



Report to Executive Council on Activity in Support of 2005 Resolution Concerning Use of Economic Leverage in Promoting Peace in the Middle East

For complete documentation of engagement efforts, visit mideast.ucfunds.org

Since 2006, the Ecumenical Action Group for a Just Peace in Israel-Palestine (EAG) has worked to coordinate engagements with US corporations profiting from the Israeli Occupation of the Palestinian Territories. While group members represent nearly 20 Christian denominations and Roman Catholic orders, **the core communions have included the United Church of Christ (UCC) represented by United Church Funds (UCF), the Evangelical Lutheran Church in America (ELCA), the Presbyterian Church USA (PCUSA), the United Methodist Church (UMC) and the Sisters of Mercy (SM).**

At this stage of its life, the EAG continues to consider corporate engagement its primary objective, and works collaboratively to establish dialogues with US corporations and file shareholder actions seeking to improve corporate practices in the Middle East. Each communion has taken its own context-specific position on divestment, but many see divestment as an option to be used, if at all, when all efforts at engagement have been exhausted. Many members of the EAG, veterans of efforts to divest from South Africa during the apartheid regime, recognize that divestment alone makes a one-time statement that bears little fruit if unaccompanied by consumer and legislative action leading to a significant withdrawal of capital from the region.

In the early going, the EAG identified nearly 100 companies with documented connection to the Occupation, and selected a handful of corporations on which to focus engagement efforts: Caterpillar, Motorola, United Technologies, Hewlett-Packard and ITT. As efforts continue, additional corporations, like Microsoft, are included in the engagement list.

To ensure its ability to engage with companies most obviously profiting from the Occupation, UCF established a Social Action Fund with its own discretionary funds; that fund holds shares in Caterpillar, Hewlett-Packard and Motorola.

DIRECT ENGAGEMENTS

Typically organized by PCUSA, UMC and ELCA, corporate dialogues (usually conference calls) have sought to focus management's attention on the company's profit-making from an Occupation considered illegal by international standards and law. Management's understanding of their company's presence in the region is often colored by the common Israeli view that ignores the existence of the Green Line and the West Bank. While some of these meetings have proved more productive than others, **several engagements have borne small fruit made evident in shifts of corporate position on the use of a company's products and services.**

In 2008, members of the EAG including UCF conducted a research visit that included meetings with both US and Palestinian officials, Israeli settlers, and supply chain companies doing business in Israeli industrial settlements located in the West Bank. One Israeli company, Avgol, manufactures products for Proctor & Gamble in the Barkan Industrial Zone — a large industrial park covering hundreds of acres in the West Bank near the very large Ariel settlement. A meeting with the owner of this company and a discussion of the problematic nature of his location within the West Bank did not bring immediate change, but demonstrated the pressure that will be brought on those economically benefitting from the Occupation. Such pressure has led Swedish lockmaker Assa Abloy and French multinational Veolia to take action to end their associations with the Occupation, and has put manufacturers like SodaStream continually on the defensive.

Members of the EAG have also sent letters to roughly 100 US corporations engaged on some level with the Occupation (often through sales to the Israeli Defense Force), querying on human rights concerns, adherence to international law and business practices in Israel. Few corporations have responded — the most effective way to get management's attention remains the filing of a shareholder action.

SHAREHOLDER RESOLUTIONS

To date, resolutions filed with corporations of interest have focused on issues of weaponry, human rights and codes of conduct/ethics. Many companies claim to uphold international standards and abide by international law, yet their activity in the region stands in direct violation of those standards. **UCF has co-filed resolutions with Motorola, Hewlett-Packard and Caterpillar, and will serve as lead filer with Microsoft in June. We're pleased to see several of these resolutions gaining increased shareholder support as our work continues.**

Upon filing a resolution, the filing organization also seeks a dialogue with management — and in their desire to have the resolution withdrawn, management will often agree to a discussion. Most recently, a dialogue with Hewlett-Packard revealed surprising intransigence — perhaps a result of woeful cluelessness — on the part of management. The pushback against the EAG ensured the resolution would not be withdrawn, and the resolution ultimately garnered significant shareholder support. This bad corporate behavior also paved the way for our EAG partner's revelation in the shareholder meeting of embarrassing marketing materials produced by HP's Israeli division that touted the company's provision of services to the Ariel settlement's municipal government, complete with a map showing Israel's borders extending to the Jordan River, with no reference to the existence of the Occupied Palestinian Territories.

SUMMARY

While several denominations have sought divestment actions, most have not succeeded. Others maintain a position similar to that of UCF — continued ownership keeps us at the table, in the shareholder meetings, and able to remain a pebble in the shoe of companies whose practices fall short of acceptable standards. In 2011, the CEO of Caterpillar was quoted as inviting organizations that didn't like the way his company did business to sell their stock — surely a motivation to remain engaged! While progress remains slow, UCF believes that by continuing as investors, we maintain the ability to advocate relentlessly on behalf of corporate policies and practices that uphold our shared values of justice and peace.