

Israel/Palestine: News for Responsible Investors

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The Socially Responsible Investing (SRI) community has historically paid scant attention to abuses and violations by corporations doing business in Israel/Palestine. This inconsistency has largely been the result of inadequate research and reporting of relevant data. To provide some of that missing information, the American Friends Service Committee together with Jewish Voice for Peace have created this quarterly newsletter. To subscribe, visit InvestmentScreen.org/News

European regulations isolate the Israeli settlement economy

Europe makes corporate activity in the Israeli settlements, including sourcing from them or providing them with basic services, increasingly into a legal risk, a reputational risk and an investment risk.

The European Commission has issued guidelines banning EU funding to Israeli activities in the territories occupied in 1967, including the West Bank, East Jerusalem, and the Golan Heights. [The new guidelines](#) will come into effect in 2014 and they apply to grants, prizes and financial instruments in all EU joint programs. The guidelines reflect the long-standing consensus among all EU members about the illegality of settlements.

Following a ruling of the European Court of Justice (in [the case of SodaStream](#)), settlement goods do not qualify for preferential customs treatment under the EC-Israel association agreement. The mislabeling of settlement goods as “Made in Israel” is considered also as a consumer fraud: The UK, Denmark and the Netherlands, as well as South Africa,

have published consumer protection regulations for the correct labeling of settlement products and the European Commission [is preparing](#) EU-wide guidelines on this issue.

Under the UN guidelines for Business and Human Rights, governments are required to help companies domiciled in their territory respect international law and human rights in their operations abroad. In three publicized cases, European firms [have pulled out](#) of Israeli infrastructure projects in the occupied West Bank, following [direct appeals from their governments](#) warning them of the illegality of such projects under international law. In another case, Dutch prosecution [has decided to dismiss](#) a case against a Dutch crane supplier, following a three-year criminal investigation for its alleged complicity in war crimes.

The illegality of Israeli settlements

Under the basic international legal principle of the “inadmissibility of territorial acquisition by war,” Israel can have no claim to sovereignty over any of the territories occupied in the 1967 war, including the West Bank, Gaza Strip, Golan Heights, and East Jerusalem. Israeli settlements in the occupied territories are [in direct violation](#) of the 4th Geneva Convention and the Hague Regulations. This is the consensus among the international community, the [human rights community](#), and international legal institutions. The International Court of Justice [confirmed this](#) in its 2004 advisory opinion. The U.S. [has also consistently viewed](#) settlements as illegitimate and opposed continued Israeli settlement activity.

Norway fund reviews exclusion on settlement construction firms

The Norwegian Finance Ministry is [reviewing its decision](#) to revoke the exclusion of two companies, Africa Israel Investments and its Danya Cebus subsidiary, from its Government Pension Fund Global (\$750bn). The two were excluded [along with a third Israeli company](#), Shikun & Binui, over their links with Israeli construction projects in the occupied Palestinian West Bank. BlackRock Investment and [Danske Bank](#) have divested from Africa Israel Investments for the same reason. Africa Israel had [supplied assurances](#) that it was no longer involved in

any West Bank settlement construction, assurances which were quickly found to be misleading as [NGOs provided proof](#) of its on-going involvement in construction in Gilo, a settlement neighborhood of occupied East Jerusalem.

Several other companies with an entrenched involvement in settlement infrastructure projects were blacklisted by major European banks and state pension funds, including the French Veolia Environnement and Alstom, the Belgian Dexia Bank, and the Mexican Cemex.

Settlement sourcing: the case of SodaStream

SodaStream International Ltd. (SODA) manufactures home carbonating devices. The company's main manufacturing facility is located in Mishor Edomim industrial park, in an illegal Israeli settlement in the occupied Palestinian West Bank.

[SodaStream enjoys tax benefits, low rents, and lax regulation](#) due to the location of its main plant outside Israel, in an area under military control and on land wholly confiscated by military decree from its indigenous owners. The [captive Palestinian workforce](#) is used solely [on the assembly line](#) and subjected to structural discrimination, including [severe restrictions on their freedom of movement and organizing](#).

The labeling of SodaStream products as "Made in Israel" has been challenged [by the European courts](#) for tax purposes and by the U.K. and the Netherlands for consumer protection. As the boycott of SodaStream

products [continues to build](#) in Western Europe and the U.S., the company has privately claimed to have unpublished audits stating that products reaching Northern Europe [do not originate in the settlement plant](#) and that Palestinian workers are treated well. Activists [in Italy, the U.S., and Israel](#) have challenged these claims.

SodaStream has acknowledged that the location of its factory in Mishor Edomim constitutes an investment risk, [stating to the SEC](#) that "*rising political tensions and negative publicity may negatively impact demand for our products or require us to relocate our manufacturing activities to other locations.*" These days, the company is building a new manufacturing site inside Israel, while [claiming to the Israeli media](#) that the new plant would not replace the settlement plant.

UPCOMING

New investment screening tool will highlight human rights risks

In 2014, the American Friends Service Committee will launch the first phase of a new online tool for responsible investors, designed to help inform money managers and institutional investors of potential human rights risks in their investment. The tool will scan lists of holdings and highlight companies involved in violations in various fields of concern. It will offer free access to up-to-date corporate research and primary sources.

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