



Position on Divestment

The United Methodist Church General Conference 2008 considered several petitions relating to divestment. All petitions calling for divestment from companies perceived as profiting from Israel's occupation of Palestinian areas were rejected by General Conference. In addition, a petition calling for divestment from Caterpillar Inc. was withdrawn prior to General Conference following constructive meetings between Caterpillar executives and the General Board of Church and Society, the petition's sponsor.

General Conference 2008 considered several petitions relating to Sudan and approved a resolution calling upon Church investors "to prayerfully consider divestment of the personal and pension assets under their control from any company doing business with the government of Sudan, and request that other investment managers such as mutual fund companies, pension plans and bank trustees do the same."

Divestment Considerations and General Board Policy

Divestment is one of the socially responsible investing tools available to the General Board of Pension and Health Benefits (General Board). In the investment of money, *The Book of Discipline* (§716) clearly authorizes all boards and agencies of the Church "to give careful consideration to shareholder advocacy, including advocacy of corporate disinvestment." The General Board uses divestment infrequently. During the 1980s, the Church struggled with the issue of apartheid in South Africa and urged United Methodist investors to consider divestment as an appropriate response. Although the Church did not officially mandate divestment, the General Board adopted a policy that called for divestment from companies refusing to sign the Sullivan Principles. The Sullivan Principles, developed by the Reverend Leon Sullivan in 1977, attempted to hold companies operating in South Africa accountable for ethical business practices. Ideally, companies adopting the Sullivan Principles would be operating in a way that did not further or support the system of apartheid.

The General Board believes that constructive engagement with companies on important social issues, not divestment, is the most powerful tool for change. Though divestment is always an option, it should be considered only after other avenues of engagement have proven to be unsuccessful. In our experience, shareholder advocacy—though it takes time—is a more effective, constructive way to influence corporate decision-making than divestment.

Shareholder Advocacy

The General Board's shareholder advocacy strategy includes:

- letter writing,
- proxy voting,
- filing shareholder resolutions, and
- corporate engagement through dialogue.

Position on Divestment

We use these advocacy tools to influence companies to adopt higher standards of corporate responsibility and to respond to issues as they arise. For example, the General Board and its faith-based investment partners successfully negotiated with Abbott Laboratories, Merck, Pfizer and GlaxoSmithKline to help make HIV/AIDS pharmaceuticals more available and affordable around the world. Likewise, the General Board helped convince Disney, McDonald's, Nike, Wal-Mart and others to adopt labor standards for manufacturing facilities located outside the United States. All advocacy actions uphold the goals outlined in the Social Principles.

Sudan

General Conference 2008 directed United Methodist investors “to prayerfully consider divestment of the personal and pension assets under their control from any company doing business with the government of Sudan.” The movement to divest from companies perceived as supporting the Sudanese government in any way has widespread national and international support. Many countries, state and local governments, universities, religious organizations and other groups have adopted specific divestment strategies. In 2007, the U.S. Congress passed, and President Bush signed into law, the Sudan Accountability and Divestment Act of 2007, encouraging states, local governments and fiduciaries to consider divestment.

For several years, this divestment movement has been guided by an organization known as the Sudan Divestment Task Force. The Task Force—a project of the Genocide Intervention Network—has developed a divestment model, similar to the General Board's, promoting “divestment from companies that are unresponsive to an expedited period of shareholder engagement.” More specifically, the Sudan Divestment Task Force targets companies that:

- have a business relationship with the government or government-created projects,
- impart minimal benefit to the country's underprivileged, and
- have demonstrated no substantial corporate governance policy regarding the Darfur situation.

Companies whose operations are not related to the support of the Sudanese government, but rather provide goods and services to ordinary Sudanese citizens, are not considered for divestment.

The General Board holds shares in two companies classified by the Task Force as a “highest offender.” In keeping with the Task Force's targeted divestment model and the General Board's own strategy of shareholder advocacy, we have attempted over the last 12 months to engage one of these companies on the important issue of human rights in Sudan. Since the company has not responded to our efforts, the General Board has decided to divest its holdings. The General Board has just begun the engagement process with the second company as it was only recently added to the “highest offender” list. The General Board will not permit any new investments to be made with companies appearing on the Sudan Divestment Task Force's “highest offender” list.

Israel-Palestine

General Conference 2008 reaffirmed Resolution 312, *Opposition to Israeli Settlements in Palestinian Land*, but it rejected all petitions calling upon United Methodist investors to divest shares held in companies allegedly profiting from the Israeli occupation of Palestinian lands. General Conference authorized the creation of a Socially Responsible Investing Task Force with specific instructions “to seriously consider global human rights needs, for example, the Middle East, Sudan and China.” Representatives from the General Board of Church and Society, the General Board of Global Ministries, the General Board of Pension and Health Benefits, The United Methodist Church Foundation and the National Association of United Methodist Foundations will participate in this Task Force, charged with reporting specific recommendations concerning investments in the Middle East, Africa and Asia to General Conference 2012.

Position on Divestment

In the interim, the General Board will continue working closely with other faith-based groups and socially responsible investors, using traditional shareholder advocacy tools to encourage corporations operating in the Middle East to influence the transformation of this troubled region through their business presence and economic resources. We continue to consider divestment as the last step to be taken in the long process of shareholder advocacy.

###

About the General Board

The General Board of Pension and Health Benefits is a not-for-profit administrative agency of The United Methodist Church, responsible for the general supervision and administration of the retirement, health and welfare benefit plans, programs and funds for more than 74,000 clergy and lay employees of the Church. The General Board is the largest faith-based pension fund in the United States and ranks among the top 100 pension funds in the country. As a socially responsible investor, the General Board is actively involved in shareholder advocacy, proxy voting, portfolio screening and community investing.