Addressing Human Rights—Israel and the Palestinian Territories

Wespath shares the desire of fellow United Methodists for a just and lasting peace in the Middle East. The issues surrounding the conflict in the region are highly complex and the barriers to peace are influenced by a long history of mistrust and violence.

In 2009, a group of Palestinian Christians called for churches to support boycott, divestment and sanctions as tools for justice and peace in Israel and the Palestinian territories. In response, some groups within The United Methodist Church have urged Wespath to divest from companies they identify as supporting the Israeli occupation of Palestinian land.

Many of these divestment calls refer to Resolution 6111, Opposition to Israeli Settlements in Palestinian Land, first adopted by UMC General Conference 2004. General Conference has not adopted a resolution calling for divestment.

Wespath’s general secretary and chief investment officer traveled to Israel and the Palestinian territories in 2012 and 2015 to meet with business, government and religious leaders in order to expand our understanding of the situation. We continue to closely follow events in the region and maintain dialogues with individuals representing a variety of viewpoints.

Wespath’s Actions

Across the investments we manage, we seek to promote and protect human rights while helping our participants and clients meet their investment goals. Our years of experience in sustainable investing demonstrate that effective strategies to reduce corporate operational risk include the protection of human rights.

Recognizing both our responsibility as fiduciaries to act in the best financial interests of our participants and clients, and the concerns of faithful United Methodists regarding human rights in Israel and the Palestinian Territories, Wespath has:

- Developed an investment guideline related to human rights, with a specific focus on high-risk operating areas
- Created new investment options responding to concerns expressed in petitions approved by a threshold number of annual conferences concerning peace in the Middle East
- Assessed companies’ human rights policies and practices and probed how those policies and practices influence company operations and decisions in the Israeli settlements.
Investment Guideline—Management of Excessive Sustainability Risk

To assist in identifying and managing environmental, social and governance (ESG)-related risks, including human rights risks, Wespath’s board of directors adopted a policy on the Management of Excessive Sustainability Risk (MESR) in 2014. It recognizes that there may be instances when a particular issue, set of companies or industries expose investors to high levels of risk. In such instances, the board may adopt an investment guideline that will apply additional limits regarding company securities eligible for purchase.

Under the policy, Wespath adopted an associated investment guideline related to human rights, with a specific focus on high-risk operating areas.

We believe that investing in the securities of a company represents excessive sustainability risk when the company derives significant revenues from countries demonstrating a prolonged and systematic pattern of human rights violations, from conflict-affected areas where significant human rights violations are widely documented and/or where breaches of international law occur. Companies with significant exposure to these high-risk areas could see their operations negatively impacted. This could adversely affect the value of the securities of companies that we hold on behalf of our participants and institutional investors.

For details on how Wespath implements the human rights guideline, click here.

Additional resources:
- Q&A regarding human rights guideline
- Q&A regarding development of MESR policy
- Full text of the Ethical Exclusions and MESR policies: Statement of Administrative Investment Policy
- Investment Exclusions webpage

Investment Options

Wespath’s ‘Social Values Choice’ suite of funds is available for investors with a heightened focus on companies’ environmental and social performance. The funds adhere to specific investment guidelines, including those responding to annual conference petitions regarding Israel and the Palestinian territories.

The Suite consists of:
- Equity Social Values Plus Fund (ESVPF)
- Social Values Choice Bond Fund (SVCBF)
- U.S. Treasury Inflation Protection Fund (USTPF)
ESVPF and SVCBF adhere to investment guidelines addressing concerns expressed in petitions approved by a threshold number of annual conferences dealing with:

- Specific companies that are the subject of annual conference petitions concerning peace in the Middle East
- Companies that derive a significant amount of revenue from the production of fossil fuels

USTPF seeks to complement SVCBF and ESVPF by helping to mitigate the effects of rising inflation.

Assessing Companies’ Human Rights Policies and Practices

**Caterpillar**—Wespath has engaged Caterpillar on human rights issues for a number of years. Our engagement activities have been increasingly productive and include the following:

- Discussions leading to the publication of Caterpillar’s first corporate sustainability report. This type of report discloses corporate policies and performance on environmental, social, and corporate governance (ESG) issues. Increasingly, investors view these issues as essential to making informed investment decisions. Caterpillar included “sustainability” as one of its five core values and appointed its first Global Director of Sustainable Development to lead its activities. Caterpillar has made notable improvements to its corporate governance policies and environmental performance.
- Successfully persuading the company to issue a statement on the responsible use of Caterpillar products.
- Encouraging the company to amend and strengthen its human rights policy. In 2015, in alignment with the *U.N. Guiding Principles on Business and Human Rights*, the company expanded its human rights policy, provided more detailed reporting on the implementation of the policy to its Board and conducted a human rights impact assessment across its entire value chain, including its suppliers and dealers. Read more in our 2015-2016 Sustainable Investment Report.

**Hewlett Packard (HP)**—Wespath contacted HP in 2008 concerning the company’s human rights policies and practices in the Middle East. HP held a follow-up meeting to report it was conducting a global human rights impact assessment of its operations. Wespath led an investor dialogue with the company in 2011 to discuss the results of the assessment. During the meeting, investors offered specific examples of how the company’s products and operations have human rights implications in the Middle East, and urged the company to examine the extent to which its divisions are complying with the company’s human rights policy. The discussions continued with a follow-up meeting in 2013. In 2015, HP underwent a corporate restructuring resulting in the creation of HP Inc., Hewlett-Packard Enterprises, Micro Focus and DXC Technology.

**Microsoft**—Wespath participated in multiple dialogues with Microsoft to discuss how the company applies its human rights policy in areas of conflict, specifically in the Middle East. Microsoft has incorporated the *U.N. Guiding Principles on Business and Human Rights* into its policies and launched
the Technology and Human Rights Center to “examine the social and cultural implications of information and communication technology on human rights, humanitarian action and social change.”

**Positive Impact Investments in the Palestinian Territories**

In addition to our engagement activities, Wespath continues to seek positive impact investment opportunities in the Palestinian Territories.

**Additional Resource**

[Addressing Human Rights—Israel and the Palestinian Territories](#)