



**American Friends
Service Committee**

July 22nd, 2016

To: Jan Miller
1250 Humboldt Street, apt. 501
Denver, CO 80218

Dear Jan,

Thank you for your thoughtful questions, let me try and respond to them as best I can. Of course, you may share this with anyone you see fit, and I am available to answer further questions any of you might have.

A. What is the AFSC's investment policy with regard to Israel/ Palestine?

In general terms, our policy is to refrain from investment in any company that provides products or services to Israeli or Palestinian military bodies, organizations or groups that are used to facilitate or undertake violent acts against civilians or violations of international humanitarian law.

The list of securities impacted by this policy is constantly updated to focus on companies whose complicity is significant, ongoing, and unresponsive.

- (1) Significance relates both to the severity of the violation and to the significance of the corporate contribution. Severe violations would include violent acts that target civilians of either side, war crimes, the maintenance or expansion of Israeli illegal settlements in the occupied territory and the separation barrier. Significant corporate contribution is measured case by case, and would include the supply of specifically designed equipment and services crucial for those violations such as bulldozers which are retrofitted for the systematic military destruction of civilian property, infrastructure services crucial for the expansion of illegal settlements, and specifically designed equipment used in military checkpoints to restrict civilian movement.
- (2) As our goal is to change corporate policies and withdraw corporate support for these violations, we closely monitor any change in corporate involvement, including planned changes in corporate structure, new and expired contracts, products and services, and even changes in the code of conduct or ethical policy, and the companies' statements. We do that using the Who Profits Research Center database and our own primary research, as published on www.afsc.org/investigate.
- (3) The company's responsiveness to international pressure and multi-stakeholder engagement is also measured on a case by case basis. All companies listed have a full knowledge of the impact of their actions, and we assess their responsiveness to our concerns at this time by closely monitoring the dialogue efforts of the human rights community, UN bodies and BHR mechanisms, Palestinian and Israeli civil society as well as sister faith and ethical investors and by tracking any changes in corporate policies and behavior on the ground.



Three remarks to possible follow up questions:

About tracking ongoing involvement: your policy clearly states the violations by both sides, but your database and case studies focus only on corporate complicity in Israeli violations. Why is that?

As you well know, there is no symmetry in this conflict. The provision of any form of support to a Palestinian armed group or political party is illegal under U.S. anti-terrorism laws. In other words, the corporate research and the enforcement of these sanctions on Palestinian violence are taken care of by the authorities.

Corporate complicity in human rights violations around the world is measured by several research and rating companies used by the socially responsible investment industry, but for many years these companies have neglected to look into violations committed as part of the Israeli occupation. Until today, only a couple of such proprietary information tools are out in the market for investors to use. We chose to publish a free database focusing on Israel/Palestine and on the U.S. prison industry in order to expose information not available elsewhere and to promote its use in the industry.

About responsiveness: Do you engage with the companies yourself?

As a U.S.-based organization, and in line with our own values and the UN Guiding Principles on Business and Human Rights (the Ruggie Principles), we want to center the voices of the communities most impacted by these human rights violations, as represented by civil society in Israel/Palestine, our allies and staff in the region, and human rights organizations in the region and internationally. We would engage with companies whenever feasible and useful, and participate in other dialogue initiatives through ICCR or other networks, but we see ourselves as part of a global effort to create new human rights standards for corporations in such conflict areas, where our role is more about collecting information and educating the U.S. public.

About significance: What about large companies with a small exposure?

Israel/Palestine is a very small market, and the companies targeted are usually mid- to large cap multinationals. We do not use a materiality threshold (measuring the significance of the problematic business to the company's revenues), as we consider the severity and controversy around these violations to far exceed their monetary value to the companies involved. A materiality threshold is relevant in determining the limits of industry divestment, such as tobacco or fossil fuels, but it is counter-productive in human rights screens designed to influence corporate behavior, since companies with a smaller exposure to these violations should be expected to drop them sooner.



B. What is the difference between divestment and screening?

There are several different definitions and many misconceptions, resulting perhaps from the separate evolution of “dis-investment” and “divestment” in activist circles, in the media and in the socially responsible investment industry since the mid-80s. Therefore, it is useful to go beyond titles.

On our Investigate tool, we offer three screens which are not the same as our recommendation for divestment. We intend for them to be used on any investment portfolio in order to highlight specific issues and companies and encourage investors to take diverse actions – ranging from engagement with the company, voting on shareholder resolutions, joining others in other efforts, or using the information in deciding whether or not to keep investing in these companies. Our “divestment list” is our recommendation for a “no-buy list.” Investors may decide to let the stock in the companies they already own dwindle over time or set a certain timeframe for selling it.

Some dedicate the word “divestment” to cutting off an industry or distancing ourselves from a certain product (private prisons, tobacco, nuclear weapon, fossil fuels...) and some associate it with a public campaign targeting certain companies for naming and shaming. Investor professionals are often careful about using this “activist” terminology, and would prefer using some clearly-defined “screen” of universal criteria used to rate companies in order to highlight the best or the worst. “Screening out” companies, in that context, would mean taking companies which fail those criteria out of the portfolio or the investment universe.

Our Israel/ Palestine human rights screen does both: it uses set universal criteria, aligned with international humanitarian law and the consensus among the human rights community, it rates hundreds of companies based on their involvement and focuses on a short list of violators highlighted for “divestment” or a “no-buy” status.

Another type of relevant screen will focus on “controversy” and measure the companies’ responsiveness to public pressure against the risk to their brand and reputation.

C. Why focus on specific companies when endorsing a new screen focusing on Israel/ Palestine?

As explained above, a screen is just a set of criteria, and not a list of companies, so it would seem that listing companies by name would not be necessary. However, the conversation in this country about the conflict in Israel/ Palestine has been so bitterly divided that the basic terminology is contested: “occupation”; “legality”; and even the geographical boundaries of the “West Bank” or “State of Israel” are interpreted differently by the Israeli government and, for example, by Human Rights Watch. This is why when dealing with this issue, case studies are generally better understood and more easily accepted. They are used to ground the discussion and the shared understandings of the sort of violations we agree to screen out.

The focus on the HP companies, on Motorola Solutions and on Caterpillar is not arbitrary. As you can see from [our divestment list](#), these are the three main violators which are also U.S. companies.



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These companies have been engaged by faith investors and human rights groups in dialogue about these violations for almost a decade (for Caterpillar it has been more than a decade). While dozens of other companies responded to quiet and public pressure and stepped out of their direct complicity in human rights violations in the area, these companies have insisted of expanding their operations and taking on new occupation-related contracts. G4S is often added to this list because of its extensive, and just as controversial operations in the U.S.

We closely track all developments with these companies, and try to publish those in the company profiles section on our website. For example: Hewlett-Packard Company has split into two companies. One of these, Hewlett Packard Enterprise, has recently announced it would spin off one division to merge with another company. We assess that at this time both companies are complicit in the various occupation contracts, and we continue to monitor these changes. G4S announced in March that it would sell its Israeli subsidiary G4S-Israel, but it has not done so yet, and in the most recent shareholder meeting its CEO announced that the future of its prison contracts in Israel is yet undetermined.

We focus on these companies because we really do think they should step away from this business, we think they would, and we think that once they do, other respectable companies of that size would not step in to replace them. Their services, like those of other companies before them, will be replaced by services of Israeli firms or small privately-owned firms, companies with a more limited political influence or global reach.

Up until ten years ago corporations could do as they wished in the occupied Palestinian territory and be totally exempt from any public scrutiny, but this is no longer the case. In the last year alone, we have removed four (4!) companies from our no-buy list, after they have stepped away from specific complicity in severe human rights violations. About a dozen more companies have stepped away from this risky business without ever reaching the threshold of our no-buy list.

As part of a global network of groups promoting respect for human rights among corporations, we aim to create a new standard for corporate behavior everywhere, and especially in conflict zones and in areas ungoverned by a democratically-elected, civilian governments. Publicly asking specific U.S. companies to stop supporting these violations is a moral imperative, and it is also an effective way to promote human rights and corporate accountability.

I hope you find these useful in your preparations for the upcoming Churchwide Assembly and in the considerations by ELCA to adopt a similar human rights screen. Please let me know if I can help in any way.

Sincerely yours -

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