and the possibility of direct engagement with the people and organizations involved in the investments.**
- 4. Commend the Presbyterian Church (U.S.A.) Foundation, Inc., in collaboration with the Presbyterian Mission Agency, for its successful efforts to identify three investments in the Occupied Palestinian Territories that help in the development of a viable infrastructure for a future Palestinian state, and encourage greater engagement with Christians in the West Bank around issues of job creation and economic development.**
- 5. Approve the following resolution:**

**The Committee on Mission Responsibility Through Investment has been seeking to engage companies profiting from non-peaceful pursuits in Israel-Palestine since the directive of the 216<sup>th</sup> General Assembly (2004) and the reaffirmations and actions of subsequent Assemblies. This process of engagement has, in the case of three companies, produced no substantive change and, in the judgment of this Assembly, is likely not to do so in the future. Under the church's regular process of corporate engagement (approved by the 116<sup>th</sup> General Assembly of the PCUS (1976) and reaffirmed as policy after reunion), the final step is to recommend divestment from companies where engagement is not resulting in any change. Therefore, in accordance with the actions of prior Assemblies, we direct that Caterpillar, Hewlett-Packard, and Motorola Solutions be placed on the General Assembly Divestment List until such time as they have ceased profiting from non-peaceful pursuits in Israel-Palestine, as defined by prior General Assembly actions.**

### **Background:**

**MRTI REPORT EXECUTIVE SUMMARY**

Several General Assemblies since 2004 have given clear directives to the Committee on MRTI regarding corporations doing business in Israel and the Palestinian Territories (East Jerusalem, Gaza and the West Bank). All corporations are urged to confine their business activities solely to peaceful pursuits. This means no involvement in roadblocks to a just peace as identified by the General Assembly. Investments of the Presbyterian Church (U.S.A.) (PC(USA)) should be only in corporations involved solely in peaceful pursuits. The MRTI corporate engagement process is the proper vehicle for determining whether a corporation is involved solely in peaceful pursuits.

Since 2004, MRTI developed a clear corporate engagement process consistent with General Assembly (GA) policy on divestment as an ethical investment strategy, and conducted research to identify corporations involved in the non-peaceful roadblocks to a just peace. Working with an interfaith coalition, MRTI engaged several corporations urging them to confine their business activity solely to peaceful pursuits; thus ending their complicity in and profiting from human rights violations.

After several years of corporate engagement by MRTI and its interfaith partners, utilizing all the tools available to investors (correspondence, dialogues, proxy voting and filing shareholder resolutions), three corporations, Caterpillar, Hewlett-Packard and Motorola Solutions, remain entrenched in their involvement in non-peaceful pursuits, and regrettably show no inclination to change their behavior. In fact, if anything, these three corporations have deepened their non-peaceful involvement. As a result, MRTI regrettably informs the 221<sup>st</sup> General Assembly (2014) that Caterpillar, Hewlett-Packard and Motorola Solutions are not in compliance with GA policy, and recommends that these three corporations be added to the GA's proscription/divestment list until such time as their corporate activities are confined solely to peaceful pursuits.

## NARRATIVE OF GENERAL ASSEMBLY DIRECTIVES SINCE 2004

### General Assembly Initiated and Set the Context for the Divestment Process

In 2004 GA instructed the Committee on MRTI to begin a process of "*phased, selective divestment*" related to corporations doing business in Israel. Following the assembly, MRTI initiated a process consistent with GA policy. First, MRTI reviewed the 1984 GA policy on the use of divestment as a strategy for socially responsible investing, and the criteria for consideration of any recommendation for divestment. Also reviewed was the 1985 GA policy describing the process of phased, selective divestment.

In November 2004, at its first meeting following the GA, MRTI identified GA policy positions on the obstacles to a just peace in Israel and Palestine. These included the ongoing violence perpetrated by Israelis and Palestinians against innocent people; the Israeli occupation of the West Bank, Gaza and East Jerusalem in violation of the Fourth Geneva Convention and United Nations resolutions; the presence of Israeli settlements in the occupied territories; the construction of the separation barrier; and the need for a viable Palestinian economy to enhance the possibility of a successful Palestinian state. These GA policies were incorporated into criteria to focus the research into corporations that may be profiting from involvement in any of the obstacles to a just peace. MRTI also adopted a clear statement on the process of progressive engagement of any such companies that affirmed the cycle of dialogue, shareholder resolutions and proxy voting and more dialogue before MRTI would be in any position to consider recommending possible divestment action to the GA. This was reported to the General Assembly Mission Council (GAMC) in 2005, and publicized widely through the PC(USA) web site.

### General Assembly Called for Financial Investments To Be Only in Peaceful Pursuits

In 2006, the GA responded to numerous overtures regarding corporate engagement on Israel-Palestine issues, and adopted a statement urging that “... *financial investments of the Presbyterian Church (U.S.A.), as they pertain to Israel, Gaza, East Jerusalem, and the West Bank, be invested in only peaceful pursuits, and affirm that the customary corporate engagement process of the Committee on MRTI of our denomination is the proper vehicle for achieving this goal.*”[*Minutes*, 217<sup>th</sup> General Assembly (2006), p. 944.]

#### General Assembly Called Upon Corporations To Confine Business Solely to Peaceful Pursuits

The 2008 GA received a comprehensive report on MRTI work that included the committee’s belief that more engagement was the appropriate course of action at that time. The GA also called upon corporations doing business in Israel, Gaza, East Jerusalem and the West Bank “... *to confine their business activity solely to peaceful pursuits, and refrain from allowing their products or services to support or facilitate violent acts by Israelis or Palestinians against innocent civilians, construction and maintenance of settlements or Israeli-only roads in East Jerusalem and the West Bank, the Israeli military occupation of Palestinian territory, and construction of the Separation Barrier as it extends beyond the 1967 “Green Line” into Palestinian territories.*” [*Minutes*, 218<sup>th</sup> General Assembly (2008), p. 1223.]

#### General Assembly Urging of Pro-Active Efforts to Promote Human Rights and a Just Peace

All General Assemblies since 2004 have emphasized a commitment to a just peace based upon a safe and secure Israel living alongside a viable, contiguous Palestinian state where both can exercise their right to self-determination and build societies that provide for the well-being of their citizens. All General Assemblies have supported strategies designed to make a positive and pro-active contribution toward that goal. The PC(USA)’s witness has incorporated these positive and pro-active strategies accordingly.

The investing agencies of the PC(USA) have been invested and will remain invested in many companies operating in Israel-Palestine that confine their business to peaceful pursuits that do not entangle them in roadblocks to a just peace.

In addition, from the beginning, MRTI has supported economic development of the Palestinian economy in the belief that a viable economy is essential to the success of a Palestinian state. As noted in the historical narrative, MRTI met with Mr. James Wolfensohn who was charged by the Quartet to promote economic cooperation and growth. His efforts were followed by the work of Mr. Tony Blair that included increased economic development funding from the United States and others. Unfortunately, the ultimate success of such efforts depended upon reaching a political agreement that would end the illegal Occupation of the Palestinian Territories that prevents a viable economy from developing. Several studies have pointed to this reality. Most recently, the World Bank concluded that the Occupation was costing the Palestinian economy over \$3 billion annually. Palestinian business leaders are clear that increased economic activity is no substitute for a political solution that ends the Occupation. Another PC(USA) effort supported by MRTI was the work of development economist Donald Mead to identify potential investments or activities that would contribute to a stronger Palestinian economy thus permitting more Palestinians to remain on their land. Three potential areas were identified including housing, tourism and marketing of Palestinian crafts and products. As a result, Presbyterian sponsored tourism using Palestinian tour agencies, hotels, guides, etc. have increased, and sales by PalCraft Aid and olive oil marketing efforts have delivered increased income into Palestinian families. Most recently, the PC(USA) Foundation, Inc., in collaboration with the PMA, has spearheaded an effort to identify pro-active investment opportunities that contribute to Palestinian independence and do not normalize the Occupation. The initial investments involved microcredit lending, a solar power project, and a continuing education center.

Finally, through MRTI's work of corporate engagement carried out with ecumenical partners, corporations have been encouraged to respect human rights and international humanitarian law and practice equal employment opportunity. This promotes the building blocks for a just peace.

What we have learned is that the roadblocks to a just peace in Israel-Palestine could not be sustained or be so effective without the complicity of private corporations and their involvement in the infrastructure of violence and occupation that violates human rights and degrades human dignity. Accordingly, the GA has stated that the church's investments in companies doing business in Israel, Gaza, East Jerusalem and the West Bank be in companies involved in only peaceful pursuits. For nearly a decade, the PC(USA) through its Committee on MRTI and other ecumenical partners have worked diligently to engage several companies about their involvement and complicity in non-peaceful pursuits and human rights violations.

While this corporate engagement has taken place, the situation in Israel and the Occupied Palestinian Territories has deteriorated. The obstacles to a just peace identified in 2004 remain, and have become more intractable. The continued building of Israeli settlements in the West Bank, illegal under international law, has picked up renewed speed leading to the number of Israeli settlers in the West Bank (excluding East Jerusalem) increasing 57 percent from 191,000 to 297,000 between 2000 to 2009 [Peace Now] while the Israeli population as a whole increased only 19 percent between 1999 to 2009 [Israel Central Bureau of Statistics]. The total number of Jewish settlers living on Palestinian land is nearly half a million, including 191,960 in East Jerusalem [Jerusalem Institute for Israel Studies]. With the illegal settlements comes the construction of Israeli only roads on Palestinian land, and continued construction of the Separation Barrier beyond the 1967 borders, known as the "Green Line." This leads to a deterioration of Palestinian life as access to agricultural land is restricted, Palestinian land is confiscated, housing permits for Palestinians are denied while home demolitions increase, Palestinian movement on the West Bank is further limited through check points, barriers and prohibition of using some roads. Increased settler violence against Palestinians grows as settlements expand, and Israeli military and police action increases. Access to water is restricted as allocations to the illegal settlements far outstrips allocations for Palestinians. For example, the water allocation to the illegal settlements in the Jordan Valley and the Northern Dead Sea regions (for less than 10,000 illegal settlers) is almost one-third of the quantity of water that is accessible to the 2.5 million Palestinians living in the West Bank [B'Tselem: May 2011]. All of the companies being engaged continue to profit from their involvement in the occupation and the violation of human rights in the region.

#### CHRONOLOGY OF MRTI'S CORPORATE ENGAGEMENT WITH CATERPILLAR, HEWLETT-PACKARD AND MOTOROLA SOLUTIONS

##### The Corporate Engagement Process

MRTI conducted research to determine which corporations, if any, were involved in non-peaceful pursuits. In August 2005, MRTI reviewed the research to select from among the identified companies an initial group to engage. Corporate engagement is a deliberate process outlined in the basic policies of the GA on socially responsible investment, dating to 1971, 1976 and 1984. Elements of this process include research, correspondence, dialogue, proxy voting, and the possible filing of shareholder resolutions. Only after all other options fail to achieve the desired results, the Committee on MRTI, through the PMA Board, may recommend to the GA divestment from particular corporations.

The initial corporations were Caterpillar, Citigroup, ITT Industries, Motorola and United Technologies. As the corporate engagement process unfolded, some corporations were removed from engagement (Citigroup and ITT Industries), and others were engaged (Hewlett-Packard and Microsoft). MRTI also maintained contact with various ecumenical partners that were committed to engaging companies on the

issue of their involvement in Israel and Palestine. These included the Episcopal Church, the Evangelical Lutheran Church in America, the United Methodist Church, the United Church of Christ, and several Roman Catholic religious orders.

After years of effort, MRTI concluded that three corporations (Caterpillar, Hewlett-Packard and Motorola Solutions) have rejected all appeals to confine their business activities solely to peaceful pursuits. In fact, they have deepened their involvement in roadblocks to a just peace. MRTI concluded that further corporate engagement would be unlikely to bring about the positive change in their corporate behavior. A chronology of the corporate engagement with the three companies follows.

#### Caterpillar, Inc.

Caterpillar sells heavy equipment used by the Israeli government in military and police actions to demolish Palestinian homes and agricultural lands. It also sells heavy equipment used in the Occupied Palestinian Territories for the construction of illegal Israeli settlements, roads solely used by illegal Israeli settlers, and the construction of the Separation Barrier extending across the 1967 “Green Line” into the East Jerusalem and the West Bank.

MRTI’s first contact with the company regarding its involvement in the Occupation actually was in 2003 after a young American, Rachel Corrie, was killed by a D-9 bulldozer operated by the Israeli Defense Forces (IDF) in Gaza. The Peace and Justice Committee of the Synod of the Trinity contacted MRTI requesting that a letter be sent to Caterpillar regarding the death.

Beginning in 2007, corporate engagement intensified. A shareholder resolution at Caterpillar was submitted in the fall of 2007 for consideration at the 2008 annual meeting. It requested the Board of Directors to review the company’s human rights policies and amend them where applicable. Caterpillar also received a resolution on foreign military sales from a coalition of shareholders including several Roman Catholic religious orders and Jewish Voice for Peace.

In addition, several religious shareholders sent a letter to the company requesting a meeting to discuss non-military sales of company products in Israel and Palestine. The company replied by letter on December 13, 2007. While not responding to the request for a meeting, the company said for the first time that *“As an industry leader, Caterpillar advocates responsible use of our equipment. We expect our customers to use the products they purchase from us in environmentally responsible ways and consistent with human rights and requirements of international humanitarian law.”*

The resolution submitted by the PC(USA) and the Dominican Sisters produced a dialogue on January 30, 2008. Caterpillar representatives reviewed their Worldwide Code of Business Conduct. Discussion focused on the human rights dimensions of the Code, what it included or omitted, and who beyond the company’s employees it affected or not. Religious shareholders, including MRTI representatives, raised the need to address the end-use of company products, particularly in countries with human rights challenges. After further discussions, the shareholders agreed to withdraw the resolution from consideration at the 2008 annual meeting in exchange for an ecumenical dialogue with the company on human rights and the end use of Caterpillar products.

The dialogue was held in July 18, 2008 on the subject of the end-use of Caterpillar products in light of the company’s statement on its expectations for the use of its products. The dialogue included the Episcopal Church, Mercy Asset Management, the Passionists, United Church of Christ, Evangelical Lutheran Church in America, and three Boards of the United Methodist Church. The discussion focused on human rights and humanitarian law and conventions, and the company’s expectation that its customers would abide by these standards. The company considers its dealers as its customers. While it meets with its

dealers regularly, and would terminate this relationship if it learned that a dealer was offering bribes, it has no mechanism for enforcement of its human rights expectations. The church representatives also requested information from Caterpillar on the customers of its Israeli dealer, particularly major construction companies that are involved in building the illegal settlements and roads which Palestinians are prohibited from using in the Occupied Territories, the construction of the separation barrier on Palestinian land and the demolition of Palestinian homes.

A second dialogue was held on September 10, 2009, to continue the discussion of the previous year. Additional information had become public that was added to the agenda for discussion. An article in *Haaretz*, an Israeli newspaper, dated March 11, 2009, reported on the close relationship between Caterpillar's Israeli dealership and the Israeli military. This included selling the Caterpillar D-9 bulldozers to the IDF who had them armored and weaponized by an Israeli company. The article noted that the IDF has used these bulldozers from the mid 1980's, and has hundreds of them in its arsenal. After that, the Caterpillar dealer provides maintenance work. The dealership's mechanics provided maintenance in the recent Gaza war (these dealership employees maintained and serviced Caterpillar equipment near the battlefield during the Gaza War of January 2009, when over 1,300 civilians were killed and the entire civilian infrastructure of the territory was destroyed) and the Second Lebanon War. The dealership noted publicly its close working relationship with the IDF, according to *Haaretz* in an article dated March 17, 2009, the IDF also "is planning to draft civilian bulldozer-maintenance personnel for reserve duty, marking the first time the army will be conscripting the staff of a private firm in wartime." This would permit the IDF to use Caterpillar dealership employees on the battlefield in future operations.

The dialogue clarified several issues, but did not produce any progress. Company officials made it clear that the company took no responsibility for the use of its products even by its dealers (the only party Caterpillar considers to be a customer), had no procedure in place for monitoring or ensuring compliance with Caterpillar's stated expectations even in a situation with a documented historic pattern of the equipment being used in human rights violations, and had no desire to develop such a procedure. Further, they indicated that Caterpillar, although a global company doing business in virtually every country except where prohibited by U.S. law, had no capacity to evaluate whether particular actions are in accord with human rights conventions or international humanitarian law. Finally, Caterpillar did not provide information on whether its dealership was selling equipment to major construction companies building the illegal settlements, the separation barrier or the Jewish Israeli-only roads in the occupied territories as requested.

Meanwhile, a shareholder resolution requesting a report on foreign military sales was refiled by Jewish Voice for Peace and several Roman Catholic religious orders for consideration at the 2009 stockholders meeting in June. The resolution garnered slightly less than six percent of the shareholder vote, and failed to requalify automatically for the 2010 meeting. Thus, the resolution for the 2010 shareholders meeting was altered to call for the company to review and amend its human rights policy to bring it into greater conformity with human rights and international humanitarian law. The company did not take advantage of this additional opportunity to discuss the resolution, and also declined to facilitate a requested meeting in February 2010 between church members of the Ecumenical Action Group and Caterpillar's dealer in Israel. When the annual meeting was held in June 2010, the resolution received 24.9 percent of the proxy vote.

Under pressure from non-shareholder interest groups, Caterpillar announced that it was instructing its European dealerships not to sell any Caterpillar products which might then be transshipped to Iran. This violated Caterpillar's previous statements to religious shareholders that the company did not have the authority to tell its dealers where and to whom they could sell Caterpillar products. A letter from the United Methodist Board of Church and Society on behalf of eight religious shareholders (including

PC(USA)) to the then-CEO James Owens was sent on June 8, 2010 seeking clarification of this contradiction. There was no response.

The 2010 GA action called for continued engagement within the context of the following clear and public policy denouncing the company from profiting from involvement in serious human rights violations and obstacles to a just peace in Israel and Palestine: "... *the [General Assembly] strongly denounces Caterpillar's continued profit-making from non-peaceful uses of a number of its products. We call upon Caterpillar to carefully review its involvement in obstacles to a just and lasting peace in Israel-Palestine, and to take affirmative steps to end complicity in the violation of human rights. We hope that, by God's grace, Caterpillar will come to exercise its considerable power and influence in the service of a just and lasting peace in Israel-Palestine.*" [Minutes, 219<sup>th</sup> General Assembly (2010), p. 363.]

While the action of the 2010 GA denouncing the company's continued profiting from its involvement in human rights violations was designed in large measure to convince Caterpillar that the church was serious about the gravity of this complicity, the company remained unresponsive. On April 19, 2011, MRTI sent its own letter to new CEO Douglas Oberhelmer, expressing hope for a new spirit of conversation around these issues and requesting dialogue. There was no response. On July 26, 2011, the United Methodist Board of Church and Society retransmitted the 2010 letter (see above) from eight religious shareholders to the new CEO requesting a meeting to discuss the issues described in the correspondence. Again, there was no response.

These attempts at correspondence were carried out against the backdrop of on-going submission of shareholder resolutions in 2010 and 2011, each of which presented an opportunity dialogue. There was no response; indeed, the shareholder resolution on human rights submitted by faith-based investors was challenged by company management with the Securities and Exchange Commission (SEC). Their challenge was rejected, and the resolution received another strong vote: 25.2 percent. However, despite the strong shareholder votes in 2010 and 2011, new CEO Oberhelmer reiterated to shareholders that Caterpillar has not changed its policies regarding involvement in Israel-Palestine. Because the number of votes significantly exceeded the required threshold, the resolution was resubmitted for 2012.

In 2012, in the run-up to the GA, a meeting was arranged with Mr. Jim Dugan, Caterpillar's Chief Corporate Spokesperson, on April 16, 2012, in Chicago. MRTI representatives were joined by Mr. Mike Kruse, Chairperson of the General Assembly Mission Council (now Presbyterian Mission Agency Board), and two representatives of the United Methodist General Board of Church and Society. Mr. Dugan made it clear that Caterpillar was fully satisfied with its policy, and saw no reason to change how it was doing business in Israel-Palestine. Regarding the recently released United Nations Guiding Principles on Business and Human Rights developed under the leadership of Dr. John Ruggie, the United Nations Secretary-General's Special Representative for Business and Human Rights, Mr. Dugan noted that the company might review them, but that any decision to include them, or make reference to them, in Caterpillar's policy would likely take some time, and if they were incorporated into the policy, it would not make any difference in how Caterpillar does business in any case. The shareholder resolution was voted on at the 2012 annual stockholders meeting held on June 13th. Again, there was a strong proxy vote of 25.4 percent.

On April 22, 2013, Mr. Dugan wrote to several faith-based investors, including the MRTI Chairperson and staff, informing them that Caterpillar had reviewed the United Nations Guiding Principles. He noted that Caterpillar remained fully satisfied with its policy, and found no need to include, or refer to, the Global Principles in the company's code. On June 12, 2013, the company's annual meeting was held in Greensboro, North Carolina. The resolution received 26.81 percent of the proxy vote. As usual, several faith-based investors co-filed the resolution.

During the meeting, Mr. Oberhelmer responded to a written question from a shareholder about the company's business in Israel-Palestine. He reiterated once again that the company took no responsibility for how its products are used, and would not alter its business practices.

Through this multi-year process, MRTI met several times with representatives of the Great Rivers Presbytery where Caterpillar is headquartered. A listening session was held in 2005 at the outset of the process, and presbytery staff and leadership have met with the full committee and separately with staff. Throughout, MRTI has kept the presbytery informed of the filing of resolutions and the status of communications with the company.

Caterpillar's serious involvement in non-peaceful pursuits led the 2010 GA to denounce the company's profiting from involvement in human rights violations. Sadly, despite significant support for the shareholder resolution calling for a review of its human rights policy, Caterpillar has become even more intransigent. It has cut off all communication with the religious shareholders. Caterpillar continues to accept no responsibility for the end use of their products. Over many years, the company has not indicated a willingness to review its policies for distribution or sales in conflicted areas like Israel-Palestine, and does not acknowledge a responsibility for its dealers' adherence to human rights law in these areas. Caterpillar's stated commitment to global citizenship is being undermined by its unwillingness to critically self-assess its own conduct in Israel-Palestine. It is the conclusion of MRTI that further efforts to engage Caterpillar through ordinary means (including shareholder resolutions, and written and oral communications) will not be successful.

#### Hewlett-Packard

Hewlett-Packard (HP) has a wholly-owned subsidiary in Israel (Hewlett Packard Israel). The company sells hardware to the Israeli Navy, and as a contractor manages all Information Technology (IT) including its operational communications, logistics and planning including the ongoing naval blockade of the Gaza Strip. This blockade has included interdicting humanitarian supplies by attacking or turning back international vessels carrying the supplies, and attacks on Palestinian fishermen.

The company also is involved through its ownership of Electronic Data Systems in providing electronic biometric identification scanning equipment to monitor only Palestinians at several checkpoints inside the West Bank, including as part of the separate road system, restricting Palestinian movement. At these checkpoints, the 2.4 million West Bank Palestinians are required to submit to lengthy waits as well as the mandatory biometric scanning, while Israelis and other passport holders transit without scanning or comparable delays.

HP also has extensive involvement with the Israeli Army. Soldiers in the IDF are issued a Tadiran Communications ruggedized personal digital assistant (RPDA) based on the Hewlett Packard IPAQ as part of Israel's Anog soldier modernization program. This equipment is used to enforce the Occupation. In July, 2009, HP won a contract for the installation of software products in a three-year IDF virtualization tender worth an estimated \$15 million, with a two-year option to extend.

HP also has business relationships with the illegal settlements in the West Bank. A subsidiary, HP Invent, outsources information technology services to Matrix and to its subsidiary Talpiot, which has its main outsourcing center in the illegal West Bank settlement of Modi'in Illit. By using Talpiot's services, clients of the company profit from the company's relationship with an illegal settlement and help solidify the illegal Occupation of Palestinian Territories.

In addition, HP worked with the government of the illegal settlement of Ariel in the occupied West Bank to develop specialized solutions for government data storage, and used this project in marketing publicity.



Despite the fact that Ariel is deep in the Occupied West Bank, the company's published description of this work claims that Ariel is within Israel, including the use of a map making no reference to the West Bank as a separate occupied territory.

In addition, as with Motorola Solutions Israel, its Israeli subsidiary does not disclose its equal employment opportunity record of its hiring practices.

As continuing research indicated involvement by HP in non-peaceful pursuits, MRTI and other faith-based investors recognized the need to engage the company. On March 5, 2009, several religious shareholders were scheduled to hold a conference call with HP, and had submitted a detailed list of questions for the discussion. The company then cancelled the call saying it would respond in writing, and only then consider a meeting. The shareholders reviewed the company's written answers, and noted that they were vague or incomplete. The General Board of Pensions and Health Benefits of the United Methodist Church contacted the company to renew the request for a dialogue. HP again declined saying they would only respond in writing. Two rounds of letters produced only vague answers to the shareholders' questions.

A shareholder resolution was developed requesting a review of HP's human rights policies, and a report on their implementation. It was filed by the PC(USA), United Methodist General Board of Pensions and Benefits and four Roman Catholic religious orders. The filing letters requested an opportunity for dialogue, and prompted a positive response by the company. On October 28, 2009, several religious participants met with company officials by conference call. The discussion reviewed HP's policies and procedures, and identified issues of concern for further discussion. Participants were grateful for the positive atmosphere, and willingness to cooperate. As the company agreed to initiate a Board of Directors level review of its human rights policy, and committed to positive follow-up to the issues identified in the dialogue, the shareholders decided to withdraw the resolution.

However, the follow-up was spotty in some areas, and non-existent in others. One positive aspect of the engagement though was meeting with a representative of HP Israel in Jerusalem in February 2010. The discussion was informative about the extent and variety of HP's businesses. Requested information on the company's employment practices and how the human rights policy influences the company's business with governments was not provided.

The 219th General Assembly (2010) directed MRTI to continue its efforts to engage HP on these issues. Although efforts began to schedule dialogue with company management in November 2010, the company repeatedly deferred and postponed this meeting. Attempts to schedule conference calls met with delays, but one was finally held on April 19, 2011. Unfortunately, it was not a productive dialogue. While the religious shareholders had communicated clearly their desire for an in depth discussion of the biometric scanners at the checkpoints, HP's representatives, including its person in charge of implementing its human rights policy, said that they were not knowledgeable on the issue and could not discuss it. They also did not offer to set up a subsequent call with HP representatives who could. In addition, they announced that the human rights assessment they were conducting (which would include Israel-Palestine) would concentrate on systems evaluation, and any specifics would not be included in HP's public reporting. Indeed, HP's public report contained no reference to its business operations in Israel and the Occupied Palestinian Territories.

HP produced a Global Citizenship Report for 2010 which stated in its Global Issues section: *"At HP, we believe technology is a driver of social progress, environmental sustainability and economic opportunity. We're committed to helping individuals everywhere use technology to connect and create a better world."* The company reviewed its involvement in the United Nations Global Compact, and its support for the Universal Declaration on Human Rights. It noted that it was one of eight founding members of the

Global Business Initiative on Human Rights (GBI). However, nowhere did HP discuss the relationship of its policy commitments to its involvements in non-peaceful pursuits in Israel-Palestine.

In late 2012, a shareholder resolution was filed requesting a review of the company's human rights policy. This filing led to a dialogue on January 23, 2013 which included several ecumenical organizations. Prior to the dialogue, a copy of the HP marketing brochure on its work with the Ariel settlement was shared with the company. Unfortunately, as in the past, no one from the company was prepared to respond to how the brochure was produced, and its relationship to corporate policy. In addition, the company declined to confirm what its role was currently in the biometric scanners at the checkpoints, or other business with the Israeli military or the settlements citing "customer confidentiality" for the first time.

The annual meeting was held on March 20, 2013. The Reverend Geoff Browning, a Presbyterian minister serving as campus pastor at Stanford University and a former HP employee, and MRTI staff, the Reverend William Somplatsky-Jarman attended the meeting to present the resolution. The proxy vote was 7.32 percent, sufficient to refile the resolution. However, when it was refiled for the 2014 annual meeting, the company opted to challenge the resolution at the SEC.

MRTI also kept the San Jose Presbytery, where HP is headquartered, informed about shareholder resolution filing, and the status of dialogue with HP.

Although HP has been open to meet with religious shareholders on an annual basis, the discussions have been very disappointing. The company declines to engage the serious issues of its involvement in non-peaceful pursuits. It has never addressed the issue of how its human rights policy, about which the company is very proud, informs its decisions about its business with governments, especially governments involved in serious human rights violations. Contrary to the company's stated policy of transparency in how it implements its human rights policies, no information is shared on its application to the numerous involvements in non-peaceful pursuits. Without a major change in HP's willingness to engage in serious discussions, corporate engagement is not likely to achieve positive results. Regretfully, MRTI concluded that there is no indication at present that HP will change its course.

### Motorola Solutions

Motorola Solutions has a wholly owned subsidiary in Israel, Motorola Solutions Israel. The company provided an integrated communications system, known as "Mountain Rose," to the Israeli government which uses it for military communications. It also provided ruggedized cell phones to the IDF utilized in the Occupied Palestinian Territories. The company also sold wide-area surveillance systems for installation in the illegal Israeli settlements. Prior to corporate restructuring, it operated a cell phone company which placed cell phone towers in the illegal settlements, and sold fuses used in Israeli bombs. The company also will not disclose information about workforce composition and hiring practices.

MRTI held its first dialogue with Motorola on November 10, 2005, at the company's headquarters. Also, present were representatives of the Chicago Presbytery, and the United Methodist General Board of Pensions and Health Benefits.

A second dialogue on June 18, 2007, focused on human rights standards and conventions in relation to the company's involvement in the Occupation of the Palestinian Territories. Motorola officials denied that any of its activities implicated it in the Israeli occupation, or raised human rights concerns. A shareholder resolution addressing broader human rights issues was filed by several religious shareholders in the fall of 2007.

In response, Motorola requested a follow-up meeting, which occurred on January 7, 2008. The company indicated its intent to review and amend its policies, but would not specify the particular changes under consideration, and made clear that its human rights policies would not be applied to their business relationships with foreign governments. This lack of clarity and limited scope led the religious investors, including MRTI representatives, to decline to withdraw the resolution, which went to a vote at the annual shareholders meeting on May 5, 2008. It received over 12 percent of the shareholder vote, enough to be resubmitted in 2009. Although the conversation with Motorola had been less productive than hoped, religious shareholders agreed that more in-depth dialogue on corporate social responsibility and human rights might create a productive framework for analyzing the Israel-Palestine conflict and other global situations.

A shareholder resolution similar to the one from 2008 was filed with Motorola requesting that the company amend its human rights policies “to conform more fully with international human rights and humanitarian standards...”. The resolution was co-filed by the General Board of Pensions and Health Benefits of the United Methodist Church, Mercy Investment Program, and the Episcopal Church. The company did not respond to a request in the filing letter for a meeting to discuss the resolution. When the filers tried to set one up following the annual meeting, the company declined, but offered to answer written questions. The stockholder meeting was held on May 4, 2009. Speaking in support of the resolution, which received 9.7 percent of the vote, were representatives of the United Methodist Church and the PC(USA).

Following the 2009 annual meeting, religious shareholders requested another dialogue, but on June 12, in an email, Motorola’s legal department refused to meet in person saying the company would only answer questions in writing. Questions were submitted, but answers did not adequately respond to the concerns expressed. In an email of January 13, 2010, the company also declined to facilitate a meeting with Motorola Israel during the February 2010 visit of religious shareholders to Israel and Palestine. The 2010 shareholders meeting held on May 3 included another vote on the human rights resolution. It received a vote of 11.8 percent. Motorola also announced that it would be splitting into two new companies by the end of 2010: Motorola Solutions and Motorola Mobility.

Meanwhile, in the run-up to corporate restructure, the involvement of Motorola in the Occupation changed in some ways. The sale of armaments work by Motorola Israel meant that it no longer made bomb fuses for the Israeli military. Motorola also announced its intention to sell its Israeli cell phone company, and sought bids from potential buyers. However, the company maintained its stance of no face-to-face dialogues, but would answer some written questions.

On November 4, 2010, in the filing of the shareholder resolution on human rights for the 2011 annual meeting, MRTI expressed its hope that the company would respond positively through constructive dialogue. The company did not respond. The corporate restructure was completed on schedule. The shareholder resolution was voted on at the annual meeting of Motorola Solutions on May 2, 2011. However, this time it received a lower vote total (5.4 percent), and could not be resubmitted for 2012. At the meeting, the CEO of Motorola Solutions announced that the company would be concentrating on the Middle East for its integrated communications products. Following the meeting, MRTI sought to determine how the restructure had affected the company’s business in Israel-Palestine. Motorola Mobility confirmed that the Israeli cell phone company had been sold to a French company, and that its business was now limited to marketing cell phones in civilian markets. It also confirmed that the business lines with the Israeli government remained with Motorola Solutions. Motorola Solutions did not respond to MRTI’s information request of July 11, 2011.

When the vote on a shareholder resolution fails to reach a threshold established by the SEC, it cannot be refilled for a two year period. As that waiting period had expired, the human rights policy review

resolution was resubmitted for the 2014 annual shareholders meeting. MRTI hoped that there will be a new openness to dialogue and sharing of information regarding the company's business in Israel-Palestine.

Unfortunately, on December 31, 2013, Motorola Solutions signed a 15-year communications contract with the Israeli Ministry of Defense to provide the company's next generation of ruggedized smartphones to the IDF and the Ministry of Defense. The contract will cost \$100 million with half provided by United States military assistance to cover the cost of adaptation, development, and production of the devices for the IDF, by Motorola Solutions US. The other half of the program will be funded from the Israeli military budget, primarily covering maintenance of the system over 15 years by Motorola Solutions Israel.

The Motorola Solutions smartphone eventually will replace the encrypted communications system currently in use by the IDF, Mountain Rose, which was also developed and manufactured by the company. The Israeli army estimated that some military units will be supplied with the new system's smartphones in about two years, including for operations in the Occupied Palestinian Territories. Until the new system is fully integrated, the IDF will continue to use the Mountain Rose system.

As noted, representatives of the Chicago Presbytery attended the first dialogue with Motorola, and have been kept apprised of subsequent engagement, filing of shareholder resolutions and MRTI decisions related to the company.

With Motorola's separation into two companies, the problematic involvements in non-peaceful pursuits are now confined to Motorola Solutions. These involvements remain significant, and are now locked in for another fifteen years at least. Motorola Solutions has been unresponsive to all efforts by religious shareholders to engage in serious discussions about its involvement in non-peaceful pursuits. MRTI has concluded that there is no indication that the company's position will change through continued corporate engagement.

## CORPORATE ENGAGEMENT WITH OTHER COMPANIES

### Citigroup

The Citigroup dialogue of February 2, 2006, was highly productive. The primary concern with Citigroup involved an allegation that Citigroup had provided insufficient controls to prevent the transfer of funds to Palestinian organizations supporting violence. In conversation with MRTI representatives, the company provided assurance that the bank had robust controls in place to monitor and prevent questionable money transfers. There have been no subsequent reports alleging inappropriate funds transfers by Citigroup. In addition, Citigroup expressed willingness to assist the religious community with exploring how to increase microcredit lending in the region to address the lack of adequate investment opportunities in Palestine. Therefore, in June 2007, MRTI removed Citigroup from its focus list of companies for corporate engagement.

### ITT Industries

ITT Industries supplied communications and night-vision equipment to the IDF used in the Occupied Palestinian Territories. ITT Industries officials met with MRTI on February 3, 2006. The company would not discuss its business with the Israeli military with any specificity. Between 2008 and 2011, a shareholder resolution was submitted requesting a report on foreign military sales. It received roughly a seven percent proxy vote each year. MRTI along with ecumenical partners and representatives from the

Presbytery of Hudson River met periodically with ITT officials. Nothing of substance came of the discussions except a general discussion about ITT's new corporate ethics program.

In 2011, ITT Industries announced that it would split into three separate companies at the end of that year. One of the new companies, ITT Excelis, would focus solely on its military-related business including its night vision and communications equipment. When the corporate restructure occurred, the new military-related company, ITT Excelis, was added to the GA divestment list in 2012. ITT Excelis, a top-100 military contractor, has received over 50 percent of its revenue from military contracts averaged over three years. As a result, MRTI dropped corporate engagement with the company from its work plan.

### United Technologies

The resolution to United Technologies requested that ethical criteria be applied to foreign military contracts, and, with the Episcopal Church as the primary filer, was supported by 23.8 percent of shareholders voting at the annual meeting; a very strong showing, considering resolutions of this nature submitted to major defense contractors routinely receive three to five percent of the shareholder vote. The vote was sufficient to qualify the resolution for automatic reconsideration at next year's annual meeting. The Episcopal Church had a brief phone conversation with company officials, and received a commitment to a dialogue on developing a human rights policy. The dialogue has been integrated into a regular conversation between the company and members of the Interfaith Center on Corporate Responsibility. MRTI noted that the involvement of United Technologies has been in the form of a sub-contractor on some military equipment. The primary responsibility lies with a company already on the GA divestment list.

### Microsoft

In the past two years, initial letters were sent to Microsoft regarding its human rights policy and the company's provision of specialized software to the Israeli Navy and the government of the illegal settlement of Ariel. After no response was received, a shareholder resolution was filed requesting a review of the company's human rights policies. The United Church Funds served as the lead filer of the resolution with several faith-based investors, including the PC(USA). This resolution produced the first dialogue on July 15, 2013, and as a result the resolution was withdrawn. The first dialogue covered the company's process for policy development and conducting a human rights assessment. In this context, the company's operations in Israel-Palestine were discussed, and follow up questions were developed and conveyed to Microsoft. A second dialogue on November 11, 2013, was held to review the company's 2013 Citizenship Report including its human rights section. A schedule of conference calls every six months has been set.

## ECUMENICAL COLLABORATION AND OTHER ADVOCACY

An essential commitment in the General Assembly's 1984 policy on the use of divestment as an ethical strategy is to work ecumenically. Since 2004, MRTI has devoted considerable time to fostering ecumenical cooperation on engagement. To that end, an informal table called the Ecumenical Action Group: Investment for a Just Peace in Israel-Palestine (EAG) was created. As a result, corporate dialogues and filing resolutions were expanded to include participation by representatives of other Protestant denominations and Roman Catholic religious orders. These have included the Episcopal Church, Evangelical Lutheran Church in America, United Church of Christ, United Methodist Church (General Board of Global Ministries, General Board of Church and Society, General Board of Pensions and Benefits and the New England Conference), Mercy Asset Management, the Passionists, Ursuline Sisters, Maryknoll Sisters, Benedictine Sisters, Congregation of Divine Providence, Sisters of Providence, Sisters of the Holy Name of Jesus and Mary, Convent Academy of the Incarnate Word, American Friends

Service Committee, and the Dominican Sisters. Also participating internationally has been KAIROS Canada, the United Church of Canada, the Ethical Council of the Swedish National Pension Funds, and the World Council of Churches.

Another important development is the creation of “Occupation-Free” screening tools for portfolio management, and increased attention to the Israel-Palestine situation in advocacy on human rights and corporations. Accelerated growth of illegal Israeli settlements in the Occupied Palestinian Territories has prompted increased pressure on companies involved in non-peaceful pursuits. In Europe, churches in the Netherlands have reported on engagements with Heineken. The Dutch company owned 40 percent of Tempo Beer Industry whose Israeli subsidiary subsequently moved its facilities out of the Barkan Industrial Zone in the occupied West Bank, and back into Israel proper. Swedish churches were instrumental in convincing Assa Abloy, a locksmithing company, to move its facility out of the Barkan settlement in the West Bank to the other side of the Green Line. This ecumenical cooperation has helped identify several European and other companies with extensive ties to the Occupation including Veolia, AIG, Ahava and Alstom. In September 2013, Royal Haskoning DNV, a Dutch engineering firm withdrew from a sewage treatment project for illegal Israeli settlers in East Jerusalem. In December 2013, Vitens NV, a Dutch water company, severed ties with Mekorot Water Company, an Israeli firm, due to the latter’s business activities in the illegal Israeli settlements. The European Union also announced in 2013 increased restrictions on grants to companies with business operations in the Occupied Palestinian Territories.

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