

Corporate Engagement by the Episcopal Church on Issues Related to Israel and the Palestinian Territories

A Report with Recommendations by the Social Responsibility in Investments Committee - October 3, 2005

To: The National Concerns Committee of the Executive Council

From: The Social Responsibility in Investments Committee of Executive Council

Introduction

In November 2004, the Executive Council accepted the following process regarding the Social Responsibility in Investments Committee's ("SRI Committee") study of corporate engagement on the Israeli/Palestinian conflict:

- Over the next twelve months, SRI will investigate what corporate actions (including corporate dialogues and shareholder resolutions) might be appropriate with (1) companies that contribute to the infrastructure of Israel's ongoing occupation of the West Bank and the Gaza Strip and (2) companies that have connections to organizations responsible for violence against Israel.
- In doing this work, SRI will work in partnership with the Episcopal Church in Jerusalem and the Middle East and with the Anglican Peace and Justice Network, the latter of which is preparing a report for the Anglican Consultative Council in June 2005. It will also seek dioceses and congregations that may be interested in being partners in corporate actions designed to promote peace in the Middle East.
- In doing this work, SRI will also seek input from the wider church, from ecumenical and interfaith partners (including the American Jewish community), and from Jewish and Palestinian groups in the Middle East.
- SRI will report back to the Executive Council with recommendations on this work at its October 2005 meeting.

The SRI Committee followed this process and now submits this report, with recommendations. Over the past few months, the SRI Committee has engaged in a deliberative process involving research and study, a visit to Israel and the Palestinian Territories, and dialogue with many groups and individuals. The SRI Committee has also observed what actions other churches have taken with regard to this issue.

Throughout, the SRI Committee has been guided by its understanding that its responsibility is to study and make recommendations regarding corporate actions relating to the investments of the Episcopal Church that may be appropriate for the Church to undertake in order to carry out the social policies of the Church. The SRI Committee has been charged to recommend means to implement the Church's existing policies as determined by General Convention and the Executive Council. The Committee makes such recommendations here, for consideration by the Executive Council. The SRI Committee is not recommending new policy.

The Social Responsibility in Investments Committee and shareholder engagement

The Social Responsibility in Investments Committee was chartered in 1972 and given the responsibility to “study the social implications of the church’s investments, recommend appropriate action for the church in this field, and carry out actions authorized by the Executive Council” with particular attention to the Church’s social policies as developed by the General Convention and Executive Council. In the past three decades, the SRI Committee has—on the Church’s behalf—filed hundreds of shareholder resolutions and engaged in as many dialogues with corporations on issues of social justice. The Committee has been innovative in developing new shareholder strategies and other approaches to companies on issues such as corporate governance, environmental responsibility, equal employment opportunity, respect for human rights, and responsible military contracting. As a founding member of the Interfaith Center on Corporate Responsibility, the Episcopal Church – through the SRI Committee - works with multiple other Christian and Jewish organizations, all of which are seeking to promote justice through the responsible use of their investments.

The SRI Committee carries out its work primarily through corporate engagement utilizing dialogue with companies (often through the shareholder resolution process), working cooperatively where possible to come to an agreement that responds to the concerns of the Episcopal Church, other socially-concerned shareholders, and various corporate stakeholders. On rare occasion, the Episcopal Church has decided to divest from particular kinds of companies, such as companies directly involved in the tobacco industry or engaged in oil business in Sudan. But such decisions to divest have represented only one part—and a small part at that—of the Episcopal Church’s social witness conducted through the responsible use of its assets for the past 33 years.

The SRI Committee believes that corporate engagement is a more effective strategy to bring about change. Corporate engagement has brought a number of notable successes, especially as companies interact with investors (like the Episcopal Church) in long-term relationships that lead to real changes in corporate policies and practices. Further, corporate engagement ensures that the Episcopal Church, by owning stock, continues to have influence on corporate policies and practices. (In contrast, divestment is a one-time action that ends ownership and thus ends all influence over corporate behavior.) In short, corporate engagement has been the predominant model for the SRI Committee’s work. Corporate engagement is the strategy recommended in this document, along with positive investment, to implement existing Church policies on Israel and Palestine.

The Episcopal Church’s social policies on Israel and the Palestinian Territories

As noted above, the responsibility of the SRI Committee in this report is to recommend to Executive Council for its consideration means to advance the existing social policies of the Church on Israel and Palestine, not to create new policy. Of course, the SRI Committee concurs with General Convention and the Executive Council that the

Episcopal Church is called to promote peace and justice. The SRI Committee believes that the use of investment leverage must be consistent with that calling and the Church's specific policy statements on Israel and the Palestinian Territories. In summary, those relevant policies are (the numbering used in this section will follow in citations used in subsequent sections):

1. Reiterate support of a just peace that guarantees Israel's security and Palestinian aspirations for a viable sovereign state with Jerusalem as the shared capital of both Israel and Palestine. (EC 06/02)
2. Recognize that the Israeli demolition of Palestinian homes is illegal under international law and is a deterrent to the peace process. (GC 2003)
3. Recognize that the Israeli security wall under construction impedes a final and comprehensive negotiated settlement of the Israeli-Palestinian conflict by 2005. (GC 2003)
4. Condemn the violence of suicide bombers and the violence of the Occupation and plead with both sides to pursue all avenues of negotiation based on United Nations Security Council Resolutions 242 and 338. (EC 06/02)
5. Recognize that the Israeli policy of building settlements in the Occupied Territories thwarts the peace process. All settlements activities should cease immediately. (EC 06/02)
6. Call on Israel to remove all road blocks preventing free access to Jerusalem for Palestinians and to allow Palestinians equal rights to build housing and institutions in Jerusalem. (GC 1997)
7. State that any resolution of the question of Jerusalem must equally respect the claims of Judaism, Islam, and Christianity and result in a shared city. (EC 06/95)
8. Urge congregations to develop mutual understanding and respect with Jews and Muslims, and to discuss the Middle East. (GC 1994)
9. affirm the principle of the right of return for every Palestinian and the right of Palestinians and Israelis to self determination, independence and sovereignty. (GC 2000)

These and other related policies reflect years of development by the Episcopal Church and set the parameters for the SRI Committee's work. As previously stated, no new policy is reflected in this report, but rather recommendations are offered for the implementation of existing Church policies.

In summary, the Episcopal Church, through policy statements passed by the Executive Council and various General Conventions, has been clear in its support for Israel and its right to exist, and has previously expressed the Church's unalterable opposition to anti-Semitism (Executive Council, 1985, General Convention, 1991 and 1997). The 1991 Convention also distinguished "between legitimate criticisms of the Israeli government and anti-Jewish prejudice, and denounce(d) expressions of anti-Semitism." At the same time, the Church supports the creation of a viable Palestinian State and has been critical of the Israeli government's occupation of the West Bank and Gaza (the "Occupation").

Recommendations

The SRI Committee understands that the Episcopal Church's overarching goal for its work on this issue is to promote the peace process in Israel and the Occupied Palestinian Territories by advocating positive changes in Israeli and Palestinian policy and by supporting the development of a future Palestinian State. To assist the Church in implementing the aforementioned Church policies to promote peace, the SRI Committee recommends to the Executive Council that the Council decide that the Church use both corporate engagement and positive investment.

Corporate engagement by the Episcopal Church means engaging corporations in which the Church has investments to adopt socially responsible practices that:

1. encourage positive changes in Israeli government policy leading to an end of the Occupation and in "support of a just peace that guarantees Israel's security and Palestinian aspirations for a viable sovereign state with Jerusalem as the shared capital of both Israel and Palestine" (policy 1; see also policies 7 & 9),
2. encourage the Palestinian Authority and all factions in the Palestinian community to oppose violence as a means of resistance to the ongoing Occupation (policy 4) and,
3. provide support for the development of a future Palestinian State (policies 1 & 9).

Positive investment by the Episcopal Church means that Church bodies with assets to invest will invest to:

4. provide support for the development of a future Palestinian State (policies 1 & 9).

Corporate Engagement

In order to encourage change in Israeli and Palestinian policy and encourage support for the development of a future Palestinian State, the Episcopal Church should engage in dialogue, and, as appropriate, file shareholder resolutions with companies in which it owns shares:

- A. that contribute to violence against either side – consistent with the Church's condemnation of suicide bombers and the violence of the Occupation (see policy 4) -- or
- B. that are contributing to the infrastructure which supports and sustains the Occupation -- consistent with the following specific policies of the Church:
 - i. opposition to settlements and the bypass roads that support them (see policy 5),

- ii. opposition to those sections of the security wall that violate Palestinian land (see policy 3), and
 - iii. opposition to the demolition of Palestinian homes in East Jerusalem and the rest of the West Bank (see policies 2 and 6) -- or
- C. that are in a position to invest in the economic development of the West Bank and the Gaza Strip (consistent with policies 1 and 9).

The SRI Committee recommends corporate engagement, not divestment, because the Committee believes engagement is a more effective strategy to bring about social change. The types of companies to be identified are those that provide products or services which may have negative impacts that are inconsistent with the above referenced policies or positive impacts that are consistent with those policies. No shareholder resolutions will be filed in the 2005-2006 shareholder season, but several companies will be approached to begin the engagement. Depending on the results of these dialogues, resolutions may be filed in the 2006-2007 shareholder season and following. If other shareholders file relevant resolutions, in the usual course of its work the SRI Committee may recommend that the Executive Council consider supporting such resolutions through voting the Church's proxies, if such resolutions are consistent with Church policy and these recommendations.

Positive Investment

The SRI Committee recommends that the Executive Council recommend that bodies of the Episcopal Church with investment assets join with other religious organizations, denominations and institutions in investing in the economic infrastructure of the West Bank and the Gaza Strip. In particular, the SRI Committee recommends that the Executive Council commend to the Economic Justice Loan Committee of Executive Council (the "EJLC"), that the EJLC seek opportunities, with others, for making loans to loan funds in the Palestinian Territories and elsewhere that support economic justice and development in support of a future Palestinian State. A stable Palestinian state will make for a more secure Israel. This recommendation is made in support of Church policy calling for a viable sovereign Palestinian state (see policies 1 and 9).

Finally, seeing the value of the Committee members' visit to the Holy Land, the SRI Committee recommends to Executive Council that Council encourage visits by members of the Episcopal Church, including people in leadership positions, to the Church's partners and others in Israel and the Palestinian Territories in order to understand first hand the complexities of the conflict and what justice demands (see policy 8).

The SRI Committee will continue research on and dialogue with other church groups, Jewish organizations, and Israeli and Palestinian organizations to build bridges of understanding and a common witness for a just peace in the Holy Land. The Committee will report regularly to the Executive Council on its activities regarding Israel and the Occupied Territories.

The SRI Committee's previous work on this issue in the past year and its effect on these recommendations

The SRI Committee's efforts included hearing multiple perspectives, some of which were critical of Church involvement on this issue. The breadth of these differing voices, and the depth of feelings expressed, greatly informed the Committee's recommendations.

The SRI Committee and the staff of Peace and Justice Ministries have undertaken the following steps in the past ten months:

- A letter of inquiry was written to all of the companies held in Episcopal Church portfolios inquiring about (a) operations in the Occupied Territories and (b) links to organizations engaged in terrorism.
- In January 2005, the staff to the SRI Committee convened a meeting of Protestant church staff members with responsibility for shareholder activism and members of Jewish organizations to discuss different approaches to this issue.
- In April and May, a joint delegation of the SRI Committee and the Standing Commission on Anglican and International Peace with Justice Concerns met with a variety of groups in Israel and Palestine, including peace groups, Jewish organizations, and settlers.
- SRI committee members met with members of the American Jewish community in July 2005.
- The director of Peace and Justice Ministries and the Presiding Bishop's deputy for Ecumenical and Interfaith Relations have engaged in ongoing dialogue with members of the American Jewish community, including a number of Jewish organizations. A joint Jewish/Christian trip (including denominational staff) to Israel and the Territories was made in September.
- Numerous bishops were invited to submit their views as part of this process and a number of statements were received.

Contrary to many reports, at its June, 2005 meeting in Nottingham, England, the Anglican Consultative Council did not recommend that Anglican Provinces divest from Israel, but rather commended the Episcopal Church's study of the issue and called for "appropriate action," adopting the language of the SRI Committee (see bullet point 1 on page 1).

At the meeting with members of the American Jewish community, members of the SRI Committee heard not only the Jewish narrative about the creation of the State of Israel and Jewish ties to the Land, but also about what must precede a peace agreement for the two sides. In their testimony they said, "To the Jewish community, the best path to peace rests in programs of reconciliation, joint political action from a place of balance, the building of institutions in the Palestinian community that will work against terrorism, and with that, an end to the occupation. To us the end of occupation is not the condition precedent for peace—the dismantling of the terrorist infrastructure is."

The SRI Committee has attempted in this report, within the existing policies of the Church, to address methods important to both sides in this conflict: (1) creating conditions that lead to an end of the Occupation and the development of a Palestinian State along side a secure Israel (see policies 1, 3, 5, 6, 7 and 9), and (2) ending violence against innocent people, including victims of suicide bombings (see policies 2 and 4).

While the conflict between Palestinians and Israelis is complex and is viewed with at least two very different perspectives and narratives, the experiences and observations of the members of the SRI Committee in the past year underscore several points about existing Episcopal Church policy:

1. The Episcopal Church supports a two state solution based on justice.

The Episcopal Church does not support one side over the other, but rather seeks a resolution to the conflict based on peace with justice so that the two parties can live in peace as neighbors, each with its own dignity and integrity.

2. Both Israelis and Palestinians bear responsibility for the current state of affairs.

Israel, as the stronger party of the two, bears the greater burden to take affirmative steps toward peace. Israel's financial and military resources dwarf those of the Palestinians and many of its policies are destructive to both peoples. The infrastructure of the Occupation, including the expansion of settlements and the building of parts of the separation barrier on Palestinian land, remains as a major obstruction to peace.

For many years, corrupt and ineffective Palestinian governance has also held back prospects for peace. The chief failure on the Palestinian side has been the inability to prevent violence against the State of Israel. The Palestine Liberation Organization, which operates as the Palestinian National Authority (the "PNA") inside the territories, has yet to be fully transformed from a liberation movement to a stable governing institution – a transformation that continues to be adversely impacted by the complexity and disadvantages of being a people under Occupation. Many Palestinians share a concern for better leadership and an end to corruption. There are positive signs the PNA and civil society is moving in that direction. While the Occupation makes normality of any kind impossible, Palestinian leadership can and must do more to end the cycle of violence and dismantle the terrorist infrastructure of militant organizations.

3. The Occupation is devastating to Palestinians and harmful to Israelis and comes at an enormous cost to both sides in the conflict.

Occupation is a form of oppression that harms the psyche of both communities. We heard from a number of Jewish groups in Israel about the financial and human costs of the Occupation. Because military service is almost universal among Israeli

men and women, they largely bear the burden of serving as an occupying force in a hostile environment. The financial costs of building, guarding, and sustaining settlements and the infrastructure of the Occupation are also harming Israeli society. An end to the Occupation and a peaceful resolution to the conflict would create a financial and human dividend for people in Israel as well as Palestine.

4. Security is a legitimate Israeli concern.

The SRI Committee heard many fears expressed about security needs for Israel. Certainly calls of militant groups like Hamas and Islamic Jihad for the destruction of Israel underscore those security concerns. We note with a sense of hope that some Palestinians, with support from Christian groups, are teaching non-violence as a legitimate means of resistance to the Occupation. The Episcopal Church has rightly condemned suicide bombings and is rightly vocal in its unalterable opposition to this despicable practice. The SRI Committee also notes examples of hostility and anti-Semitism of certain Arab states in the region against the state of Israel.

5. Elements of the Occupation are not legitimate security measures.

The infrastructure of Occupation that Israel has created through the building of settlements, barriers, and bypass roads on Palestinian territory has resulted and continues to result in the appropriation of Palestinian land. These measures are not legitimate means to deal with security concerns. The Palestinians made a dramatic shift in 1988 to agree to United Nations Security Council resolution 242 which meant recognition of Israel, and led to the 1994 Oslo accords. That remains the official position of the Palestinian leadership today. Israel must also demonstrate, by dismantling this infrastructure of the Occupation, that Palestinians will be allowed to build their State on the current Palestinian Territories. The illegal demolition of Palestinian homes must also end.

The withdrawal from Gaza is a hopeful step, but still leaves rights to drinking water and control over borders and access to air and sea (including fishing waters) unresolved. Both sides must return to the negotiating table with Palestinians as equal partners.

6. The opportunity for a viable Palestinian state is rapidly diminishing.

Members of the delegation to Israel and the Occupied Palestinian Territories saw the effects of the separation barrier and of ongoing settlements (especially in the West Bank) on Palestinians. A major impediment to peace is the State of Israel's continuing policy of building settlements on Palestinian land. Today, these settlements have a population estimated at 450,000 people. The Gaza withdrawal removes only 9,000 of those. Bypass roads that connect the settlements to each other and to Israel itself separate Palestinian towns and cities from one another. A Palestinian state that is not contiguous and that does not have the ability to ship materials by air, water and land cannot be economically and socially viable. Israeli

policies for many years have been creating “facts on the ground” that can only lead to a non-contiguous Palestinian state with little control over its borders and infrastructure, including control over its own water supply. Further, the social effects of forcibly separating families and Palestinian communities are themselves corrosive to Palestinian society.

7. The separation barrier is a legal security measure but not where it violates Palestinian land.

Much has been written about the separation barrier that is now being built, an earlier route of which was declared illegal by Israel’s Supreme Court in 2004. Despite some further recent changes by that court to the route of the barrier, much of it penetrates deep into Palestinian land (especially around large settlements and East Jerusalem) and has been ruled illegal in an advisory opinion by The International Court of Justice in 2004. There is a moral difference between a separation barrier built on the pre-1967 “Green Line” and one built on Palestinian territory in the West Bank. The practical effect of the separation barrier is the separation of Palestinians from each other and creating a de-facto border which embraces several large settlements on Palestinian land. Israel has a right to security and to build a separation barrier on internationally-recognized borders, but it does not have a right to confiscate Palestinian land. This includes East Jerusalem which, while Israel claims it for itself, is nevertheless in Palestinian territory.

The SRI Committee notes that the barrier severely disrupts daily Palestinian life as it prevents or greatly inconveniences access to basic services such as schools, places of work, hospitals and shops. It is also worth noting that the barrier, wherever it is built, is an obstacle to building future neighborly relations between Israelis and Palestinians.

8. Violence on both sides must stop.

While this has been noted above, the problem of violence cannot be overstated. Nothing justifies terrorism against Israelis. The Episcopal Church has condemned such acts of terror, especially suicide bombings which make a family outing to a shopping mall or restaurant a potentially deadly and tragic experience.

Occupation is its own form of violence which Palestinians refer to as State terrorism, amounting to collective punishment of an entire people. The shooting of unarmed children by nervous or belligerent Israeli soldiers is an unnecessary tragedy. Occupation is brutal and dehumanizing.

Peace is not possible in a climate of fear and violence.

FAQ – Frequently Asked Questions

Question one: Is the SRI Committee recommending any new policy?

Answer one: No.

Consistent with its mandate as a committee reporting to Executive Council, the SRI Committee reviewed existing policies of the Episcopal Church and has provided a set of recommendations to Executive Council to implement these policies. No new policies are being proposed or considered.

Question two: Is the SRI Committee recommending divestment from Israel or companies operating in Israel or in the Occupied Territories?

Answer two: No.

The SRI Committee is recommending corporate engagement as the right strategy for work on this issue. The goal is for selected companies to change behavior resulting in a more hopeful climate for peace. If the Church simply divests, nothing positive has happened. Divestment is not recommended or under consideration in this report.

Question three: Is Israel being held to a higher standard than other countries?

Answer three: No.

The Episcopal Church has been consistent in opposing injustice wherever it occurs and using shareholder activism strategies accordingly.

Part of the concern for this issue is the presence of Anglican/Episcopal sisters and brothers who live in the midst of the conflict and our Church's longstanding concern for the dwindling number of Christians remaining in the Holy Land. The SRI Committee expresses its deep appreciation for the roles Christians historically have played in the economy of the region and as bridge builders between groups.

The Episcopal Church in Jerusalem is partner to the Episcopal Church in the United States. And, of course, the Holy Land is the cradle of Christianity itself. The Episcopal Church has strong ties to and support for all Palestinian Christians. But justice would require seeking peace in the conflict even if these relationships did not exist.

The Church has a special concern for Jews, with whom the Church also has strong ties. The Church's concern includes concern for Israel. The Christian community, especially in Europe and North America, bears a special responsibility to the Jewish people after centuries of complicity in pogroms and discrimination against them, culminating in the horror of the Holocaust. U.S. mainline denominations, including the Episcopal Church,

have a long history of partnership with the American Jewish community on domestic issues of justice, especially during the civil rights era. And, as noted throughout this report, the Church supports the right of Israel to exist in security.

More broadly, the Episcopal Church has a long history of witness to issues of justice. The Church, on recommendation of the SRI Committee, has filed and voted in favor of resolutions focusing on a variety of topics as diverse as human rights in Iran, China, Uganda, and Myanmar (Burma), protection of the Arctic Wildlife Refuge from oil drilling, responsible military contracting practices, and fair treatment of contract-supplier employees. In doing its work, the SRI Committee applies the same standard to the Israeli/Palestinian conflict that it would to any other region or country.

World conflicts which have religious differences underlying them merit the concern of the Episcopal Church, whether the conflict is expressed in Muslim on Christian violence in the Sudan, or Christian on Muslim violence in the former Yugoslavia, or intra-Christian violence in Northern Ireland.

Question four: Isn't this the same as the struggle against Apartheid in South Africa?

Answer four: No, but

In the case of South Africa, the entire system of apartheid was illegitimate, and no actions short of dismantling it could be countenanced by the world community. The goal was the end of that South African regime.

The case of Israel is different. Church policies clearly support Israel's right to exist, and no companies should be involved, however inadvertently, in any way with organizations engaged in violence against Israelis. Companies can and should operate in Israel proper.

Nevertheless, Israel does not have a right to confiscate land from Palestinians and continue its Occupation of the Palestinian people. The conditions in which Palestinians live under Occupation have been compared by Archbishop Desmond Tutu and many other observers to the Bantustans (isolated cantons) of South Africa.

Appendix

The SRI Committee and its staff met with, heard from, consulted with or reviewed public statements from a large number of organizations and individuals during its 12 month process. A partial list follows:

Bishop Riah Abu-El Assal, diocese of Jerusalem
Bishop Allen Bartlett, diocese of Pennsylvania, retired
Bishop Tom Shaw, diocese of Massachusetts
Bishop Mark Sisk, diocese of New York
Bishop Ed Little, diocese of Northern Indiana
Dr. Ross Jones, dean of St. George's College, Jerusalem, retired
The Presbyterian Church
The United Church of Christ
The United Methodist Church
The Anglican Peace and Justice Network
The American Jewish Committee, Rabbi David Elcott
The Anti-Defamation League, Rabbi Gary Bretton-Granatoor
The Jewish Council for Public Affairs, Ethan Felson
The Center for Reformed Judaism
The Rev Dr. Naim Ateek and Sabeel board members
The Rev Mitri Raheb, International Center of Bethlehem and pastor of Christmas Church
Rabbi Ed Rettig, American Jewish Committee, Jerusalem
Jeffrey Halper, Israeli Committee Against House Demolitions
New Profile
Gila Svirsky, Israeli Coalition of Women for Peace/Women in Black
Jessica Montel, B'Tselem
Hind Khoury, Michael Tarazi – The Palestinian National Authority
Ahli Arab Hospital, Gaza
Palestinian Center for Human Rights
St. Andrew's Church, Ramallah
Wi'am Center for Conflict Resolution, Bethlehem
Christian Peacemaker Team, Hebron
Rabbi Mordechai Liebling - Shefa Fund