

## **Economic action works, and can protect fiduciaries!**

When the General Board of Pension and Health Benefits placed Israeli banks and a construction company on a list of companies deemed ineligible for investment due to their association with human rights violations, the news was welcomed by all Palestinians and Israelis who are working for justice. Letters of gratitude have poured in from around the world, and a United Methodist Missionary reported that Palestinian Christians were filled with new hope and gratitude to our denomination for taking this step.

Yet there are still some who doubt that principled economic action can make a difference. This document illustrates that divestment and boycott of companies involved with Israel's occupation can indeed cause companies to withdraw from illegal settlements.

Two major public firms announced that they were severing their ties with Israel's occupation earlier in January 2016. France's Orange<sup>i</sup> and Ireland's CRH<sup>ii</sup> took these steps after sustained pressure from advocates of a just peace in their respective countries and around the world. The news brought to eleven the number of major public companies that have departed the occupied territories following sustained economic action. Smaller companies have left as well.

There can be no doubt that economic actions such as boycott and divestment are making a difference. As early as 2010, Israeli newspapers reported that targeted boycott and divestment were pushing an increasing number of Israeli companies out of the West Bank settlements.<sup>iii</sup> Managers of settlement companies have stated that almost all companies in the West Bank are feeling the impact of the economic actions called for by Palestinian Christians in 2009 and by Palestinian civil society in 2005.

Below, UMKR has provided examples of how principled economic action has been successful in pressuring companies to leave the illegal settlements. When the economic base of the settlements disappears, people living on occupied land in violation of international law will be more likely to consider relocating inside Israel. This will weaken the settlements, which have been opposed by the United Methodist Church for decades, and can pave the way toward a just and lasting peace.

We also show how divestment can protect fiduciaries, including many UMKR members, who have trusted the church to provide for their health and retirement needs. Divestment is both a moral imperative and a smart financial move to preserve the value of investments.

At a time of increasing violence in the Holy Land, divestment can bring hope to people who have been oppressed for generations without relief. Churches have an obligation to show that nonviolent measures like boycott and divestment can succeed, and that the urgent request of our faith community in the Holy Land has been heard.

Steering away from investment in companies that violate human rights is also a wise financial move and can protect investors against harm. UMKR thanks the General Board of Pension and Health Benefits for taking the first step to disassociate our church from companies that profit from Israel's occupation of Palestinian land, and hopes that divestment from other companies complicit in the oppression of Palestinians will soon follow.

## **I. Examples of Divestment & Boycott actions that were followed by a company move or commitment to leave the occupied territories**

### **A. Ahava (an Israeli company)**

- In July 2009, supporters of Palestinian rights launched a global boycott campaign against cosmetics maker Ahava for its role in an illegal settlement. Pressure on Oxfam, an international human rights organization, resulted in Oxfam's severance of ties with Kristin Davis, who also acted as Ahava's spokeswoman. Coalition partners in London engaged the UK's Camden Trading Standards Office to investigate the legality of Ahava's labeling. Dutch activists and a Minister of the Parliament succeeded in convincing the Dutch Foreign Ministry to launch its own investigation of Ahava's business methods. Partners in Paris suit against the cosmetics chain Sephora for carrying Ahava products.<sup>iv</sup>
- In 2011, the boycott campaign led to the closing of Ahava's flagship store in London.
- In 2012, Petter's Pharmacy in London stopped carrying Ahava, joining many other retailers who yielded to boycott pressures.
- Ahava tried in 2013 to overcome consumer anger by moving its executives to a location in Israel, but this did not obscure the fact that Ahava's operations are on occupied land.
- In 2014, online retailer GILT stopped carrying Ahava after a campaign by Palestinian human rights advocates.
- In 2014, the government of Kuwait announced that it would boycott Ahava and other settlement companies.
- In 2015, Ahava announced it would either move the company inside Israel or would sell its factory in the illegal settlement of Mitzpe Shalem to a Chinese company with which negotiations were under way. Clearly boycott has had an impact on this decision.

### **B. Assa Abloy (a Swedish company)**

- In October 2008, Diakonia, the Church of Sweden, and SwedWatch published a joint report about Mul-T-Lock, a division of Swedish conglomerate Assa Abloy which was located in the illegal settlement industrial zone of Barkan. Discussion of possible boycotts and divestment took place.
- Assa Abloy responded by stating that its involvement in the Israeli occupation was "inappropriate" and declared that the plant would be moved from the illegal Israeli settlement in the West Bank.
- In 2012, Assa Abloy heeded appeals from the Church of Sweden and other prominent Swedish organizations and finally moved its Mul-T-Lock door factory from the industrial zone of the Barkan colony in the occupied West Bank to a location inside Israel, merging it with an Israeli company.

### **C. Cemex** (a Mexican company)

- Cemex, which has a subsidiary in two settlements, also owned a quarry at Yatir, which was extracting raw materials from the Palestinian territory and using them for financial gain in violation of the Hague Conventions. It has been on United Methodist lists of companies of concern for years.
- Norwegian insurance giant KLP Kapitalforvaltning divested from Cemex in June 2015 over its operations in the West Bank, particularly the quarry.
- In September 2015, Cemex announced that it had sold the Yatir Quarry. Cemex still operates factories in the settlements through its subsidiary Readymix. It remains in United Methodist pension portfolios.

### **D. CRH** (an Irish company - formerly Cement Roadstone Holdings)

- CRH has long been a boycott and divestment target of the Irish supporters of Palestine for its partial ownership of Neshor Cement. Neshor is the major supplier of cement in Israel, and its products have been used to build the separation wall and checkpoints inside the West Bank, as well as the settlements.
- Irish advocates have held major demonstrations calling on CRH to cut its ties with the settlements.
- CRH announced in early January 2016 that it was selling its stake in Neshor Cement.

### **E. G4S** (a British company)

- The Gates Foundation Asset Trust, which manages investments for the \$40bn Bill and Melinda Gates Foundation, said in June 2014 that it sold its stake in the UK security services firm G4S, one of the companies targeted by BDS.
- The United Methodist General Board of Pension and Health Benefits divested from G4S in June 2014 after a letter of concern about the company's involvement with Israel's occupation was sent from a member of UMKR and others contacted the board.
- In June 2014, G4S announced it would end all its contracts with Israeli prisons, including those in the West Bank, within three years.<sup>y</sup>
- Columbia University divested its 220,000 shares from G4S in 2015.

### **F. Heineken** (a Dutch company)

- Barkan Wineries, a Heineken subsidiary was targeted for boycott by the Israeli justice group Gush Shalom. The Dutch government also expressed its displeasure at the association between a Dutch company and a company in the illegal settlements.
- Heineken acknowledged this when it moved the winery to Kibbutz Hulda inside Israel.

### **G. Royalife** (an Israeli company)

- Royalife is a major supplier of linens to Williams Sonoma in the United States. The company imported more than 75,000 pounds of the company's products in one recent year. For years, it has been located in the Barkan Industrial Zone, part of an illegal settlement in the West Bank.
- UMKR made phone calls and wrote letters to the Williams Sonoma management informing them of the company's location in an illegal settlement on occupied land.
- After receiving no response from repeated efforts to contact Williams Sonoma, UMKR launched a boycott of the company's products during the Advent Season 2014.
- In December 2015, UMKR learned that Royalife had left its location in the Barkan Industrial Zone.

### **H. Orange** (a French company)

- Orange Communications has authorized shops or kiosks and use of its masts in a number of illegal settlements through its franchise Partner Communications. After facing serious boycott pressure over this practice, Orange announced in 2015 that it would end the franchise agreement within two years.
- In January 2016, Orange announced that its relationship with Partner would end in February, and the Orange name will no longer be associated with the Partner enterprise in West Bank settlements.

### **I. SodaStream** (an Israeli company)

- Soros Fund Management, the family office of the billionaire investor George Soros, divested from SodaStream<sup>vi</sup> following BDS pressure.
- Grassroots boycott activism saw SodaStream dropped by major retailers across North America and Europe including Macy's in the US<sup>vii</sup> and John Lewis in the UK
- SodaStream was forced to close its flagship store in Brighton<sup>viii</sup> in the UK as a result of regular pickets of the store.
- UMKR added SodaStream to its list of companies to boycott as a result of the church's call on all nations to ban the import of goods and services from the settlements. The UM General Board of Church and Society endorsed the boycott.
- SodaStream's share price fell dramatically in 2015<sup>ix</sup> as sales dried up, particularly in North America. After reaching a high of \$64 per share in October 2013, the stock fell to around \$20 per share in late summer 2015. SodaStream estimated its third quarter revenue would be down almost 14 percent from the same period the year before.
- In September 2015, SodaStream completed the move of its manufacturing operations out of the West Bank.

#### **J. Unilever** (a Dutch company)

- In 2006, the Dutch group United Civilians for Peace (UCP) began pressuring Unilever over their pretzel factory, Beigel and Beigel, in the illegal Barkan Industrial Zone, attached to the Ariel settlement.
- In 2008, the French supermarket group Carrefour and British department store Harrods boycotted the snacks
- Later in 2008, Unilever announced that it would divest from Beigel and Beigel, but that did not happen.
- In 2013, the UN released a report calling for companies and governments to “assess the human rights impact of their activities” and end any connection to the settlements”
- A few weeks after the UN announcement in 2013, Unilever shut down its operations in the illegal settlement of Ariel and moved its production inside the Green Line, to Israel.<sup>x</sup>

#### **K. Veolia Environnement** (a French company)

- Over an eight-year period, Veolia lost more than \$23 billion in contracts<sup>xi</sup> as a result of lobbying by citizens concerned about the company’s role in the illegal settlements<sup>xii</sup>. For a list of these contracts and the groups that lobbied for their cancellation or refusal, see <http://www.globalexchange.org/economicactivism/veolia/victories>
- In 2012, Friends Fiduciary, the Quaker pension fund, divested from Veolia Environnement, citing its provision of segregated water services to Israeli settlers in the Palestinian Territories and its large landfill in the occupied Jordan River Valley.
- In 2013, the large US pension fund TIAA-CREF removed Veolia Environnement from its Social Choice Funds portfolio, though the stock remained in other portfolios.
- In 2014, the government of Kuwait excluded Veolia from a \$750 million contract and announced a nation-wide boycott of the company.
- In September 2015, Veolia announced the sale of all its assets in the West Bank to Oaktree Capital Management LP. There is no doubt that divestment and boycott were the reasons behind this sale, and all the media reports of the sale mentioned this.

Note: One concern is that Oaktree Capital Management LP, which purchased Veolia’s operations in the West Bank, is listed as one of the main advisors for the General Board of Pensions International Equity Fund.

## II. The Danger of Waiting

As word spreads globally about the involvement of companies in the illegal settlements and the occupation of the West Bank, boycotts and divestment can cause the value of stocks in these companies to decline.

Below are divestment actions by large European Banks and Pension Funds involving companies that are or have recently been in the GBPHB portfolios. Note: All but one of these companies has lost money while in the General Board of Pensions portfolios.

- In 2012, Norway's finance ministry excluded Shikun & Binui from the Government Pension Fund Global (GPF), the largest pension fund in Europe, over its construction of illegal Israeli colonies. It has helped build a number of settlements.
- In 2014, the Netherlands' largest pension fund management company, PGM, withdrew all its investments from Israel's five largest banks because they have branches in the West Bank and/or are involved in financing construction in the settlements. Those included Bank Leumi and Bank Hapoalim, which GBPHB held.
- In 2014, Denmark's largest bank, Danske Bank, divested from Bank Hapoalim because it finances construction of illegal settlements in the occupied Palestinian territories in the West Bank. Citing its corporate accountability rules, the bank said that Bank Hapoalim was acting against the rules of international law.
- Sweden's Nordea Bank – the largest in Scandinavia – followed Danske Bank in divesting from Bank Hapoalim, and has also taken steps against Israeli banks involved in settlement construction.
- In 2014, Luxembourg's state pension fund FDC divested from Bank Leumi, Bank Hapoalim, First International Bank of Israel, Israel Discount Bank and Mizrahi Tefahot Bank – on the grounds of “association to supporting construction of illegal settlements in occupied territories.” Also excluded from the fund because of their role in the occupation are Motorola Solutions, Africa Israel Investments, and Jerusalem Economy, Ltd. Of these, Motorola Solutions is currently held by the UM Pension Fund, and appears in the ESVPF fund designed to appeal to socially conscious investors.
- In 2012, Friends Fiduciary, the Quaker pension fund, divested from Veolia Environnement, citing its provision of segregated water services to Israeli settlers in the Palestinian Territories and its large landfill in the occupied Jordan River valley. Large pension funds have also divested from other companies not currently held by GBPHB for the same reasons.
- In 2013, the large US pension fund TIAA-CREF removed Veolia Environnement from its Social Choice Funds portfolio, though the stock remained in other portfolios.
- The Swedish national pension fund AP7 and Dutch ASN Bank excluded the French transportation giant Alstom from their portfolios because of the company's involvement in Israel's occupation of Palestinian land. Alstom was in GBPHB portfolios on 9/30/15.

### III. Conclusion:

Divestment can protect the assets of United Methodist retirees, staff and clergy. Every public company located in the settlements has found itself the target of economic action by responsible investors and consumers. That has frequently resulted in losses for shareholders. Companies that are well governed do not put their subsidiaries in illegal settlements. Companies that are not well governed pose a risk to investors.

Companies that support the occupation in other ways, such as Motorola Solutions, have also been the targets of economic action by individuals, organizations, and large pension funds. They pose a similar threat to the health of our investments.

Divestment and boycott were successful in ending the apartheid government of South Africa in the 1980's. At that time, the UMC General Board of Pension and Health Benefits divested \$77 million from 17 companies that were involved with the apartheid government. Divestment has been used with other companies as well, including those in Sudan, retailers in the US, and companies involved with private prisons. Boycott has been used by the church in other instances of injustice, such as fair wages for lettuce pickers and pickle company workers. These are time-honored ways of making a difference.

Today, divestment and boycott are changing the attitudes of companies and of many Israelis toward the illegal settlements, which are forcing Palestinians from their land. In fact, economic action is the only thing that *is* making a difference. If the church was willing to use these proven tools in other instances of injustice, and if our own faith community in the Holy Land is urgently asking the church to use them now, the moral imperative is clear.

As the General Board of Pensions continues to implement its human rights guideline, it can draw on experienced sources within our own denomination for information and expertise about companies affecting human rights in Israel-Palestine. UMKR represents many such voices including human rights experts in other church agencies, all past and present missionaries to the region, researchers who have been studying these companies for many years, and individuals who have been called by faith to the pursuit of justice in the region.

Future generations will demand to know what we did to protect our faith community and other Palestinians in the Holy Land when they were being oppressed and expelled. We hope there will still be churches there, and that they can describe our church's faithful response.

## Notes:

- I. <http://forward.com/news/breaking-news/328746/israeli-company-cuts-ties-with-frances-orange-amid-bds-row/>
- II. [http://crh.com/docs/press-releases-2016/dev-strat-update-07012016\\_2.pdf?sfvrsn=2](http://crh.com/docs/press-releases-2016/dev-strat-update-07012016_2.pdf?sfvrsn=2)
- III. <http://coteret.com/2010/06/21/maariv-targeted-boycott-and-divestment-pushing-companies-out-of-the-settlements/>
- IV. <http://www.bdsmovement.net/2010/ahava-rattled-2885#sthash.XjWcr6m6.dpuf>
- V. <http://www.bloomberg.com/news/articles/2013-08-14/west-bank-cosmetics-maker-muddies-address-as-eu-boosts-sanctions>
- VI. <http://www.ft.com/intl/cms/s/0/06e06252-ecc9-11e3-8963-00144feabdc0.html - axzz3nHY5CQWe>
- VII. <http://bdsmovement.net/2014/soros-fund-drops-shares-in-israels-sodastream-12450>
- VIII. <http://bdsmovement.net/2014/soros-fund-drops-shares-in-israels-sodastream-12450>
- IX. <https://electronicintifada.net/blogs/amena-saleem/palestine-activists-celebrate-sodastream-shuts-uk-store>
- X. <http://www.ft.com/intl/cms/s/0/06e06252-ecc9-11e3-8963-00144feabdc0.html - axzz3nHY5CQWe>
- XI. <http://mondoweiss.net/2013/02/unilever-settlement-production>
- XII. <http://mondoweiss.net/2014/05/barclays-downgrades-sodastream>
- XIII. <http://www.globalexchange.org/economicactivism/veolia/victories>

Dec. 2016 – Please note that this document has been updated with UMKR's new name: United Methodists for Kairos Response.