

Memorials M7, M8 and M9 (2020) on Israel Palestine

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Resolutions	18/1. The Council receives the report. 18/2. The Council requests that the Joint Advisory Committee on the Ethics of Investment (JACEI) review the Central Finance Board (CFB) Policy Statement on Israel/Palestine within a manageable timeframe and propose a schedule for this work within its annual Report to the 2021 Conference.

Summary of content

Subject and aims	Memorials M7-M9 (2020), referred to the Methodist Council, request a review by JACEI of investment policy on Israel and Palestine. These memorials require a determination as to whether the deepening occupation, loss of Palestinian land and recent legislative and political developments justify a revision of the CFB Investment Policy Statement on Israel/Palestine.
Main points	<ul style="list-style-type: none"> • A de facto annexation of a large part of the West Bank creates an increasingly challenging operating environment for companies with a substantial national business in Israel. • The current CFB investment policy on Israel/Palestine begins with constructive engagement with companies but could ultimately lead to a decision to disinvest. • Companies should be transparent with respect to their due diligence to mitigate involvement with abuses of human rights and avoid involvement in activities that that contravene international law. • The memorials seek to ensure divestment from “all companies that profit from activities in illegally occupied areas, as a matter of ethical and economic justice”. • A review of this policy would inevitably involve the CFB and JACEI in time and resource at a time when both have a challenging work agenda. • The Methodist Council is invited to ask JACEI to re-evaluate the policy accordingly and, recognising time and resource constraints, to suggest that JACEI propose a manageable timeframe for this work.
Background documents	<ul style="list-style-type: none"> • 2020 Methodist Conference Memorials M7, M8 and M9 and reply

	<ul style="list-style-type: none"> • Methodist Council Paper MC/20/85 • Methodist Conference 2006, Agenda item 4: The Use of Funds in Relation to Conflict in Israel and Palestine (Memorial 28 2005). A further response following consideration by the Methodist Council. • CFB Policy Statement Israel/Palestine (updated 2016) • Methodist Conference 2014, Agenda item 23: Boycott, Divestment and Sanctions • 2019 Methodist Conference Reply to Memorials M37 to M50
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1. The referral by the 2020 Conference of Memorials M7 to M9

- 1.1 The 2020 Methodist Conference referred the Memorials M7, M8 and M9 (see appendix) to the Methodist Council as the Conference was unable to give the requests on investment policy an appropriate level of engagement and coverage in 2020. In October 2020, the Council Paper MC/20/85 proposed that a paper be presented to the January 2021 Council meeting after discussion with the Joint Advisory Committee on the Ethics of Investment (JACEI), in order to afford the Council a fuller understanding of the recent developments in the region, the current ethical policy, its application and the implications of a request to review. To inform this paper discussion has also taken place with the proposers of the memorials presented to the Conference.
- 1.2 This paper provides background and information on the current investment policy, an analysis of the changed situation in the region, the relevance of this for investment policy and finally a summary and recommendations.

2. Background to the Central Finance Board (CFB) policy on Israel Palestine

- 2.1 The Joint Advisory Committee on the Ethics of Investment (JACEI) was established in 1983 by a Resolution of the Methodist Conference to provide a mechanism for the Methodist Church to tackle ethical dilemmas associated with investment and to report annually to the Conference. JACEI commissions and approves policy statements on a wider range of ethical issues. Twenty-four policy statements help to guide and focus the work of the Central Finance Board in its engagement with companies on ethical issues. These statements also provide guidance as to the circumstances that could lead to a company's exclusion from the investment portfolio.
- 2.2 The Methodist Conference delegates ethical guidance on investment policy to JACEI and, occasionally, may direct JACEI to consider a particular ethical concern or develop policy in a specific area. This was the case in 2005 when Conference considered and accepted Memorial 28 'Use of Funds in Relation to Conflict in Israel and Palestine'. In 2006 the Methodist Council informed the Conference that in response

to this memorial it had invited JACEI to “identify the criteria that should guide the CFB in a progressive policy that begins with constructive engagement related to these key concerns but which could ultimately lead to selective disinvestment. Such criteria should also be applied to potential new investments.”

- 2.3 JACEI subsequently approved the CFB investment policy on Israel Palestine and this was presented to the Methodist Council in March 2007. This policy was further reviewed by JACEI in 2016.
- 2.4 In 2014, the Methodist Conference received from the Methodist Council the report “A briefing document for the Methodist people on the arguments for and against the Boycott, Divestment and Sanctions Movement”. The Methodist Conference has not since adopted any new measures around Boycott, Divestment and Sanctions based on this report.

3. Recent developments in the region

- 3.1 In recent years, the humanitarian situation of Palestinians in Gaza and the West Bank has worsened considerably. The United Nations and government bodies have stated that the two million residents of Gaza now face conditions that are inhumane. Water is unsafe to drink, sewage is untreated, food is insufficient for the population, eighty common medicines are unavailable and electricity is on for a maximum period of four hours a day.¹ The Government of Israel cites security concerns and the control of Gaza by Hamas to justify its partial blockade of goods and limitation on supply of electricity.
- 3.2 In the West Bank, the illegal occupation and expansion of settlements has been supported by a highly discriminatory planning regime and house demolitions. The monitoring reports of the United Nations Office for the Coordination of Humanitarian Affairs reveal that since 2009, 7,168 structures have been destroyed displacing 10,868 people.² Over the last four years, the incidence of demolitions has been increasing. Meanwhile, a policy of settlement expansion has seen an increase in the settlement population from 250,000 in 2005 to 463,000 in 2019 (excluding East Jerusalem) according to official Ministry of the Interior statistics.³
- 3.3 In addition to the worsening economic and humanitarian position, the prospects for negotiations around a peaceful resolution in accordance with principles enshrined in Security Council resolutions⁴ have evaporated. Palestinian leadership has been divided and ineffective, compromising the scope for negotiation between Palestinians and the Government of Israel. More crucially, the Government of Israel has been increasingly forthright in its opposition to a two-state solution.⁵ The UK Government (as well as of other states) have repeatedly stressed that deepening settlement expansion in the West Bank will

¹ Methodist Conference Notice of Motion 2018/212: Gaza

² UNOCHA, Data on demolition and displacement in the West Bank, www.ochaopt.org/data/demolition

³ ABC News <https://abcnews.go.com/International/wireStory/west-bank-settlements-report-rapid-growth-2019-68583435>

⁴ Security Council Resolutions 242, 338 and 2334 (the latter is explicit on the right to self-determination, clause 21b)

⁵ The Jerusalem Post, 8 April 2019, “Netanyahu: A Palestinian state won be created”. Reuters 25 May, 2020, Netanyahu “We have a historic opportunity, which hasn’t existed since 1948, to apply sovereignty judiciously as a diplomatic...step in Judea and Samaria”. Radio 4 Today Programme, 3 Nov, 2017, interview with Deputy Foreign Minister, Tzipi Hotovely, “I think that Judea and Samaria are definitely going to be under Israeli control.”

make a two-state solution impossible.⁶ In 2017, in his capacity as Secretary of State for Foreign Affairs, Boris Johnson wrote that “What we are saying is that you have to have a two-state solution or else you have a kind of apartheid system. You have to go for a two-state approach, that is the long-standing position of the government”.

- 3.4 In spite of repeated assertions of governments in Europe and elsewhere, Israeli government policies at national and local levels continue to obstruct progress towards Palestinian self-determination. This evidential government intention was given credence in national legislation when the Knesset passed the Nation State Bill in 2018. The Bill States “The right to exercise national self-determination in the State of Israel is unique to the Jewish people”. It further states that “The State views the development of Jewish settlement as a national value and will act to encourage and promote its establishment and consolidation”.⁷ The US Government plan ‘Prosperity to Peace’, published in January 2020, has further encouraged Israel to pursue policies for a de facto annexation of much of the West Bank.
- 3.5 The recent political and legislative developments make the possibility of a future peace process predicated on mutual respect and equal rights very difficult indeed. They reduce to zero the expectation that, in the absence of substantial international pressure including economic sanctions, constructive engagement between parties in the region could deliver meaningful progress towards Palestinian self-determination. There have been calls, from former heads of state and foreign ministers of countries in Europe for example, for there to be an economic impact on Israel if it continues to flout international law in relation to its policies towards the occupied Palestinian territories. In contrast, it should be noted that the appeal within the memorials is specifically focused on equal human rights and the avoidance of involvement with the occupied territories. How might this differ from the current approach of the CFB Policy Statement on Israel/Palestine?

4. Methodist Church investment policy

- 4.1 The current CFB investment policy with respect to Israel and Palestine policy states that “the CFB aims not to invest in any company that is directly or materially involved in activities that are in breach of international law, or is complicit in violations of human rights as defined by the United Nations Universal Declaration of Human Rights.” The current CFB policy then outlines a range of concerns that constitute a contravention of human rights in the context of the occupied Palestinian territories.
- 4.2 JACEI has reported to the Methodist Conference instances when, following engagement with a company, there have been significant shifts in policy or sale or closure of operations in the West Bank. In one or two cases the engagement has been extensive and at a sufficiently high level in the company such that it would be unwise to dismiss the possibility that this engagement may have had some bearing in a company’s decision. JACEI furthermore advises that time spent on a revision of this policy would most likely impact consideration on only a limited number of companies.
- 4.3 The CFB Policy on Conflict and Human Rights⁸, approved by JACEI in 2013, draws on the work of the Ruggie Commission and the subsequent UN Guiding Principles of Human Rights and in particular the

⁶ For example, Foreign Secretary, William Hague, January 2013, <https://uk.reuters.com/article/uk-israel-election-britain/britain-says-israeli-palestinian-two-state-solution-almost-dead-idUKBRE90L0KN20130122>

⁷ <https://knesset.gov.il/laws/special/eng/BasicLawNationState.pdf>

⁸ CFB Policy Statement on Human Rights and Conflict. www.cfbmethodistchurch.org.uk/ethics

importance of transparent processes of due diligence in order to avoid human rights impacts. This is particularly necessary where companies are working in joint venture arrangements, or have strategically important relationships with suppliers or are working alongside governments who themselves are compromising human rights.⁹

- 4.4 Arguably, the aim expressed in the existing CFB Israel/Palestine policy does not differ markedly from that expressed in the memorials.¹⁰ Those who have proposed, seconded or supported the memorials to the 2020 Methodist Conference explain that a primary concern with the current policy is an ambiguity that is brought about by the range of caveats that could enable companies to remain an investment holding of the CFB even if constructive engagement looks unlikely to bring change. The case of Heidelberg Cement is cited, which remained a CFB holding for seven years after initial engagement with the company on its quarry in the West Bank. The holding was sold in 2019 for reasons other than ethics¹¹ and is not currently an excluded stock.¹² The memorials seek a clearer and more rapid move to a decision to disinvest from a company when there are concerns over exposure to the occupied territories, particularly if it is unlikely that the company will re-evaluate its relationships or operations or if constructive engagement has failed.

5. Summary and recommendations

- 5.1 The expanding settlement population (in absolute number and also as a percentage of the total population of Israel) increases the likelihood that companies operating across Israel will have exposure to activity in Israeli settlements. Legislation enacted since 2006 makes it more difficult for companies operating in Israel to enact policies that exclude economic activity in East Jerusalem or the West Bank to the detriment of the Palestinian population.¹³ These increased risks place a heavy onus on companies operating in Israel, particularly those who have contracts in the public sector, to demonstrate that they are able to operate safely and in accordance with widely articulated human rights standards and avoid involvement with activities that are contrary to international law.
- 5.2 Consequently there is a strong argument for a reassessment of the CFB Policy Statement on Israel/Palestine. The Methodist Council affirms the aim not to invest in any company that is directly or materially involved in activities that are in breach of international law, or is complicit in violations of human rights as defined by the United Nations Universal Declaration of Human Rights. The Council commends the work of JACEI and the CFB in engagement with companies and its assessment of

⁹ Guidance on standards around human rights policies and due diligence by companies are set out in sections 16 and 17 of the UN Guiding Principles on Business and Human Rights. These principles inform the CFB's expectations of companies set out in the CFB Policy Statement on Human Rights and Conflict.

¹⁰ Eg M7 "... believes in the equal Human Rights of all Palestinians and Israelis, supported by International Law and UN Resolutions consider again disinvesting in all companies that profit from activities in illegally occupied areas, as a matter of ethical and economic justice"

¹¹ JACEI 2020 Annual Report, page 12

¹² In a fringe meeting at the 2019 Methodist Conference a representative of the CFB stated that should the holding ever become a viable investment prospect for the CFB again, it would be thoroughly reassessed by both the CFB and by JACEI and most likely looked at with a great deal of caution.

¹³ The danger is not so much one of successful prosecution but rather that the thrust of legislation constraining public advocacy for boycott of settlements creates an inhibition across many sectors of public life and no doubt complicates the relationship between international corporations and their national subsidiaries, joint venture partners and Government agencies and departments.

companies on a case-by-case basis. In the light of the expansion of settlements, the de facto annexation of much of the West Bank and the inability of the Government of Israel and the Palestinian Authority to agree a basis for further negotiation, it urges JACEI to re-evaluate the CFB policy with the intention of:

- ensuring that companies operating in Israel can demonstrate how they will address the systemic challenges that come with the further integration of settlements into the legislative and economic fabric of the State of Israel
- encouraging companies to outline the due diligence that they exercise in this regard
- responding to a request of the Methodist Council that, when a company is unwilling to refrain from operating in the Occupied Palestinian Territories (oPts), JACEI would, in most cases, advise exclusion from investment.

5.3 The JACEI 2020 Annual Report provides testament to the enormous range of work undertaken by the CFB and JACEI. The Chair of JACEI has informed the Methodist Conference that the work agenda is planned well in advance and the current schedule is very full. A reassessment of the Policy Statement on Israel/Palestine could result in the postponement of other important work of the Committee. Nevertheless, the Methodist Council requests further work as outlined and asks JACEI to propose a manageable timeframe.

*****RESOLUTIONS**

18/1. The Council receives the report.

18/2. The Council requests that the Joint Advisory Committee on the Ethics of Investment (JACEI) review the Central Finance Board (CFB) Policy Statement on Israel/Palestine within a manageable timeframe and propose a schedule for this work within its Annual Report to the 2021 Methodist Conference.

APPENDIX - 2020 Conference Memorials on Israel and Palestine

M7 Israel and Palestine

The Leeds North and East (27/2) Circuit Meeting (Present: 46; Voting: 37 for, 2 against) believes in the equal Human Rights of all Palestinians and Israelis, supported by International Law and UN Resolutions. Given that the US and Israeli governments' proposed 'Peace Plan' explicitly rejects this belief, now is the time for a different approach from all those campaigning for a just settlement. We therefore call on the Conference to review and reassess its approach and specifically to request JACEI (Joint Advisory Committee on Ethical Investments) to urgently consider again disinvesting in all companies that profit from activities in illegally occupied areas, as a matter of ethical and economic justice.

Reply

The Conference thanks the Leeds North and East Circuit for raising concerns with respect to Palestine. The Conference has long maintained a position first outlined by the 2001 Conference, "recognising that peace and security can only be achieved when international judgements are respected and justice is done, and" that "a return to the borders of 1967 and a status for Jerusalem as a place for two nations and three faiths, with parity of esteem, is the real basis upon which trust could be built up among the different communities. The desire for a lasting peace can only be based on trust, security and freedom from fear for all people in the area". (Notice of Motion 17 (2001))

The Methodist Church recognises that the questions around a future statue of borders, and sovereignty must be determined through negotiation.

The Conference encourages Methodists to continue to pray with respect to justice for Palestine and Israel and, in the light of a challenging international environment, to be active in working for justice throughout the world. The Conference highlights opportunities for Methodists to engage with Palestinian, Jewish and others through visits or pilgrimages to the region, around which the Methodist International Liaison Office in Jerusalem can offer advice. As the Conference is unable to give the requests on investment policy an appropriate level of engagement and coverage in 2020, the Conference refers the memorial to the Methodist Council.

M8 Israel and Palestine

The Leeds South and West Circuit (present 54; voting for 40, against 1, abstentions 13), notes with concern that Methodist statements on Israel Palestine all assume that a two-state solution is the way to resolve a situation that is growing increasingly dire for Palestinians in the West Bank and Gaza. Following the US declaration that America does not consider Israeli settlements in the West Bank to be illegal under international law, and President Trump's Middle East Peace Plan, which involves the annexation and incorporation of large parts of the West Bank into the state of Israel, the Palestinians will be left with only fragments of territory, which would appear to make an independent Palestinian state virtually impossible.

In the light of this situation, we call upon the Conference to review the 2016 JACEI* investment policy as a matter of urgency, and ask that the Central Finance Board cease investment in all companies which profit from Israel's Occupation of Palestine. In view of the fact that Israel is the party with power on the ground, and has the capacity to give equal human rights to Palestinians and Israelis, we urge Conference to give Israel every encouragement to do this.

* Joint Advisory Committee on the Ethics of Investment (of the Methodist Church)

Reply

The Conference thanks the Leeds South and West Circuit for raising concerns with respect to Palestine at this critical time and refers the Circuit to the reply given to the Leeds North and East Circuit memorial A16.

M9 Israel and Palestine

The Leeds North and East Circuit (present 46; voting for 37, against 2, abstentions 7) believes in the equal Human Rights of all Palestinians and Israelis, supported by International Law and UN Resolutions. Given that the US & Israeli Governments' proposed 'Peace Plan' explicitly rejects this belief, now is the time for a different approach from all those campaigning for a just settlement. We therefore call on the Methodist Conference to review and reassess its approach and specifically to request JACEI (Joint Advisory Committee on Ethical Investments) to urgently consider again disinvesting in all companies that profit from activities in illegally occupied areas, as a matter of ethical and economic justice.

Reply

The Conference thanks the South Worcestershire Circuit for this memorial, welcomes the encouragement of Methodists to continue to pray and adopts the same reply as to M7.