Appendices

Presbyterian Church (USA)

July 2017

PRESBYTERIAN CHURCH (USA)
2017 General Assembly Divestment List

Adopted October 3, 2016
Effective January 1, 2017
Committee on Mission Responsibility Through Investment (MRTI)
Compassion, Peace and Justice Ministries
Presbyterian Mission Agency

The General Assembly of the Presbyterian Church (USA) urges divestment and/or proscription of some corporations due to their involvement in military-related production (MR), tobacco (TO), human rights violations (HR), and operating for-profit prisons (FPP). The following is a comprehensive list of corporations or securities affected by those General Assembly policies:

1	Alliance One International - AOI	(TO)
2	Altria Group (Philip Morris) - MO	(TO)
3	Aryt Industries - ARYT (TLV)	(MR)
4	BAE Systems PLC - BAESY (ADR)	(MR)
5	Babcock International Group- BAB (London)	(MR)
6	Boeing Company – BA	(MR)
7	British American Tobacco Industries - BTI (ADR)	(TO)
8	CACI International- CAI	(MR)
9	Caterpillar - CAT	(HR)
10	Chemring Group, PLC - CHG (London)	(MR)
11	Cobham - COB (London)	(MR)
12	Corrections Corporation of America - CCA	(FPP)
13	Cubic Corporation - CUB	(MR)
14	Elbit Systems - ESLT	(MR)
15	Leonardo-Finmeccanica SPA - FNC (BIT)	(MR)
16	General Dynamics – GD	(MR)
17	GEO Group – GEO	(FPP)
18	G4S PLC - GFS	(FPP)
19	Hanwah Techwin Company - Korea:00880	(MR)
20	Harris Corp (acquired ITT Exelis Corp)	(MR)
21	Hewlett Packard - HPQ	(HR)
22	Huntington Ingalls Industries - HII	(MR)
23	Imperial Brands PLC -ITY (NYSE ADR)	(TO)
24	Japan Tobacco - Tokyo Exchange	(TO)
25	Korean Aerospace Industries - Korea: 047810	(MR)
26	K.T.& G. Corporation - “033780”	(TO)
27	L-3 Communications - LLL	(MR)
28	Leidos (formerly SAIC) - LDOS	(MR)
29	Lockheed Martin - LMT	(MR)
30	Man Tech International - MANT	(MR)

31	Motorola Solutions - MSI	(HR)
32	Norinco International Corporation- 000065Shenzhen	(MR)
33	Northrop Grumman - NOC	(MR)
34	Orbital ATK - OA	(MR)
35	Philip Morris International Group - PMI	(TO)
36	Poongsan - Korea:103140	(MR)
37	Qinetiq Group PLC - LSE:QQ	(MR)
38	Raytheon - RTN	(MR)
39	Reynolds American Inc. - RAI	(TO)
40	Rockwell Collins - COL	(MR)
41	Saab - Saab B (OMX)	(MR)
42	SAIC - SAIC	(MR)
43	Serco Group - SRP	(FPP)
44	Singapore Technologies Engineering - SGX:S63	(MR)
45	Swedish Match - SWMA (STO)	(TO)
46	Textron - TXT	(MR)
47	Thales - HO Paris	(MR)
48	Ultra Electronics Holding - ULE (London)	(MR)
49	Universal Corp. - UVV	(TO)
50	Vishay Technology - VSH	(MR)

Military-Related Investment Policy

The General Assembly military-related divestment policy was first adopted in 1982, and has been revised three times since then. The most recent revision was made by the 1998 General Assembly. This policy is an outgrowth of the General Assembly's adoption of *Peacemaking: A Believer's Calling* which asked the entire church to review its witness and seek additional ways to promote peacemaking. MRTI conducted a review of its engagements with military-related companies, and developed guidelines consistent with the historic concerns of the General Assembly. These included concern about the overall spending on the military, over-dependence on military contracts by a company, and weapons that do not distinguish between combatants and non-combatants. Later amendments stemmed from General Assembly actions on foreign military sales and land mines. The General Assembly's guidelines which identify affected companies are:

1) Corporations that are among the five leading military contractors (measured as dollar volume of military contracts in the most recent year) until such time as the United States is no longer among the top ten nations ranked according to per capita military expenditures.

2) Corporations that are among the 100 leading military contractors and in addition are dependent on military contracts (domestic and/or foreign) for more than 50 percent of their sales (measured as the average ratio of military contracts to sales in the most recent three-year period). Insofar as sales to the military can be shown by the corporation to be merely general supplies readily available to civilians, rather than weapons production, such general supplies sales shall be excluded from the percentage of sales to the military for purposes of these criteria.

3) Corporations that are among the top five firms engaged in foreign military sales during the most recent fiscal year for which statistics are available.

4) Corporations that produce weapons whose use can lead to mass or indiscriminate injury and/or death to civilians. Such products would include the key components of nuclear warheads, chemical and biological weapons, anti-personnel weapons such as landmines, and "assault-type" automatic and semi-automatic weapons, rifles, shotguns, handguns and ammunition sold to the civilian market for purposes counter to General Assembly policy.

a) key components of nuclear warheads

b) chemical and biological weapons

c) *anti-personnel weapons such as landmines and cluster munitions* (New policy states that "companies which manufacture components used in landmines will be affected by the criteria unless they have adopted a policy prohibiting such work and are making an active effort to knowingly sell any of their products that are intended for use in anti-personnel landmines.")

d) "assault-type" automatic and semi-automatic weapons

Note: The current "assault weapons" ban has been lifted by Congress. MRTI is now researching any publicly-traded companies affected by the criteria.

Tobacco Policy

The General Assembly's policy on tobacco-related investments recommends divestment and/or proscription of the top ten tobacco companies according to revenues averaged over two years.

The Board of Pensions and the Presbyterian Church (U.S.A.) Foundation/New Covenant Funds proscribe investments in all tobacco companies.

Reynolds American is the holding company for R.J. Reynolds Tobacco following its merger with the U.S. operations of British American Tobacco (known as Brown & Williamson Tobacco).

In February 2016 Imperial Tobacco changed its name to Imperial Brands.

Imperial Tobacco acquired Altadis in early 2008.
In March 2008 Altria completed a spinoff of its non-U.S. operations into Philip Morris International. In January 2009 Altria acquired UST Inc. The revenues for Altria exclude those for wine.

In May 2005 DIMON Inc. and Standard Commercial Corp. merged to form Alliance One International.

Alcohol and Gambling

The General Assembly has never adopted a formal policy regarding investments in companies producing alcoholic beverages or engaged in gambling. However, the Board of Pensions and the Presbyterian Church (U.S.A.) Foundation/New Covenant Funds have comprehensive policies proscribing investments in all such companies. These policies apply to both domestic and international companies.

Human Rights

As human rights issues arise, as in the case of apartheid in South Africa, the military violence against civilians in Sudan, or human rights violations that obstruct a just peace in Israel-Palestine, the General Assembly may place a company on the divestment and/or proscription list. Currently, three companies are on the list as a result of General Assembly action.

The 2014 General Assembly added Caterpillar, Hewlett Packard and Motorola Solutions to its divestment and/or proscription list due to concerns about continuing involvement in human rights violations in the Occupied Palestinian Territories such as the illegal military occupation including checkpoints, the illegal Israeli settlements and restricted roads being built in the West Bank and East Jerusalem, destruction of Palestinian homes and agricultural lands, and construction of the separation barrier in so far as it extends beyond the 1967 “Green Line” boundary. The General Assembly has identified such activities as non-peaceful roadblocks to a just peace based on a two-state solution, and called upon all corporations to confine their business operations solely to peaceful pursuits.

MRTI continues to engage corporations on human rights issues, both on the policy and the operational levels. This includes companies involved in Western Sahara.

Publicly-Traded For-Profit Prison Companies

As the 2003 General Assembly adopted a policy calling for the abolition of for-profit prisons, jails and detention centers, the 2014 General Assembly approved a recommendation that publicly-traded companies operating such institutions would be added to the divestment and/or proscription list. Currently, Corrections Corporation of America, G4S, GEO Group, and Serco Group are added to the list according to this policy.

Additional Information

COMPREHENSIVE SCREENING: The Board of Pensions and the Presbyterian Foundation/New Covenant Funds screen a total of 361 companies that include all tobacco companies as well as those engaged in the production of alcohol and gambling.

For more information about these policies, and other MRTI activities including, proxy voting recommendations, dialogues with corporations and sample socially responsible investment policies for congregations and other PCUSA entities, please contact Rob Fohr, Coordinator for Mission Responsibility Through Investment, at 888-728-7228, ext. 5035. E-mail is Rob.Fohr@pcusa.org.

CORPORATE SOCIAL RESPONSIBILITY
- Investment Policy Guidelines –

The following guidelines were adopted by the 183rd General Assembly, UPCUSA (1971), and are provided for your information. Affirming the concept of using investments as tools for mission, these guidelines provide handles for the practical implementation of the concept. A committee of the General Assembly Mission Council, the Committee on Mission Responsibility Through Investment is charged with the responsibility of implementing these guidelines:

I. The 183rd General Assembly (1971) of the United Presbyterian Church, U.S.A. affirms that church investment is an instrument of mission and includes theological, social and ethical considerations.

A. The church appropriately has received and invested funds in support of its continuing mission.

B. Like its other functions investment must also be a part of the church's mission. Church investment policy involves not only sound economic but also theological considerations. Its central goal should match effective investment management with imaginative and efficient allocation of resources to programs that contribute positively to a Christian concept of humanity's spiritual and material well-being.

C. The mandate is consistent with the developing view that the private sector, corporately and individually, can no longer settle for immediate maximization of economic return, leaving to the public sector alone a concern for the public interest.

D. It is appropriate that the church's own determination of how social problems should be resolved should guide institutions within the church in reviewing their investment policies. The primary reference points in making these determinations should be the social and ethical teachings of the General Assembly and the Confession of 1967 as they focus on peace, racial justice, economic and social justice, and protection of the environment.

E. The church's investment decisions, as they seek to make investment an instrument of mission, should be part of a comprehensive rather than a fragmentary policy.

F. Individual Christians investing in corporate enterprises also have the responsibility to consider their own investment portfolios in the light of their Christian commitment and witness.

G. Many Christians in positions of corporate responsibility need and deserve support and encouragement in fulfilling their Christian witness through their vocation.

II. The 183rd General Assembly (1971) of the United Presbyterian Church, U.S.A. affirms ethical criteria and guidelines for church investors in pursuit of peace, racial justice, economic and social justice, and in the establishment of environmental responsibility.

"In each time and place there are particular problems and crises through which God calls the church to act. The church, guided by the Spirit, humbled by its own complicity and instructed by all attainable knowledge, seeks to discern the will of God and learn how to obey in these concrete situations." (Confession of 1967, 9.43.)

A. The Pursuit of Peace

"God's reconciliation in Jesus Christ is the ground of the peace, justice and freedom among nations which all powers of government are called to serve and defend. The church, in its own life, is called to practice the forgiveness of enemies and to commend to the nations as practical policies the search for cooperation and peace. This search requires that the nations pursue fresh and responsible relations across every line of conflict, even at risk to national security to reduce areas of strife and to broaden international understanding. Reconciliation among nations becomes peculiarly urgent as countries develop nuclear, chemical and biological weapons, diverting their manpower and resources from constructive uses and risking the annihilation of mankind." (Confession of 1967, 9.45.)

The Confession of 1967 and General Assembly teachings on peace lead to the following guidelines for church investors:

1. They should look for ways to foster in the economy generally and in individual companies a reduction from the present level of war production and an increase in the manufacture of urgently needed non-military goods.

2. They should be especially critical of enterprises that use the political process to support increased military spending.

3. They should seek ways of persuading private enterprise to curtail production of weaponry whose use does not permit a distinction between civilian and combatant.

B. The Pursuit of Racial Justice

"God has created the peoples of the earth to be one universal family. In his reconciling love he overcomes the barriers between brothers and breaks down every form of discrimination based on racial or ethnic difference, real or imaginary. The church is called to bring all men to receive and uphold one another as persons in all relationships of life: in employment, housing, education, leisure, marriage, family, church and the exercise of political rights. Therefore the church labors for the abolition of all racial discrimination and ministers to those injured by it. Congregations, individuals or groups of Christians who exclude, dominate or patronize their fellowmen, however subtly, resist the Spirit of God and bring contempt on the faith which they profess." (Confession of 1967, 9.44.)

The Confession of 1967 and General Assembly teachings on racial justice lead to the following guidelines for church investors:

1. They should continue to seek investment in enterprises fostering the economic development of minority people in this and all nations.

2. They should give special consideration and attention to investing in enterprises that directly attack the conditions that cause and sustain racial inequality and racism.

3. They should seek to promote in all enterprises in which they hold investments the eradication of corporate practices that consciously or unconsciously result in racial inequities, as well as (to promote) policies and practices that aid the self-development of minority groups and alleviate the conditions that have resulted in racism.

4. They should give special attention to the international operations of enterprises in which they invest to determine that their foreign practices meet the foregoing standards, and that the operations of those companies do not intentionally or inadvertently support racially repressive or exclusionary regimes.

C. The Pursuit of Economic and Social Justice

“The reconciliation of man through Jesus Christ makes it plain that enslaving poverty in a world of abundance is an intolerable violation of God’s good creation. Because Jesus identified himself with the needy and exploited, the cause of the world’s poor is the cause of his disciples. The church cannot condone poverty, whether it is the product of unjust social structures, exploitation of the defenseless, lack of natural resources, absence of technological understanding or rapid expansion of populations. The church calls every man to use his abilities, his possessions, and the fruits of technology as gifts entrusted to him by God for the maintenance of his family and the advancement of the common welfare. It encourages those forces in human society that raise men’s hopes for better conditions and provides them with opportunity for a decent living. A church that is indifferent to poverty or evades responsibility in economic affairs, or is open to one social class only, or expects gratitude for its beneficence makes a mockery of reconciliation and offers no acceptable worship to God.” (Confession of 1967, 9.46.)

The Confession of 1967 and General Assembly teachings on economic and social justice lead to the following guidelines;

1. They should continue to seek investment opportunities that will actually foster the economic development of the poor, not only in the United States but in other parts of the world.

2. They should constantly try to shape the decisions of enterprises in which they invest; to promote high quality, property represented commodities and services; to provide decent working conditions, wages, and other provisions conductive to the dignity and well-being of employees; to have positive and nonexploitive effects upon the communities or nations in which they locate; to develop employment policies and practices that do not discriminate on the basis of race, sex, religion or class; and to support the development and assistance of economic and social endeavors of indigent peoples at home and abroad.

3. They should be aware of an attempt to affect the patterns or corporate lobbying, philanthropy, and other policies so as to bring them into accord with the church’s understanding of economic and social justice.

4. They should, as they review the international policies and actions of enterprises in which they invest, consider the effects of those policies or actions on patterns of human rights in host countries and they should attempt to influence

corporate managements to change policies or actions which continue patterns which in the Church's view, tend to violate the human rights of citizens of said host countries.

D. The Achievement of Environmental Responsibility

"God has endowed man with capacities to make the world serve his needs and to enjoy its good things. Life is a gift to be received with gratitude and task to be pursued with courage. Man is free to seek his life within the purpose of God; to develop and protect the resources of nature for the common welfare…

"God's redeeming work in Jesus Christ embraces the whole of man's life…It includes man's natural environment as exploited and despoiled by sin. It is the will of God that his purpose for human life shall be fulfilled under the rule of Christ and all evil be banished from his creation." (Confession of 1967, 9.17-9.53.)

The Confession of 1967 and General Assembly teaching on the environment lead to the following guidelines for church investors.

1. They should take advance of investment opportunities in enterprises making an effective effort to develop products that reduce environmental effects of their production methods or products.

2. They should attempt to help reshape corporate decision-making where:

    (a) enterprises persist in violating existing pollution laws and are not being prosecuted by government authorities;

    (b) enterprises manufacture products or exploit natural resources without demonstrating ecological safety; or

    (c) enterprises frustrate the public welfare through their influence on environmental legislation.

III. Inasmuch as the Confession of 1967 did not address itself to the issue of the comprehensive rights and responsibilities of women in church and society, and the Guidelines for Church Investors have been based to a large extent on the Confession of 1967; and

Inasmuch as the actions of the General Assemblies of 1969, 1970, 1971, 1972 and 1973 call the church to recognition and support of the aspirations of women, and the 182nd General Assembly (1970) took particular action reaffirming as a policy that enterprises in which it invests shall not discriminate against women:

> The General Assembly Mission Council recommends that the 186th General Assembly (1974) add to the Investment Policy Guidelines adopted by the 183rd General Assembly (1971) the following:
>
> 1. They should seek investment opportunities in enterprises that encourage the full development of all persons, male and female.
> 2. They should exercise responsible stockholder obligations by raising questions in appropriate forums as to de facto and actual practices in recruitment, interviewing, employment conditions, employee benefits, training programs, promotion plans and targets and all other relevant policies with respect to women.
> 3. They should support and participate in serious affirmative action programs.
> 4. They should develop procedures for evaluating company policy with respect to the representation of women on the Board of Directors and in management personnel; and also company advertising new product development procedures, public relations activities, community involvement and charity contributions as they may make an impact on or show stereotyping and demeaning attitudes toward women.
> 5. They should seek information about international aspects of multinational entities which exploit the cultural bias as to role of women.

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The Corporate Witness of the General Assembly
Presbyterian Church in the United States 1976

The corporate witness of the General Assembly takes the form of statements addressed to the church as an aid to conscience, moral appeals addressed to the government or general public, and/or policy and program directives addressed to its own agencies. The statements of the General Assembly are in no way binding upon the conscience of an individual or other church court but are a declaration of what the General Assembly understands, under the guidance of the Holy Spirit, the will of God to be. As such, the corporate witness of the General Assembly invites serious and prayerful consideration by the members of the Presbyterian Church, U.S.

SOCIAL RESPONSIBILITY AND INVESTMENTS

The 116th General Assembly reviewed and approved the following Investment Policy and Guidelines of the General Assembly Mission Board which were adopted by the Mission Board on March 20, 1976.

INTRODUCTION

From time to time the General Assembly Mission Board of the Presbyterian Church in the United States has received and accepted contributions, bequests and extraordinary gifts from a variety of sources and for a variety of purposes. During the time that such monies and wealth are held by the General Assembly Mission Board, some policy must guide the investment decisions that are made. This statement of Investment Policy and Guidelines is intended to provide such a policy with respect to the investments made from time to time by the Mission Board.

BIBLICAL, THEOLOGICAL AND HISTORICAL PERSPECTIVES

The 106th General Assembly of the Presbyterian Church, U.S. said: “The Christian Church and Christian individuals have one major task in the world: to bear witness to all men in word and act to the judgement, grace and command of God as he is known in the Scriptures of the Old and New Testaments. That is, the Christian community as a whole and its individual members are called first of all and primarily to the task of evangelism and missions. But this commission inevitably and inescapably means that the church and individual Christians will be concerned with the political, social, economic and cultural life of the world ... Moreover, if the Great Commission is not simply an unfortunate necessity but a great privilege, then our responsibility to bear witness in word and action to this God in a social context is not a task we grudgingly and unwillingly *must* accept, but one we are *privileged* to accept, thankfully and joyfully.” Thus, the Mission Board addresses the issue of both its fiduciary and its corporate witness responsibilities regarding money entrusted to it, by recognizing that this matter of evangelism and missions.

Biblical faith has affirmed that the God .whom we serve and to whom we are called to bear witness Is the Creator of heaven and earth, who willed and affirmed both our souls and our bodies, our spiritual and our physical welfare, and who, in Jesus Christ, put his stamp of approval on the earthy and physical by becoming flesh and dwelling among us. Moreover, the God revealed in the scriptures is One who showed special concern for those who most need help, particularly the poor, the hungry, and those who are victims of injustice. ‘Because the poor are despoiled, because the needy groan, I will now arise, says the Lord, ‘I will place him in the safety for which he longs’ (Psalm 12:5). “The meek shall obtain fresh joy in the Lord and the poor among men shall exult In the Holy One of Israel” (Isaiah 29:19). “For Thou hast been a stronghold to the poor, a stronghold to the needy in distress” (Isaiah 25:4). God will not forget or forsake the poor or the needy Ps. 9:12,17-18,10:12; Isaiah 41:17; he demands economic justice for the poor, the exploited, the defenseless, the weak, the alien (Isaiah 1: 10.17; Jeremiah 6:13-21; 7:1-27; Amos 5:21.27).

At the same time, Biblical faith has refused to affirm that wealth is *per se* evil. It has affirmed that “the earth is the Lord’s and the fullness thereof, the world and those who dwell therein” (Psalm 24:1). There is in Biblical faith no absolute human right of ownership of anything. We are stewards, not owners, of property and wealth given by God, who is its rightful owner. The parable of the talents (Matthew 25:13-30) with its concern for the adequate stewardship of resources given, must be set alongside the commission of Jesus to his disciples “to take nothing for the journey, neither stick nor pack, neither bread nor money” (Luke 9:1-3) as they go out to proclaim the Kingdom of God and to heal. Not only Jesus’ admonitions regarding the amassing of wealth (and his call to his flock to sell their possessions and give in charity, providing for themselves purses that do not wear out, and never failing charity in heaven) must be considered (Luke 12:13-34), but also his admonitions regarding the trusty and sensible man whom the master appoints as steward (Luke 12:41f), and his charge to “use your worldly wealth to win friends for yourselves, so that when money is a thing of the past, you may be received into your eternal home (Luke 6:9). Jesus not only said: “You cannot. serve God and Money” (Luke 16:13); he also said: “If you then have not proved trustworthy with the wealth of this world, who will trust you with the wealth that is real? And if you have proved untrustworthy with what belongs to another, who will give you what is your own.” (Luke 16:10-11) All these latter admonitions occur in that same chapter of the Gospel which speaks of a rich man, who dressed in purple and the finest linen, and feasted in magnificence every day, and of a poor man named Lazarus, who would have been glad to satisfy his hunger with the scraps from the rich man’s table” (Luke 16:19.31).

Our Calvinistic tradition has wrestled all through the years with the tension between the Biblical concern for stewardship of wealth, on the one hand, and its concern for just human economic relations and an equitable distribution of the wealth of the earth according to the purposes of God, it is also with our money, our tradition has said, that Christians render to God a worship in spirit and in truth. Indeed by our offering, we “certify to God that Mammon has been dethroned.” By our concrete gifts we confess that the Lord is really the acknowledged Master of our entire life—moral, physical and material. “The Christian community must certify by an explicit public act that for the church, money has been exorcised by the eternal Christ, that money has been stripped of its evil spiritual power and has recovered its true function as servant” *(The Social Humanism of Calvin,* by Andre Bieler, p. 36-37). “In the new society which Christ’s church forms, individual property is not abolished. This property, however, is put at the disposal and service of all” *(Ibid).*

Thus, our whole tradition, biblical and Reformed, takes seriously both “our *fiduciary responsibility* for funds entrusted to our care, and our *social* responsibility for Christian witness with said funds” (General Executive Board, April, 1973).

Contemporary Theological and ethical reflection has given particular attention to the Christian doctrine of “man”, particularly as it relates to those who control Investments in both church and society. No theological or historical perspective can ignore what one of our own historical theologians has called "the temptation of ideological self -interest on the part of the managers of money, particularly money that is given by other people." We live in an economic order which is peculiarly vulnerable to permitting individuals and corporations with great power and wealth to overlook the common good, and ignore the demands of human solidarity. Economic "principles" and "laws" can and often do disguise the pursuit of self-interests and class interests to the detriment of the good of the whole and a just international economic order. The managers of church investments are also vulnerable to the temptation to use them to further their own particular ideological interests in society. Reinhold Niebuhr once said that self-sacrifice cannot become public policy, for when it does it becomes the sacrifice of other people's money, or time. One can only sacrifice one's own money. Managers of church investments are not only managing their own contributions but the contributions of others. This points to both a high fiduciary responsibility and social responsibility in order to attempt to assure that the institutions in which money is invested are not engaged in purposes and actions which work against what our church discerns to be the will and purposes of God in the world.

The conventional expectation for church investments has been that they provide a sufficient profit to support programs and commitments designed to help people and witness to the Gospel. However, the church must be concerned to see that it does not by its investments, support uncritically, or without attempting to change them, institutions whose processes and products hurt more people than the church is able to help through programs supported by money earned from those investments. The Mission Board cannot simply isolate a program planned to help people from the supposedly neutral investment program earning maximum yield to support that program. The approach which the Board takes to investment and the approach which the Board takes to program are interrelated. The human help or hurt, the witness accomplished through investment, is part of what Presbyterians get for their money.

This is no new concept. For some time various denominations, including agencies of the Presbyterian Church, U.S., have refrained from making investments in companies whose business is predominately centered in the whiskey or tobacco industries. This decision has not been made because those industries have in the past exhibited poor investment potential. Whatever may have been the reasons, church investors have felt that church members would not wish their money invested to help in the production of those products. There are, no doubt, other industries and investment possibilities that church investors have avoided with similar consistency.

It is therefore appropriate that the Mission Board examine its investment policy both from the standpoint of its social responsibility for Christian Witness *and* from the standpoint of financial and fiduciary considerations. Such examination should be made in view of the confession of faith of the Presbyterian Church, U.S. and the witness of the General Assemblies of our church in matters of public affairs, as well as in view of the concern to preserve the integrity and real value of investment funds measured in terms of their continuing, contemporary purchasing power.

With regard to the witness of the General Assemblies in matters of public affairs, the 114th General Assembly adopted the following statement of clarification: "When the General Assembly makes its witness on public affairs by social and theological affirmations, Its statements shall be considered the public policy positions of the General Assembly to be implemented by its boards, councils or other agencies subject to General Assembly review and direction annually through the reports of those boards, councils and agencies. Such corporate witness shall stand unless and until changed by a succeeding General Assembly" (Minutes, 1, 185).

In such an endeavor, there will inevitably be marginal judgements and the need for balancing various considerations. There will be, no doubt, investment opportunities and decisions in which the concerns for the integrity of Christian witness and the concerns for the value and rate of return in investments will seem completely compatible. There will be other occasions in which those concerns will seem to be so in opposition to one another as to indicate no compatibility at all. Many, perhaps most, decisions will need to be made in full recognition of limited clarity about the best course of action. But the joy of Christian liberty is that as we struggle to do the right, attempting to be as wise as possible, we are judged not so much for "being right," as for attempting to "be faithful" to the Word of God in Jesus Christ. Thus in our investment policy we look forward not to easy decisions about which we shall have no differences of opinion and judgement, but to hard decisions where we must search for fidelity both to our responsibility for Christian witness and to good stewardship of money entrusted to our use and care.

Note: A technical section regarding definition of kinds of funds and the composition of the Investment Committee is omitted here.

INVESTMENT GUIDELINES

Listed below are investment guidelines to be taken into account in managing investment funds, except to the extent they conflict with express limitations existing with respect to restricted investments. Ideally, each investment will satisfy all guidelines; at the opposite extreme is an investment which satisfies only one of the guidelines. To the extent that some guidelines are not satisfied with respect to any investment, the Investment Committee shall constantly review the investment with a view towards satisfying additional guidelines and shall increase its attention to those items of investor actions set forth in the following section that could lead to an increase in the number of guidelines satisfied by the investment. The investment guidelines are set forth below.

DEPOSITORY POLICY

Those monies available from time to time to the General Assembly Mission Board which are not invested will be deposited in banks and other depositories which are insured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation or other similar Federal deposit insurance instrumentality, and which have satisfactorily demonstrated banking and lending policies and practices that encourage and foster minority economic development, including those banks and depositories which are predominately owned by minorities.

INVESTMENT PRODUCTIVITY

This consideration seeks to preserve the integrity or real value of investment funds as measured in terms of their continuing, contemporary purchasing power. Ideally, this consideration should not outweigh the social factor criteria set forth below, in influencing the investment decisions. Specific objectives of this consideration include:

(a) Preserving the principal value of the investment funds;

(b) Providing a reasonable rate of return without distinction between capital appreciation and current income;

(c) Utilization of fixed income type and equity type investments, in ratios varying from time to time to reflect changes in the general economic outlook and the levels of securities prices;

(d) Appropriate awareness of investment diversification among types of Investments, and, with respect to marketable securities, among industries and among companies within industries; and

(e) Generally sound and progressive management policies and practices.

SOCIAL FACTOR CRITERIA

This consideration seeks to give effect to the commitment of the Presbyterian Church in the United States to social concerns in the world. Ideally, this consideration should not outweigh the investment productivity consideration in influencing the investment decisions. Specific considerations may gradually shift from time to time at the discretion of the Mission Board, but include at the present time such considerations as the following:

(a) Recognition of human worth and dignity in employment policies and practices;

(b) Implementation of non-discriminatory employment and purchasing practices;

(c) Honest and fair practices in the production and marketing of goods and services;

(d) Stewardship of natural resources and the environment;

(e) Contributions toward peace and humanitarian concerns rather than excessive reliance on military solutions to human, social or economic problems at home and abroad;

(f) Contributions toward resolution of the problems of world hunger, and furthering the cause of international justice and development.

INVESTOR ACTIONS

The Investment Committee shall consider taking appropriate investor action with respect to the investments. These actions are motivated by a concern for both an expression of the Church's understanding of its faith and its fiduciary responsibility.

In taking investment productivity criteria into account in formulating its investment policy and action, the Investment Committee will have as its major concern those factors indicated previously which seek to preserve and increase the integrity or real value of investment funds as measured in terms of their continuing contemporary purchasing power (i.e., preserving the principal value of investment funds, providing a reasonable rate of return, varying types of investments to reflect changes in the general economic outlook and levels of securities and other investment prices, need for diversification, and generally sound and progressive management policies and prices).

In taking social criteria into account in formulating its investment policy, and action, the Investment Committee may decide to support management policies that promote the social good. On the other hand, there may be situations where the Committee decides to oppose management. The decision whether to make an investment (initial selection) or to sell an investment which is presently held (divestment) is not the only decision available to the Committee as an investor action, nor is it necessarily the "right" choice to make. Attempts to build a "clean portfolio" (of only "good companies") may be highly impractical. Moreover, this type of action, while perhaps appearing to cleanse the portfolio, may limit the possibilities for the church to correct social injury which it may be able to do by retaining the investment but taking other investor actions available to it.

Notwithstanding the foregoing, divestment of individual stocks may be a legitimate strategy. If some specific policies of a company run counter to this Investment Policy and Guidelines, selling the stock of that company may be an act of witness. Alternatively, it may be decided to sell a stock after exhausting all possibilities of changing company policy through other investor actions. In either case, the sale of stock will be primarily a symbolic act.

In light of the foregoing, the investor actions available to the Investment Committee include the following:

(a) Actions available to the Investment Committee itself:

(1) Investing or declining to invest (initial selection);
(2) Divesting (sale of presently-held investment);
(3) Posing questions to management or urging management to change its policies in certain respects;
(4) Withholding proxies from management or abstaining on resolutions proposed by other shareholders, where the proposed action would violate this Investment Policy and Guidelines;
(5) Voting in opposition to management and to such resolutions as described in (4) above;
(6) Voting to unseat management in favor of opposition slates proposed by other shareholders;

(b) Actions which must have prior approval of the General Assembly Mission Board:

(1) Undertaking to propose resolutions or slates in opposition to management to implement this Investment Policy and Guidelines and soliciting proxies from other shareholders in support thereof;
(2) Joining other shareholders who are bringing litigation through derivative suits or otherwise, to enjoin corporate conduct, or initiating such litigation and soliciting proxies from other shareholders in support thereof.

from "Investment Policy and Guidelines" adopted by the 116th General Assembly (Technical section):

Definitions

The General Executive Board of the Presbyterian Church in the United States has assets (funds) acquired in a variety of ways and for a variety of purposes, rendering definitions difficult. Nevertheless, it is helpful in applying investment policies and guidelines to have some general understanding of the major categories of funds for which the General Executive Board is responsible. The following definitions have been adopted to describe the major categories of funds for which the General Executive Board has investment responsibilities to he discharged in accordance with the provisions of this statement of Investment Policy and Guidelines.

Operating Funds

In managing the cash flow of the General Executive Board, current operating funds flow through the several accounts on a more or less current basis, with opportunity for investment generally limited to the purchase of short-term securities such as treasury bills, commercial paper. etc. Where operating funds are not otherwise invested in short term securities, they will be deposited in depositories in accord with this Investment Policy and Guidelines; and where such funds are invested in short-term securities, they will be subject to the application of this Investment Policy and Guidelines.

Investment Funds

All other assets (funds) under the jurisdiction of the General Executive Board are classified as investment funds. These funds may be subject to investment for long periods of time or for short periods of time, according to the purposes for which they have been received; but in any case, they will he invested under the provisions of this Investment Policy and Guidelines. Investment funds may be restricted or unrestricted as to the investment that may be made of them, according to the following distinctions.

(a) *Restricted Investments,* This term includes funds accepted by the General Executive Board subject to an express limitation imposed by law on the right of the General Executive Board to exercise freedom of choice as to the investment of such funds. As a result of such express limitations, the Church either has no right to alter the form of investment from that in which it was received and accepted. Such funds include funds which by nature have their investment options specifically regulated by law, e.g., conditional gifts, funds paid pursuant to an order of a court to an organization as a trustee or in some other fiduciary capacity, and funds received from a donor who has provided express limitations upon the choice of the medium of investment. Restricted investments are subject to this Investment Policy and Guidelines to the extent it does not violate the limitations.

(b} *Unrestricted Investments.* This term includes all other investment funds, as to which the General Executive Board has the right to choose the medium in which such funds will be invested. The income from such funds, or the ultimate use to which such funds are to be put (as distinguished from the medium of investment while the funds are held), may he either designated for specific purposes or undesignated. Accordingly, unrestricted investments are further classified as designated or undesignated, according to whether there exists a legal designation as to the ultimate use of the funds themselves, or as to the use of the income from the funds. Designated funds may not be diverted to benevolences, subsidies, donations, grants or for purposes other than those specified; however, these designated funds must nevertheless be invested from time to time and are therefore subject to this Investment Policy and Guidelines. Undesignated funds may be used or consumed for whatever purposes the General Executive Board determines consistent with its purposes. and are also subject to this investment Policy and Guidelines during whatever period of time they may be invested.

Program Monies

This term is descriptive of assets (funds) which the General Executive Board from time to time disburses in the discharge of its programmatic responsibilities. Although such funds are subject to this Investment Policy and Guidelines prior to being dispensed for programmatic activities once so disbursed such program monies are no longer subject to this Investment Policy and Guidelines.

Investment Committee

The General Executive Board will establish and maintain an Investment Committee consisting of nine members all of whom are to be appointed by the General Executive Board to serve for three-year terms (except that in the case of the initial members, three shall serve one year terms, three shall serve two year terms, and three shall serve three year terms, so that one-third of the members of the Investment Committee shall he appointed each year). At least two members to he appointed each year shall be members of the General Executive Board: and the General Executive Board shall name one of its members as the Chairperson of the Investment Committee. The Nominating Committee of the Board, at the first meeting of the Board each year, shall present nominees for each class as follows: 1 One member to be a General Executive Board member nominated by the Division of Central Support Services; 2 One member to be a General Executive Board member nominated by the Division of Corporate and Social Mission; 3 One member to be a person nominated by the Nominating Committee after consultation with the Division of Central Support Services and the Division of Corporate and Social Mission. In the event of a vacancy in any class, the unexpired term shall he filled by the same process which resulted in the election of the person to he replaced. Resignation from the General Executive Board shall also entail resignation from the Investment Committee, but completion of a term on the General Executive Board shall not cause a vacancy to occur where a person appointed while a member of the General Executive Board is in the last year of a term on the Investment Committee. Members completing terms on the Investment Committee may be reappointed by the General Executive Board. All members of the Investment Committee shall he communing members in good standing in the Presbyterian Church in the United States. The General Executive Board shall from time to time establish qualifications in addition to those given above for the members of the Investment Committee; and necessary procedures for the Investment Committee to carry out and perform its functions. The Investment Committee may create from its membership such sub-committees as it may determine to be necessary or desirable.

The investment Committee shall select from time to time its investment counsel, and subject to budget approval from the General Executive Board. may engage necessary staff persons or other consultants or advisors to assist it in carrying out its functions. Budgeted expenses of the Investment Committee shall be included as a line item in the budget of the Division of Central Support Services. The Investment Committee shall meet at least quarterly to implement this Investment Policy and Guidelines. It may designate its chairperson and any two other members, at least one of whom shall be a member of the General Executive Board, as an executive committee, and if so authorized by the Investment Committee, the executive committee shall have full power to act for the Investment Committee and shall report any actions taken to the full committee at its next regular meeting. The decisions of The Investment Committee or its executive committee to either buy or sell securities are to he implemented by the investment counsel. The Investment Committee will report regularly through the Division of Central Support Services to the General Executive Board all actions of the committee and will be subject to the direction of the General Executive Board through this statement of Investment Policy and Guidelines as it may be amended from time to time by the General Executive Board.

With specific reference to this statement of Investment Policy and Guidelines, the Investment Committee shall follow the procedures set forth below:

(a) Periodically, but not less frequently than semiannually, review all holdings, purchases and sales in light of this statement of Investment Policy and Guidelines including both fiduciary and social responsibilities of the General Executive Board.

(b) On a continuing basis, and in the light of General Assembly policies enumerated, review such responsible information as may he available regarding the activities of corporations whose securities are held or may he proposed for purchase.

(c) Make investment decisions in the light of such considerations as (i) the rest of the portfolio and any designated or undesignated use implications; (ii) the corporations involved and their overall records; (iii) the general public, church members, and related bodies; and (iv) regular and/or selected channels of investment counsel.

(d) Select areas of the investment portfolio where possible investor action (hereinafter defined) is indicated.

(e) Determine the priorities for appropriate investor actions based on the policies enumerated by the General Assembly, the feasibility of achieving objectives, and the availability of personnel and appropriate channels for expression of such actions.

(f) Fix specific responsibility for accomplishing the intended investor action and set reasonable target dates.

(g) Review and rework investor action decisions on a regular basis.

(h) Make periodic news releases through appropriate channels of the activities of the Investment Committee.

(I) Make regular reports to the General Executive Board,

The Investment Committee shall prepare annually, as soon after the close of each calendar year as may be practicable, a report of the respective book values and the respective fair market values of the current operating monies and investment funds of the General Executive Board, utilizing the definitions given in this statement of Investment Policy and Guidelines.

Appendix 4

The Divestment Strategy: Principles and Criteria

MINUTES

196th GENERAL ASSEMBLY

PRESBYTERIAN CHURCH (U.S.A.)

May 29-June 6, 1984
Phoenix, Arizona

1984
PART I
JOURNAL

Published by Office of the General Assembly

475 Riverside Drive, Room 1201
New York, NY 10115

341 Ponce de Leon Avenue, N.E.
Atlanta, GA 30365

B. *Referral: Study of Divestment*

25.192 [For Assembly action, see pages 58, 59.]

The 193rd General Assembly (1981) of the United Presbyterian Church directed the General Assembly Mission Council to:

> study the possibility of divestment of stock in corporations that do business in the Republic of South Africa, to inform such corporations in which the United Presbyterian Church owns stock of this study, and to report the results of this study to the 195th General Assembly (1983). (*Minutes*, UPCUSA, 1981, Part I, p. 252.)

The 195th General Assembly (1983) of the Presbyterian Church (U.S.A.) reassigned the request

> to the General Assembly Council and [directed] that the General Assembly Council be informed that the Mission Council's Committee on Mission Responsibility Through Investment is prepared to complete the report. (*Minutes*, 1983, Part I, p. 207.)

25.193

Response: The study is being conducted by the Committee on Mission Responsibility Through Investment (MRTI). Since MRTI (NY) and MRTI (Atlanta) began operating together, the General Assembly Mission Board also has been involved in this study. The work has been organized in two stages, with previous General Assembly approval. The first stage is an analysis of divestment as a general strategy in the socially responsible management of the church's funds, with recommended principles and criteria for approaching any divestment proposal.

25.194

Based on principles and criteria, when adopted by the General Assembly, MRTI will evaluate the possibility of divestment related to South Africa and prepare a specific divestment proposal, if appropriate. Upon authorization by the General Assembly Council, such a proposal would be referred to the church's investing agencies for analysis and testing and to other agencies for comment. Following this process, MRTI will prepare its report and recommendations to the General Assembly Council, which will in turn shape its final report and recommendations to the 197th General Assembly (1985) on "the possibility of divesting of stock in corporations that do business in the Republic of South Africa."

25.195

Therefore, the General Assembly Council and the General Assembly Mission Board recommends that the 196th General Assembly (1984):

25.196

1. Adopt and use "Divestment Strategy: Principles and Criteria" (25.199-.210);

25.197

2. Urge its adoption and use by sessions, presbyteries, synods, and church-related institutions;

25.198

3. Receive the study "Divestment Strategy: The Ethical and Institutional Context," as mandated by the 193rd General Assembly (1981) of the United Presbyterian Church and reaffirmed by the 195th General Assembly (1983) of the Presbyterian Church (U.S.A.), and order it to be printed in the Minutes; and urge its study, along with "Principles and Criteria," by other governing bodies, congregations, and church-related institutions.

The Divestment Strategy: Principles and Criteria

25.199

The Presbyterian Church (U.S.A.) faces the responsibility for investing assets accumulated over many years. Such investment holdings function in two ways in relation to the mission of the church. First, they are a source of income for the support of mission program and institutional objectives.

Second, investment holdings represent power and influence for pursuing mission objectives of the church directly.

25.200

For well over a decade, the Presbyterian Church through General Assembly action has had definite policies and guidelines for fulfilling the second investment function described. These policies and guidelines set forth the biblical and theological bases for this form of mission involvement. (See *Minutes,* UPCUSA, 1971, pp. 596-629, and *Minutes,* PCUS, 1976, pp. 513-518.) The terms "social responsibility in investment" and "mission responsibility through investment" were used most often to describe these efforts in both the United Presbyterian Church and the Presbyterian Church in the United States. It has been the Reformed tradition's bias toward pragmatic involvement in the world that allowed for church investments in the first place and then for the attempt at responsible investment. The theology of mission extends the concept of stewardship into society and insists that the full influence and impact of church investment be seen in the larger social context, with motivation beyond financial gain, important as that is.

25.201

The means of administering the investment activity of the church is known as trusteeship. While those who function as trustees are elected by and accountable to the bodies they serve, their responsibilities are also defined by civil law and thereby linked to the larger society. Thus, trusteeship within the church reflects both the particular purposes of the Christian community and the fiduciary responsibilities, legal requirements, and specific terms of trust that govern trustees.

25.202

In this context, divestment of holdings in a particular firm or class of firms is both part of the normal management of funds and potentially an occasion for Christian witness to God's call for justice and the renewal of society. Considered below and in the study on which these principles and criteria are based, divestment refers specifically to divestment as a means for social witness and engagement. The imperatives of the gospel demand that we weigh the church's involvement in a particular investment with the church's engagement in the larger society. In some cases, trustee responsibility may make divestment difficult, if not impossible, within conventionally understood legal limits. Especially in light of our Reformed heritage of transforming involvement, however, the possibility of divestment will require careful deliberation.

25.203

These principles and the following criteria are intended to guide those governing bodies and their agencies making recommendations concerning divestment. These criteria are further intended to serve as an aid to trustees of related institutions and organizations throughout the church:

25.204

1. The issue on which divestment is proposed should be one reflecting central aspects of the faith.

25.205

2. The issue on which divestment is proposed should be one that the church has addressed by a variety of educational and action efforts, such as:

—correspondence with companies

—discussion with company managers and directors

—statements, questions, and shareholder resolutions at stockholder meetings, and

—legal action against companies.

25.206

3. The analysis supporting the proposed action:

a. should be clearly grounded in the church's confession and unambiguously present in the social policy of the General Assembly;

b. should clearly define the behavior and stance of the corporate entities whose policies or practices are at issue; and

c. should state the ends sought through divestment.

25.207

4. The decision should be taken after consultation with the ecumenical community, whenever possible. The implementation of a divestment action should ordinarily be in solidarity with other Christian bodies.

25.208

5. Efforts should be made to examine the probable effects and consequences of the action with affected communities, particularly Presbyterians.

25.209

6. The proposed action should be sufficiently precise that the effect of its application can be evaluated.

25.210

7. Any proposed divestment action should include provision for:

a. informing appropriate church constituencies;

b. giving appropriate public visibility to the action;

c. engaging other governing bodies and members in advocacy for the ends that prompt the divestment;

d. giving pastoral care to those directly affected.

THE DIVESTMENT STRATEGY: ETHICAL AND INSTITUTIONAL CONTEXT (STUDY PAPER)

25.211

Outline

I. *Ethical Decision in a Corporate Context*

A. Intentional Ethical Decision

B. The Structure of Corporate Ethical Decision

II. *Investment: The Context for Consideration of Divestment*

A. The Nature of Investment Funds

B. The Dual Function of Investment

C. Factors in the Administration of the Church's Investments

1. Trusteeship

2. Structural Dynamics and Constraints in Investment Activity

3. Where Trustee Responsibility and Community Objectives Meet

4. Policy and Strategy for Administering Investments as Instruments of Mission

III. *Divestment as an Ethical Strategy*

A. Definition of Divestment

B. Theological Context for Divestment Consideration

1. Stewardship

2. Vocation in the World: Societal Engagement and Transformation

3. The Ecumenical Context of the Church's Life and Action

4. The Broader Trusteeship

IV. *Institutional and Programmatic Factors in Divestment*

A. Precedents

B. Investment Management Issues

C. Questions of Consequences

****

I. *Ethical Decision in a Corporate Context*

A. *Intentional Ethical Decision*

25.212
All acts embody values and reflect a sense of what is necessary, appropriate, or right in the given context. This is as true for corporate bodies and institutions as it is for individuals. Most "decisions" to act are made without conscious reflection. Experience and instinct validate particular acts as "right" without any real sense of conflict or tension. That is, they are unconsciously perceived as consistent with the "character" of the person or body, with the values and commitments that have been formed and the purposes or consequences that are sought.

25.213
From time to time, however, pressure to decide and act leads either a person or a corporate body to reflect consciously and intentionally on the course to be chosen. The ethical structure of decision and action is not different in such situations, but the decision itself is obviously perceived to be more difficult. Some or all of the factors that are calculated unconsciously most of the time signal us that an unusual degree of ambiguity, tension, conflict, or risk is present.

25.214
Briefly, we think deliberately about the values we hold, the commitments we make, the purposes we seek, and the consequences we will accept—when we are faced with the need to decide and act on important matters, when values are in conflict, in the face of ambiguity or tension, when one desirable purpose seems incompatible with the pursuit of another, when the risks and consequences are actually or potentially serious. This is true both for individuals and for corporate bodies, but there are structural differences in intentional ethical decision between the two. This assertion may seem self-evident but a brief discussion of some of these differences is in order, since our frame of reference is a potential corporate decision of the church.

B. *The Structure of Corporate Ethical Decision*

25.215
Corporate bodies like the church are internally pluralistic, regardless of how monolithic their character, motivation, and purpose may sometimes seem to outsiders. It may be theoretically possible for a group to exist in which each and every individual member has identical values and commitments, symmetrical goals and priorities, common judgment about strategy and timing and compromise, along with equal willingness to accept risk and sacrifice. If so, such a group could (and would) decide and act (unanimously) as a single individual would. In reality, however, a corporate body is a collection of individuals and more or less formal subgroups with varied values, priorities, interests, willingness to act in the face of risk, and senses of timing and tactics. In all of these areas, as well as in opinions about appropriate trade-offs and how much should be expended for this or that objective, judgments will vary—sometimes slightly and subtly, sometimes seriously and substantively.

25.216
These variations assume special significance for a corporate body when it is faced with the need to decide and act on a particularly ambiguous and serious matter—one that has the characteristics noted above. We ordinarily refer to such matters as "controversial" for obvious and appropriate reasons. The process of decision in such matters is "political" in a way that a decision made by individuals is not, since a group is a "polis." The corporate "actor" must define some acceptable compromise value or goal, mediating the collection of plural values and objectives held within the body. The actual or potential consequences of the action under consideration must be calculated for a diverse set of constituencies within the body, whose perception of the consequences will be shaped by differing experiences, status, needs, and interests. Thus, trade-offs and cost-benefit analyses cannot be made simply in terms of the external effects of the action; they must be negotiated internally as well. The members of the body will not be equal in their vulnerability to the negative consequences of action; they do not have equal accountability for institutional consequences of action; and they do not have identical authority or responsibility within the body.

25.217
A few brief illustrations will illuminate the significance of these diversities as they affect the political process of decision in a corporate body. Women and members of racial-ethnic groups will generally feel a greater commitment to AAEEO policies and plans than is felt generally by white male clergy. Corporate

executives may view the Nestle boycott as an ill-timed and counterproductive tactic in light of the potential effect. Mothers of small children are likely to have a different view of the seriousness of the problem of infant formula abuse. The consequences of the decision to move a manufacturing plant from one city to another will undoubtedly seem different to the Presbyterian pastor whose community is devastated and the Presbyterian corporate executive in a distant city under mandate to cut operating costs. And the trustees of the church's pension funds, with responsibility to manage those funds for the benefit of future retirees, may well have a different view of acceptable risk in investing those funds than church members not a part of the Pension Plan.

25.218

On the surface, such differences might appear to paralyze a corporate body faced with the need to decide and act on any "controversial" matter. They do not, of course, because the body has agreed on some acceptable process for deciding and acting in the midst of its tensions and diversities. These "rules for making decisions" are one of the important structural elements in corporate ethical decision that differentiate it from individual decision. In a corporate body the "legitimacy" of any decision rests partly, sometimes heavily, on the issue of whether the decision was "properly" made. Were the rules known? Were they followed? Was the group making the decision authorized to do so? Were the politics and procedures open and fair? And so on. These are not necessarily nit-picking questions arising from people to whom process is more important than substance. They may well reflect a sense that in the necessary process of mediating conflicting interests and purposes within a pluralistic corporate body, procedural legitimacy is itself an important ethical issue.

II. *Investment: The Context for Consideration of Divestment*

A. *The Nature of Investment Funds*

25.219

The corporate community known as the Presbyterian Church (U.S.A.) holds well over a billion dollars in invested funds. These are not an aspect of our life as an "institution" distinct from our life as a community of faith. They are in fact an embodiment of the community's life and commitment—past, present, and future. The funds are classified in the following general ways:

25.220

1. Funds held by the pension boards, augmented continuously by payments, for the benefit of present and future retirees.

25.221

2. Funds from bequests or gifts, past and present, the return from which is to support the program of the church. These funds are subject to designation by those who have given them:

—some are designated for the support of particular programs or institutions or specific areas of mission work;

—some are restricted as to the placement of the investment;

—some are given for "the work of the church" generally.

25.222

3. Funds given to provide guaranteed annuities to persons or their heirs, with a specific beneficiary to receive the remainder after the annuity contract is fulfilled.

25.223

Legally, the acceptance of all these funds creates a contract. Assurances are given; conditions are accepted; commitments are made. The terms of these contracts are specified and protected by civil law and the funds are managed by trustees, whose function is also prescribed and regulated by civil law as well as ecclesiastical authority. We will return shortly to the discussion of trusteeship and other factors in the administration of invested funds.

25.224

Theologically, as we have noted, investment funds constitute a particular embodiment of the life and commitment of the community. They are an expression of community stewardship over time, through which resources possessed by individuals are given back to the continuing service of God's purposes. They are a sign and embodiment of the community's commitment to mission in the world, in both particular and general ways. They are a concrete guarantee of the community's covenant responsibility to those who have served it professionally.

25.225

Investment funds are also a symbol of the historical faith of our particular community. Through investment activity we witness to ourselves and others that we are a living and continuing community, that worldly institutional forms and activities are carriers of spiritual reality, and that involvement with the engagement in the historical structure of the human political economy is valid and appropriate for our Reformed religious community.

25.226

Finally, invested funds represent a unique corporate resource of power and influence. Investment brings a certain ownership stake in enterprises that have great significance for persons and for the social order. Investment automatically puts the corporate church in possession of defined access to those enterprises and of defined rights to influence their policies and activities. The exercise of such access and rights is part of the stewardship of the church—the commitment to use the power and influence given to it for God's purposes of justice and reconciliation in the world.

B. *The Dual Function of Investment*

25.227

Investment holdings function in two different ways in relation to the church's objectives. First, they are a source of income for the support of the mission or institutional objectives of the church. Such a purpose clearly seeks maximum sustainable financial return and preservation of the capital base within generally accepted restraints (we should not knowingly invest directly in enterprises whose purposes are fundamentally inimical to the church's basic values, no matter how secure or profitable such investment might be).

25.228

Second, investment holdings are in themselves a resource, an instrument for pursuing mission objectives of the church directly. As we have noted, investments represent a certain degree of power and influence; they bring access and rights with regard to other social institutions. So also selective placement of investment funds can support enterprises engaged in endeavors that the church finds especially worthy but which may not be particularly secure or profitable. The exercise of shareholder rights allows the church to seek changes in the policies and practices of the corporations in which it invests. And the decision to bar investment or to divest holdings not only witnesses to the clash between the values of the church and those of the listed corporations but can also influence the activities of those corporations, particularly when such actions are taken in concert with many other church or institutional investors. Thus, investments function through the intentional exercise of their power and influence to support the nonmonetary objectives of the church, as well as through the income they provide.

25.229

There is clearly a potential for tension between these two functions of investment. The persons, purposes, or institutions that are the designated beneficiaries of the income from investments will almost invariably have a strong interest in the first function, maximum return, since it translates directly to increased pension apportionments or larger operating income for generally underfunded mission projects. Others may be more willing to sacrifice some monetary return in order to support directly an immediate mission objective, such as economic development among the poorest of the poor in the Third World or a minority community enterprise in the United States.

25.230

Other points of tension can arise. The urgency of present witness and mission needs may conflict with future covenant commitments. Managers of pension fund investments, who must project and plan for meeting contractual commitments a half century or more away, are particularly and appropriately sensitive to this tension. There is also a potential for tension in the fact that needs change from time to time as do definitions of mission strategy. Bequests given and designations made must be honored, even if they provide large sums of money for needs that have become small while new needs have emerged for which no funds are available.

25.231

In short, the management of the church's investments is neither simple nor tension-free, though obviously important. We turn now to a brief discussion of some of the factors that affect the administration of investment in and for the corporate church.

C. *Factors in the Administration of the Church's Investments*

1. Trusteeship

25.232

The method for administering the investment activity of the church is known as trusteeship. Though those who function as trustees are elected by and accountable to the body they serve, their function and responsibilities are also defined by civil law, as we noted. They are thus accountable to the larger society for the exercise of their trust as well.

25.233

The responsibility of trustees regarding the use of income from investment is determined by the terms of trust in each gift or bequest, not simply by decision of either the trustees or the institution they serve. It is their legal and institutional duty to see that all provisions are honored, whether they govern investment of principal or distribution of income. The trustees are guardians of the community's interests and agents of its objectives, but in a very particular way. Once the community accepts a bequest or gift for investment, it forfeits much of its future corporate control over it—the conditions and purposes are set for all time in theory, though the law allows for modifications under certain circumstances. So the trustee, in a very real sense, sometimes serves the community by standing against its occasional desires to alter contracts previously made. This particular exercise of trusteeship has been more prominent as the church has sought to implement social responsibility through investment activity and is misunderstood by some who feel that trustees should serve primarily to implement the contemporary objectives of the body. So trustees function within a particular tension: They are subject to external restraints (law and contract) but also to the internal expectations of the body they serve.

25.234

It is important that we understand the full dimensions of this "guardian" function of trusteeship, however. It is not simply the assertion of external legal restraint against the objectives of the body. It serves a very significant internal function within the body as well. Trusteeship is a reminder to the church that the body is a continuing, living community. Those who have gone before and the bequests and commitments they have made are, in a very real sense, present and vital parts of the community. And those of us who are present members of the community are assured, through the community's trustees, that the commitments and bequests we make will be recognized and continued in the future life of the community. Just as the congregation's property does not fully belong only to those who now worship in it but also to those who have built and worshiped in the past and will build and worship in the future, so it is with the community's investments.

2. Structural Dynamics and Constraints in Investment Activity

25.235

As trustees of congregations, church agencies, and related organizations manage investment funds, they must make decisions within the same market dynamics that affect any other investor. All investments entail some degree of risk—economic cycles come and go; companies prosper and falter, sometimes through poor management or through changes in technology or demand; interest rates rise and fall; and industries or regions develop or decay. These variables and the search for an optimal combination of security and return lead to the following general strategic considerations.

25.236

a. *Diversification*—Some funds will be invested in equity stocks, some in bonds, some in notes, some in real estate, etc. Within each class, the investments will be distributed among a number of sectors (manufacturing, utilities, communications, services, transportation, pharmaceuticals, retailers, etc.). And within each sector the investments will be distributed among a number of different companies and regions.

25.237

Diversification is perhaps the most important element in investment strategy. Though the number of potential investments seems bewilderingly large, the investment manager is comforted by the diverse possibilities for spreading the risk. Any approach that intentionally narrows the investment universe, the number of options that can be considered in seeking diversification, thus leads to some anxiety.

25.238

b. *Timing*—Conditions change as we have noted. Investment managers want to take advantage of those changes, to buy low and sell high, in the common parlance. Thus, liquidity, the ability to change from one form of investment to another quickly without loss, is important. Real estate may not be quickly convertible; cash is. Maturity is another important timing consideration. The purchase of a large number of 6 percent utility bonds that would mature in 40 years may have looked good in 1953; but if the principal was needed to pay pensions in the early 1980's when interest rates hit 20 percent, the timing was unfortunate.

25.239

c. *Flexibility*—Just as there are a variety of investment objectives, so there are a variety of investment strategies. When a high and predictable level of income is needed immediately, bonds and certificates and stocks with a history of sustained dividend yield are attractive. When present income can be less in order to seek higher future values through capital appreciation, growth stocks are sought. Investment managers use these and other options in shifting patterns, attempting to match strategies with changing conditions and changing objectives. In the midst of sometimes rapidly changing circumstances, this requires the flexibility to take decisive and speedy action.

25.240

d. *Constraints*—There are also internal limits on the possibilities for diversification, timing, and flexibility. Some of these are legal as we have noted. Some are specified by the terms of certain bequests, stipulating that the funds must remain invested in the stock of a particular corporation. Some arise from the character of the community and its values (i.e. the long-standing barrier to investment in companies known principally for their activity in relation to gambling, tobacco, alcohol, or munitions). Some are self-imposed, the automatic consequence of chosen investment strategies, such as a decision that a certain amount of income must be available during the first six months of the year in order to meet cash flow needs. And some constraints arise from policy decisions of the church, such as the one proscribing investment in a number of corporations related to military production.

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3. Where Trustee Responsibility and Community Objectives Meet

The illustration just above indicates that trustee discretion in managing the invested funds of the church community may be influenced by policy decisions of the General Assembly.

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Trustees are primarily responsible for seeing that the capital sum of a gift or bequest is not intentionally diminished or liquidated (unless the terms of trust permit it) and that an acceptable level of income is maintained and used for the purposes specified. Even a directive of the General Assembly must recognize those responsibilities. The placement of investment, however—the choice of the specific companies or assets to be invested in—is discretionary, except in those relatively rare instances where placement is specified by the donor. Though placement choices are discretionary, they are not capricious. Investment managers seek to select particular investments whose combination of security and performance will keep risk within acceptable limits and contribute appropriately to overall portfolio objectives. This is, of course, a judgment about "investment quality."

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In practice, investment managers seek an overall rate of return that is the average for all particular investments. Within the portfolio (the complete list of investments held at a particular time) some will perform better than anticipated, others worse. Some investments will be sold at a handsome gain, others will be disposed of at a loss. Some bonds will yield 14 percent, others 8 percent. And so on. "Adverse effect on the investment portfolio" does not mean that a particular stock yields less than another or performs below expectation. That is usual and expected. It means that a particular holding is so far from the average that it will lower the yield significantly.

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We have also noted that there are a very large number of potential investment placements, of which only a small percentage is ever actually held at a given time. And those that are held are constantly changing through the operation of the diversification, timing, and flexibility requirements. Thus, companies A, B, and C may be held; but as a matter of fact, companies X, Y, and Z might be just as appropriate to the investment strategy and just as consistent with the responsibility of the trustee.

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Thus, the church community might say, "We wish to purchase stock in P company because it is doing an outstanding job of hiring and promoting women and racial-ethnic minority persons." An examination reveals that P stock will not adversely affect investment performance. There is no reason for the trustees not to authorize the purchase. The same logic, of course, applies if the church community wishes to recommend that holdings in certain companies be barred or sold.
25.246
It is on this frontier of placement choices that trustee responsibility and the nonmonetary larger objectives of the church meet. The frontier is not a clear line, since "investment quality" and "adverse effect" can never be precisely known in advance. In seeking such objectives, the larger church community cannot simply displace the trustee function. Neither can the trustee arbitrarily resist the efforts of the larger community to express its character and purposes in this aspect of its life. Such constraints on placement, then, should arise out of a common and cooperative search that evaluates each case and seeks those choices that are faithful to both trustee responsibility and community objectives.

4. Policy and Strategy for Administering Investments as Instruments of Mission
25.247
For over a decade, the Presbyterian Church has had, through General Assembly action, definite policy and guidelines for fulfilling the second investment function described earlier—using their access and power directly to achieve nonmonetary objectives. The terms "social responsibility in investment" and "mission responsibility through investment" are used most often to describe these efforts. Briefly, General Assembly policy and guidelines assert that investment activity is not simply a means of securing money for mission but also constitutes a stewardship responsibility that the church can and should exercise appropriately in mission, seeking to further its objectives for a better social order. Instrumentalities in which investment managers join with mission managers were created to implement this approach.
25.248
The following methods are available to the church in the administration of the mission responsibility through investment policy:
25.249
a. Written inquiry and correspondence with companies in which stock is held.
25.250
b. Face-to-face discussion with company managers and directors.
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c. Statements or questions in annual stockholder meetings.
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d. Shareholder resolutions seeking change in company policy or practice. The shareholder resolution has been the most visible church strategy for exercising mission responsibility through investment, though it invariably rests on a base of activity described in *a*, *b*, and *c* just above. The shareholder resolution is clearly tied to ownership, whether of one or a million shares. The resolution implicitly values the fact of ownership and its guarantee of access into the decision-making process of a given firm. It acknowledges responsibility for the activity and governance of the enterprise and accepts a certain degree of identification with it. The resolution may seek to point the company in a new or more responsible direction; it may seek the reform or abandonment of particular policy or practice. In either case, the church stands within the corporation, engaged in a genuine effort at reforming participation in its internal affairs.
25.253
Candor requires the acknowledgment that shareholder influence is generally restricted by the proxy machinery and the corporate ethos. The access of shareholders is regulated by the Securities and Exchange Commission, which in 1983 tightened the rules governing shareholder proposals. These rule changes will have a further restrictive effect on the ability of concerned shareholders to present their positions within corporations. In spite of this and the prescribed language of resolutions, by which shareholders can only "request" or "suggest," not "direct," the Board of Directors, the shareholder resolution continues to represent a vehicle of engagement and a potential, however small, for effecting corporate change.
25.254
e. Legal action against companies in which stock is held.
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f. Intentional purchase of stock to support an enterprise or create a shareholder position for further action (*a* through *e* above).
25.256
g. Exclusion of some classes of investment from consideration. For the purpose of this paper, exclusion means that investment in a certain class of enterprise will not be considered. The nature of the enterprise is judged to be fundamentally and irretrievably incompatible with the nature and purpose of the church, i.e., alcohol, tobacco, or nuclear warhead production.
25.257
h. Proscription of purchase of specific stocks not already held. For purposes of this paper, proscription means that a stock that would otherwise be considered for investment will be avoided because of some particular policy or practice that could be remedied. The assumption behind proscription is that should the policy or practice be reformed, the proscription would be removed. In fact, proscription may well be adopted in the hope of speeding the remedy.
25.258
i. Divestment of stocks held and proscription of future purchase.

III. *Divestment as an Ethical Strategy*

A. *Definition of Divestment*

25.259
Divestment means that stock already held will be

disposed of because of social criteria considerations. Divestment may be undertaken for a variety of reasons. A company whose securities were originally chosen because of positive social return may become less attractive because of diminished efforts; company policy or practice may be judged so unjust or negative in social effect, and so impervious to change from within, that the church simply cannot hold it any longer. Divestment can be undertaken as part of a concerted effort to focus persuasion and pressure in the hope of producing changes. In any event, divestment is ordinarily contemplated only after persistent shareholder effort to persuade the company to change. A divestment action is, of course, then linked to proscription—further purchases will be avoided as long as the condition persists.

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Since stock is continuously being bought and sold, any act of selling could technically be called divestment. And since a great many stocks will be excluded from purchase consideration because of poor performance, high risk, and other investment quality judgments, they might technically be called proscribed. We use the term here to describe judgments that are made on the basis of nonmonetary objectives or motivations, however.

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For the purpose of this paper, then, *divestment* is a conscious decision to dispose of any current financial stake in an enterprise or class of enterprise because of policy or practice in regard to a social issue and to prohibit future stake so long as the offending situation holds. It is not appropriate to speak of "divestment" in relation to securities that would not be purchased or would have been sold anyway because they were illegal, inimical to the fundamental values of the investor, outside the chosen investment strategy, or because they failed the economic tests of risk or return.

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There is a clear similarity between the boycott and divestment with its subsequent proscription. Divestment can be seen as a "boycott" on investment rather than on products or services, and an investor can be seen as a "consumer" as well as part owner and beneficiary. The boycott is primarily a strategy for those "outside" a corporation who wish to affect it. Though it may be linked with other forms of persuasion (letters, dialogue, personal interventions, legal redress, demonstrations, etc.), the boycott does not involve an "inside" role in corporate decision-making. When agencies of the church determined not to convene meetings in states that had not passed the Equal Rights Amendment, for example, they put themselves outside the entities involved. Divestment, then, is an intentional decision to move "outside," into the location of the boycotter. After a decade of Presbyterian involvement in boycotts, the General Assembly Mission Council of the United Presbyterian Church prepared an analysis of boycott policy and strategy, which was received by the 191st General Assembly (1979). This analysis seems relevant in a consideration of divestment, thus, brief excerpts are cited here:

> Consumer spending (or investment placement) is the result of free choice in our society. One can choose to buy or not to buy, to patronize one purveyor of services or another. The decisions often involve economic considerations, but sometimes involve moral judgments as well. "Trustworthiness," "reputation for integrity," "commitment to the community" will sometimes weigh more heavily than price alone.
>
> . . . .
>
> In short, it seems "natural" to us that our consumer decisions should be shaped by our beliefs, should translate or be a "sign" of those beliefs in the world of commerce. Christians understand this in terms of stewardship, our responsibility to use possessions as witness to and in service of the Lord of the Church and the world.
>
> . . . .
>
> For . . . Presbyterians, should the pursuit of social justice be one of the values or commitments to be pursued in concert and intentionally through recommendations for consumer boycotts or selective patronage? Tradition, faith, and polity all say "yes." "The promotion of social righteousness" is one of the great ends of the church . . . . To exclude that value from the list of commitments that should shape economic decisions would be a selective severing of the tie between faith and action and would be theologically indefensible. (Parentheses added) (*Minutes*, UPCUSA, 1979, page 253.)

25.263

Finally, then, divestment and the refusal to purchase an ownership share in an enterprise can focus attention on the fundamental nature of the enterprise as well as its activity. Unlike the shareholder resolution, which implicitly accepts some identification of the company's basic interests with those of the church, divestment publicly repudiates that identification. The shareholder resolution argues for what is seen as the long-term best interest of "our company;" the divesting institution asserts that its own interests require disassociation from the company. The church in effect states "our nature and commitments are such that we can no longer be identified with you, even for purposes of attempted reform." As noted, this makes the character and purpose of the enterprise an issue. It also draws attention to the basic character and purpose of the divestor—the church. And that question of the nature of the divesting body leads directly to theological considerations.

B. *Theological Context for Divestment Consideration*

1. Stewardship

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The church is, of course, a corporate body in society with a particular character. The basis on which it is formed arises from faith; it understands its activity and objectives with reference to values and ends for individuals and for society that arise from a transcendent power and purpose.

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Presbyterians have defined their understanding of character and purpose in relation to action in the world—to social involvement—continually throughout their history in a number of different ways. A 1972 study on "The Church's Responsibility in Society: Biblical-Theological Foundation for Social Involvement" characterized the church in three ways: As a confessional body united to witness to God's reconciling love; as a Reformed body, sinful and yet working to transform itself and other sinful structures around it; and as a connectional body, one church ordered in and through representatives and united in its mission. That report discussed the biblical-theological theme of reconciliation, then recently restated in the Confession of 1967, which guided the church in its struggle to love God in the midst of idolatry and capitulation to the "principalities and powers" that rule our age. Taking the ministry of Jesus as providing both substance and shape to our own, the report concluded that in order to be faithful to the work of God in all of its grace and judgment, the church needs to act with both integrity and power. Its life and obedience are to provide example and symbol and are also meant to have effect. Faithful actions by the church will meet the suggested criteria of appropriateness, timeliness or urgency, balance, and manageability.

25.266
In the area of investments, as in all other areas of its mission and life, the church has understood that faithfulness demands that investments must reflect moral imperatives and the fundamental commitments of the church. Thus it is that the specific concern for the church's mission responsibility through investment is termed "a matter of stewardship" in the basic theological rationale. The church's stewardship of its investments involves a concern both for their financial value and for their witness value, or their importance as a sign of what the church stands for, what the church participates in, and what the church can do to advance the area of God's rule in the world.

2. Vocation in the World—Societal Engagement and Transformation

25.267
One of the key themes of stewardship in the Presbyterian tradition has been commitment to participation in the world. God calls believers and the church to a vocation of service within the orders and structures of the common life. This vocation of service includes two distinctive but normally complementary emphases: faithfulness, which is clear witness to the values derived from faith; and effectiveness, which is the concrete realization of desired ends. In many instances, the two work together. They often, however, seem to be in tension and are even seen by some to be alternatives. Effectiveness, "getting things done," in an ambiguous world involves compromise and settling for the attainable rather than the ideal. Most Presbyterians will agree that the search for the better is a mark of faithfulness and also that clear and unambiguous witness, the refusal to settle for what seems attainable, is often effective. Thus, the two are seen as two dimensions of a single commitment—receiving different emphasis on different occasions.

25.268
The tension is sometimes described as between purity and pragmatism, though these terms should not be understood as synonyms for faithfulness and effectiveness. The purity-pragmatism tension signals a new set of theological questions: essentially those of "separation from the world" and "participation in the world." Though the issues are complex, they reflect two different faith poles. One is the conviction that the world is dominated by sin and that engagement with its life therefore inevitably means compromise with sin (living by its "pragmatic" code), which Christians must seek to avoid, since they are called to purity. The second is reflected in the Reformed tradition, which acknowledges the pervasiveness of sin in the world, yet sees the world as ultimately under the more powerful domination of God's purpose. The vocation to serve God is the realization that final purpose is more powerful than the search for purity:

25.269
Thus purity seeks perfection. Following a clear strand of biblical testimony, it seeks to "come out from among them and be separate," "to keep pure and unspotted from the world," to "be therefore perfect as your heavenly Father is perfect." This approach has powerful appeal, particularly given the mandate to model in the world a community in covenant with God.

25.270
Presbyterians appreciate these paired motifs of perfection and separation. But they also have appreciation of the flawed character of life in history that makes it impossible to be perfect in a sinful world—even in the church. Looking to equally powerful themes of biblical testimony—"let justice roll down like waters," "inasmuch as you did it to one of the least of these," "I have come to proclaim release to the captives"—they have a lively sense of calling that mandates participation in sinful structures to seek their reformation.

25.271
Perfection and separation, while important, are not the final measure. They must be held in tension with faithfulness and effectiveness, which may involve compromise for the gaining of some important proximate goal. Thus, Reformed churches have sought to be in the world, not withdrawn from it—to serve the perfect purpose of God in less than perfect structures in order to change them, not to live apart in communities of holiness. The church as a community has not sought isolation but engagement.

25.272
The tension between engagement and withdrawal, between pragmatism and purity, is a very important one in any consideration of divestment and merits further analysis. Jack Stotts, President of McCormick Theological Seminary, has described these differences in commenting on the Presbyterian approach to investment responsibility, using the common sociological terminology of "church" and "sect" types:

> In our case, this church is a social type that is engaged with the world, embraces engagement with the world in fact, and expects to shape the public order for well being and well doing within the world, as well as to shape the church itself. It expects to be intimately engaged with politics, economics and social life, and knows that involvement with sin will be necessary. Sin is seen as being evenly distributed, both in the church and in society. The church will be involved in legitimating, in judging, in shaping . . . . In contrast, a sect type of church organization withdraws from the world, lays absolute claims on its members or sees the gospel as laying

absolute claims and sees the gospel as something that can be absolutely followed. The historic Peace Churches and the communal religious communities in America are examples of sect type organizations. The world is seen as passing away, and these are forms of a pure church or body of believers.

25.273

Dr. Stotts goes on to distinguish between the two types of ethics that follow from the church-sect distinction. In terms that come from Max Weber, these are an "ethic of responsibility" and an "ethic of purity." The first is an ethic that acknowledges the need for compromise to work with the less-than perfect and to seek limited objectives. In a sense it is a utilitarian ethic, though one that acknowledges boundaries—the points beyond which further effort is futile, counterproductive, or morally inappropriate.

25.274

The second of these ethics emphasizes the need for purity rather than compromise, faithfulness rather than effectiveness, witness rather than results. The church, in this view, should not participate in evil and is not responsible for trying to make things come out right.

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While churches in the Reformed tradition are of the "church" type, practicing an ethic of responsibility in worldly engagement, both theology and practice recognize that pragmatic engagement has limits. In some instances, a strong witness is called for and nonparticipation is justified as a particular form of engagement. We have marked certain areas as off-limits for investment, not because we thereby presume to establish or attain purity but because we believe the enterprises are fundamentally at odds with our values. Though we may hope that our witness and disapproval have some effect, such actions are not taken primarily because of hope for reform in the enterprise. We may also be acknowledging tacitly that stockholder status would not bring us any realistic opportunity for reform.

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The issues of witness and effect are clearly highlighted in the question of potential divestment in regard to South Africa. The official policy of apartheid is fundamentally offensive to a Christian undertaking of life and society. Apartheid is the political and social manifestation of a theological heresy—a direct defiance of God's will for both human and social existence. The economic strength controlled by the white minority is a major element of its continued dominance, and the activity of corporations in which the Presbyterian Church invests contributes to that strength. The church has tried for many years to effect change in the policies and practices of those corporations in efforts to produce change in South Africa, but the efforts have been largely ineffective. Do we divest as a witness that we can no longer justify participation where change is hopeless? Do we merely transfer the burden of our ownership to someone else, at no cost to ourselves? Would divestment, if taken in concert with others, have any effect on the corporations? Would it weaken the sinful power of the South African government? The search for responsible faithfulness in such a situation surely calls for careful conscious consideration by the body.

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It has been the Reformed church's bias toward pragmatic involvement with the world that has allowed it to be an investor in the first place, and then for it to attempt responsible investment. This commitment insists that matters of the church's life as a community of believers are matters of justice for the world. The identity of the church is defined as mission—participation that is determined to establish community based on God's justice. The theology of mission extends the concept of stewardship into society and insists that investments be used with full intentionality as a means of engagement in a larger context than any given firm. Thus, while some definitions of relatedness and community would value staying in a given firm and continuing to influence it positively, the church insists that its participation enhance the life of the larger community as well. The continuity, or the linkage between the two, must be not mere relatedness, but *just* relatedness. And the church's investment in justice may mean divestment from a given firm, from a given community.

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The identity of the church is found in its commitment to faithful life and action, in investments as in other areas of its life. Divestment from a particular enterprise thus can be a means of effective participation and witness in the larger social enterprise of justice. By refusing to be a shareholder in an enterprise whose effect is negative to justice, the church may be acting to increase responsibility in economic life. At certain times, divestment may be an action of transforming effectiveness, and at those times the church must be free to act with both integrity and realism.

25.279

How can we know when the limits of engagement with a particular institution have been reached and faithful stewardship to a larger witness requires withdrawal? Where is the point at which further effort toward pragmatic reform becomes evasion of the call to unambiguous witness? There is no axiom or formula that will automatically yield the counsel of the Holy Spirit on this central question. We know simply that there is such a limit, such a point, that pragmatism must sometimes yield to purity and engagement to withdrawal. As the church is called from time to time to determine whether the point has been reached—relying on the knowledge and prayer of the community and the guidance of God—we would do well to confess that such decisions are particularly difficult for a people so passionately committed to pragmatic engagement.

3. The Ecumenical Context of the Church's Life and Action

25.280

The Presbyterian Church does not understand its community life as complete and contained within its own structures and membership. It knows itself to be an organic piece of a larger community—the ecumenical Christian church. That relationship is not mechanical, or as one member of a set of similar units, but is understood theologically as our essential nature, vital and substantive. As part of that body, the Presbyterian Church exists not only in the world community, but for it. Insofar as we are true to such understanding, every aspect of life and activity has its source and echo in the world Christian church; every aspect of life and activity is measured by its meaning and purpose in the larger human community.

25.281

We are thus accountable not only to the Lord of the church but also in a very real way to the varied members of the *oikos*—the household of faith and the communities of the world. What they intend and need and hope for should be heard and considered as we discuss the motivation and intended consequences of our life and witness. The meaning of justice and reconciliation and the relationship of our life and action to their realization in history must finally be both defined and validated for us through the substantive participation of others. This larger community context of decision and accountability is a fundamental theological dimension of our self-understanding.

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This theological understanding has dual relevance as we consider any investment-related issue. First, we recognize that the majority of churches in the world Christian community do not hold significant financial endowment and investments as we do. In many cases, poverty prevents such personal and institutional stewardship; in others, different investment vehicles are used. We have a special responsibility to manage this particular resource of the world Christian community on behalf of the whole. Second, the large economic institutions of this nation have great impact on the nations and peoples among whom these churches live and witness. Our witness and strategy toward these institutions, in engagement or disengagement, has enormous import for Christian sisters and brothers around the world. Part of the one body of Christ with them, we must somehow in such cases provide access and advocacy for their voices.

25.283

This theological understanding of ecumenical participation and accountability is not currently translated into structure and procedure. The voices and votes of the "others" of the community are not heard and cast in our debates and decisions unless we make conscious provision for their inclusion. Thus, the definition of the full community within which standing to participate is granted and consequences must be calculated is an essential aspect of divestment-investment decisions. Who must be heard and counted and whose benefit and harm must be considered?

4. The Broader Trusteeship

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In response to those questions, the church will recognize a community that is extended not only in space, throughout the world, but also in time, an accountability to those who have gone before and will come after. The corporate body must act as trustee and advocate for those whose voices otherwise would not be heard and whose interests otherwise would not be counted.

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So finally, the concept of trusteeship as earlier discussed applies to the church as a community even more significantly than it does to the designated body within the community. The church is accountable to God for the terms of trust conveyed in the gift of the gospel and the mission of reconciliation and justice that is accepted with it. It is accountable also to the world and its people for faithful discharge of that trust. This broader trusteeship, in effect, defines the basic theological framework for divestment consideration as indeed it does for all decisions in the church. It controls and grounds all our limited trusteeships, which must be both exercised and judged by fidelity to its covenant terms.

IV. *Institutional and Practical Factors in Divestment Consideration*

A. *Precedents*

1. So-called sin stocks

25.286

Though divestment and proscription are unusual actions, they are not unprecedented. The earliest and most enduring experience of the Presbyterian Church is the traditional bar to investment in tobacco, liquor, and gambling stocks by the investing agencies of one or both of the predecessor denominations of the Presbyterian Church (U.S.A.). The barrier seems to have been erected in the days of the temperance and moral welfare movement. We do not have any way to assess the discussion that may have taken place as the decisions were made. We do not know if the initial application may have also required divestment, though it is clear that earlier attitudes and practices in the church regarding alcohol had been more accepting. It seems probable that a combination of concern to avoid participation in evil and a desire to present a clear witness of the church's nature and character as they came to be identified with abstinence were basic to the original motivation. However, early General Assembly actions about patronage of Sunday movies and Sunday papers indicate a conviction that such action could have practical effect as well.

2. Mine Safety

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The strategy of divestment was employed by the United Presbyterian Church in relation to a specific corporation in the mid-1970's. After a mining disaster at the Brookside mine in Kentucky in 1974, where eighty-nine men were killed in a mine with a history of poor safety measures, a national campaign was begun to force the mine owner, the Duke Power Company, to improve working conditions. In light of the poor safety record and in conjunction with the actions of many other investor bodies, the church divested its holdings in Duke Power and pledged "to refrain from purchasing any Duke Power stock or bonds until the miners at Brookside are protected by an adequate contract." This was the first divestment action taken in the context of the formal mission responsibility through investment policy and the rationale was exclusively effect-oriented. By joining with others in highly publicized divestment action, the church sought to draw attention to the record of Duke Power's practices and exert pressure to change them.

3. Military-Related Production

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The 1971 guidelines for mission responsibility through investment adopted by the United Presbyterian General Assembly included an admonition to "be especially critical of enterprises that use the political process to support increased military spending" as well as those that produce "weaponry whose use does not permit a distinction between civilian and combatant." Implementing agencies were requested to "look for ways to foster in the economy generally and in individual companies a reduction from the present level of war production." (*Minutes*, UPCUSA, 1971, Part I, pp. 599-600.)

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The possibility of divestment in relation to military-related investments was first raised the next year, 1972, when the Committee on Social Responsibility in Investment reviewed a series of proposals concerning the role of firms contracting with the Department of Defense during the Vietnam War. The committee commented that the production of indiscriminate weapons should be challenged and went on to suggest that if an investment committee was not supporting certain resolutions or taking action itself "then it must give serious consideration to the question of divestment."

25.290

That "serious consideration" became a reality ten years later when, in response to the 1980 Call to Peacemaking and at the recommendation of the General Assembly Mission Council and its Committee on Mission Responsibility Through Investment, the 194th General Assembly (1982) of the United Presbyterian Church adopted a divestment and proscription recommendation on military-related investment. The action proposed a precise formula for identifying the companies most heavily involved in military production by total dollar volume and as a percentage of sales and those directly involved in nuclear warhead production. Just over twenty corporations were thus listed.

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While no criteria for considering divestment were in existence at that time, it is interesting to note that most of the criteria as recommended in the next section would have been met: The formula was precise, permitting the investment effect to be assessed and the implementation to be clear and consistent; investing agencies were able to assess investment effect in a period of trial application; and the recommendation was debated and approved by General Assembly with advance notice.

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The rationale for the divestment action combined the categories of witness and effect. By drawing attention to the issues of the enormous scale of military production, the distortion it introduces in the economy, and the danger of the escalating nuclear arms race, the church hopes to persuade its members and others to support change in the governmental policies that result in these things.

4. South Africa

25.293

As in the case of military-related production, the issue of divestment in relation to South Africa was first broached a number of years ago. A 1965 statement on apartheid by the 177th General Assembly of the United Presbyterian Church:

> recognize[d] that American economic involvement, both governmental and private, has been a significant factor in the stability of the South African economy and therefore in the support of the present apartheid regime; and direct[ed] the Commission on Religion and Race to convene a group of United Presbyterian business [people] and bankers to consider the moral implications of economic relationships with South Africa. (*Minutes*, UPCUSA, 1965, Part I, p. 405.)

25.294

Two years later, the 179th General Assembly (1967) considered the report of the consultation, which outlined a number of ways in which U.S. businesses and banks might help change the situation in South Africa, including withdrawal from involvement there. The General Assembly action goes on to say:

> On the other hand, if firms cannot be persuaded to cooperate, we urge The United Presbyterian Church in the United States of America and individual investors to protest by beginning to divest themselves of their holdings in such business enterprises. (*Minutes*, UPCUSA, 1967, Part I, p. 329.)

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This direction was strongly affirmed by the 181st General Assembly (1969), and the 190th Assembly (1978) continued to press for the placement of investments and accounts in financial institutions whose policies precluded further loans to the government of South Africa and any of its agencies. Twenty-six of the fifty-five shareholder resolutions filed by the United Presbyterian Church from 1974-1982 dealt with South Africa and Namibia.

25.296

While a limited number of universities, churches, and other groups have divested of all or part of their holdings in U.S. firms doing business in or with South Africa, and an even smaller number of U.S. firms have left South Africa, the shareholder resolution strategy has contributed to some improvement in wages and working conditions at U.S.-owned factories, a curtailment of bank loans to the government and sales of products to the South African police and military, and policies of nonexpansion in a number of key industries. These resolutions and other public pressures have also contributed to changes in domestic public policy regarding exports to South Africa. At the same time, however, according to the 193rd General Assembly (1981), the South African white regime has increased its control over the lives of all its citizens and low-level warfare and sabotage have begun within the borders of South Africa itself.

25.297

Out of this history and context, the specific proposal to consider South Africa divestment arose, fifteen years after the possibility was first raised. The church has persistently tried other alternatives. They have had limited effectiveness and offer little hope for future usefulness. The issues posed by South African apartheid are fundamental and the need for change persists and deepens. The General Assembly has asked for consideration of action of a more serious nature.

B. *Investment Management Issues*

25.298

Though divestment is a potential strategic option for the church in the stewardship of its investments, it obviously does not follow that any particular proposal that may be made is institutionally responsible, pragmatically effective, or theologically and ethically consistent. Each must be analyzed and decided in relation to the potential effects, institutional and social; the issue to which the proposed action is connected; and the terms of a particular divestment proposal. In doing so, the responsibility of those who manage the church's investments and will have to implement the proposal must be kept in mind. In addition to the general considerations involved in trusteeship, discussed earlier, two issues involved in the practical implementation of divestment merit brief discussion.

25.299

1. The Problem of Precision—The universe of corporate activity is not only quite large, it is also quite complex. Corporations have licensing agreements with other corporations. They subcontract with other corporations for materials and services. The conglomerate phenomenon has resulted in corporations holding ownership interest in other corporations ranging from partial to complete control of substantial interest.

25.300

The number and identity of the corporations involved in a potential divestment will obviously depend upon the definition of the degree of relatedness between a corporation and the particular issue under consideration, be it "business in South Africa" or otherwise. It is impossible to evaluate the potential effect of divestment or investment strategy or to design effective implementation without such a definition. Given the complex world of corporate interaction, the precise definition will often act to limit the potential application by criteria that can seem arbitrary. It is important, therefore, for purposes of interpretation, that the proposed formula for any divestment action not only be precise but supported by a well-considered and thoroughly explicated rationale.

25.301

2. The Compounding Limit Effect—The strategic need for diversification and flexibility in the day-to-day management of the investment portfolio has been discussed earlier. As was pointed out, some intentional limitations on the universe of possible investment options can be, and in fact have been, adopted without seriously affecting the potential for diversification and flexibility, since the number of "good" options is quite large.

25.302

It should be noted, however, that every limitation subsequent to an initial one has a compounded effect, since the overall number from which choice is made has already been reduced. Obviously, at some point, the pool of investment possibilities could become so restricted that the practical possibilities for diversification and flexibility would all but disappear.The compounding effect in practice operates in another way. While the universe of potential investments is quite large, a great many are ruled out at any given time on "quality" considerations. Thus, the universe of potentially desirable investments is always considerably smaller than that of possible investments. Since divestment affects this smaller number, insofar as securities already held have been judged "desirable," the compounding effect of successive limitations is even more dramatic. While this effect does not rule out the feasibility of the divestment strategy per se, it poses significant questions about the frequency with which it can be used and the breadth of definition of any particular proposal (how many securities will be affected each time.)

C. *Questions of Consequences*

25.303

In addition to the general issues of means, ends, and effects that surround any ethical decision, there are some that seem particular to the dynamics of investment-divestment.

25.304

In the first place, divestment can be called a "one-stone slingshot" in that, as we have noted, its use deprives the church of further access and engagement with the corporate entities involved from its stockholder-owner base. While pressure from outside can be more effective than reform efforts from inside, it certainly is not automatically so. The divestment "stone," once hurled at the corporate Goliath, cannot be effectively recalled if it misses the mark. What if the divestment has no lasting impact on the corporation and is indeed covertly welcomed by a management that has one less disssenting shareholder? That previous shareholder efforts at change have not worked may not be reason to move to less effective measures, even if the church's integrity is strengthened. Therefore, insofar as the motivation for divestment is effect more than symbol, the ethical debate over the relative potential of the "insider" *vs.* "outsider" location must be a very serious one.

25.305

A second factor inevitably influences the discussion noted just above: the "drop in the bucket" issue. Since the securities of the corporation involved are publicly traded, there must always be a willing buyer before the church can divest. Thus, the direct economic effect of divestment on a corporation is usually nil, though indirect economic effect is certainly possible. It is true that the sudden presence of more sellers than buyers may depress the market price, so that a concerted divestment strategy embraced by a group of investors could conceivably have market price impact. Even so, that lower market price would not exert economic pressure on the corporation either. The economic losers would, in fact, be the divesters; the company would likely benefit (it could repurchase shares at an artificially depressed price). Divestment carries with it the possibility and, if applied to enough corporations, the probability that investment return will be diminished. But given the very large number of shares publicly held in most corporations potentially affected by any divestment formula, it is unlikely that any "divestment consortium" could ever weaken the corporation itself by purely economic means—their holdings would still be a drop in the bucket.

25.306

Thus, again insofar as a desire to affect the policy and behavior of corporations may be the motivation for a divestment proposal, the potential influence almost invariably has to be calculated on other than direct economic effect grounds. Such potential grounds are real (public opinion, etc.) but are always more difficult to calculate and sometimes more difficult to interpret. In such calculations, we must not neglect the potential effect of the witness and action of church members whose understanding and commitment may be deepened by the corporate witness of the church.

25.307

A third set of consequence issues related to divestment arise when the desired change in corporate policy and practice is itself seen as instrumental to change in the larger social context. These issues could be described as the "murky symbol" or "ambiguous link" syndrome, which has several dimensions. One has been noted above: It is sometimes difficult to explain how divestment of access and power (however minimal and ineffective these may often appear to be) is a better means to the end of corporate change sought than the continued use of the seemingly more direct means already available.

25.308

Another dimension of divestment affects its interpretation and meaning. Given the focus on the firm as well as the issue involved, and the number of issues that may be raised by a diversified transnational corporation, divestment may seem imprecise to the point of being misleading. How big is the issue in relation to the corporation? Is the divestment a general repudiation more than a specific effort at reform? Though these are obviously important ethical questions, there is no ready way to determine their answers in an objective way. Power and influence flow in society and its institutions, in varied and complex patterns—some direct and easily visible and some indirect and invisible. A single bribe to a Third World government, for instance, may mean little on a corporate balance sheet, but may yield enormous power on that country and may reveal a corporation's basic orientation in overseas negotiations. But would divestment make that clear?

25.309

These same considerations about power and influence apply when the divestment action is meant to have effect on institutions external to the particular corporations. An example from the church's experience with boycotts will illustrate this point. When agencies of the church voted to hold no meetings in states that had not ratified the Equal Rights Amendment, the effect hoped for was that the hotel, restaurants, Chambers of Commerce, etc. would exert influence on the legislatures of those states to approve the amendment. Possible divestment in relation to South Africa is proposed by many on the basis that it will hasten the end of the official governmental policy and practice of apartheid. In the assessment of the potential effectiveness of such a strategy, two issues are significant: (1) how divestment does or does not influence the corporation to make the desired change and (2) how the corporate change is realistically related to the possibility of change in the structurally independent government or institution. Business corporations protest that they have no authority in relation to legislatures and foreign governments. Given the true dynamics of power in society this is rarely the case, but the absence of direct cause and effect relationship makes the ethical and pragmatic calculations more complex and more difficult to interpret to those who instinctively seek direct means-ends patterns.

25.310

A fourth set of consequential considerations can be called "the family fallout." Quite simply, a divestment decision will invariably affect corporations in which Presbyterians have direct participation—as managers or workers or shareholders. The divestment decision, as we have noted, carries an implicit judgment on the affected corporations: Their operations are not only deemed to be at basic variance with the values and objectives of the church but also beyond the reach of normal shareholder initiatives. These judgments are very often not shared by Presbyterians in the corporate structures affected and sometimes are actively opposed. These Presbyterians will often feel that the church's judgment on the corporation is a personal judgment on their vocational involvement with the corporation. While it is true that such challenge is a part of being and belonging in the community of faith, the church will need to consider both the potential for internal conflict and the time and resources that will be needed for internal interpretation in its calculation of the consequences of any divestment decision.

25.311

The church should anticipate the need and plan for special assistance to the members and ministers who are confused and offended by a divestment decision and the pastors and presbyteries that minister to them. This is not a matter of interpretation and defense to critics; it is a matter of pastoral integrity. The pastoral opportunity is not only a "cost" in the calculation of consequences; it is a "benefit" as well. The occasion for struggling together over the issues of faith and witness very often leads to deeper understanding and commitment.

Appendix A

[For Assembly action, see pages 58, 59.]

INTERIM STATEMENT
THE COMMITTEE ON MISSION RESPONSIBILITY THROUGH INVESTMENT
OCTOBER 1983

I. Introduction

25.312
The Committee on Mission Responsibility Through Investment (MRTI) (New York) was established by the General Assembly Mission Council (GAMC) of the former United Presbyterian Church to be the focal point for implementing the General Assembly (UPCUSA) policies on the use of invested funds as an instrument of mission. Similarly, the Committee on Mission Responsibility Through Investment (Atlanta) was established by the General Assembly Mission Board (GAMB) of the former Presbyterian Church, U.S., to implement the General Assembly (PCUS) policies on the use of invested funds as an instrument of mission. The two committees are continued in the Presbyterian Church (U.S.A.) pending the establishment of a permanent mechanism for discharging the reunited church's responsibilities for mission through investments.
25.313
Both committees have affirmed their commitment to work together as the Committee on Mission Responsibility Through Investment (MRTI) for the Presbyterian Church (U.S.A.) and to function as one committee to the fullest possible extent and in accordance with this Interim Statement on Policy and Procedure. In this undertaking, the MRTI Committee recognizes that the separate committees were established from essentially the same mission concerns regarding investment responsibility but had different procedures by which they operated. The similarity in origin of the separate committees, together with their commitment to essentially similar understandings of the mission responsibility of the Presbyterian Church (U.S.A.) through its investments, permits and encourages the concept of one MRTI Committee expressed in this Interim Statement, subject to any separate procedures of the MRTI (New York) and MRTI (Atlanta) Committees where still required.

II. Church's Policies Regarding Investments

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In 1971 the 183rd General Assembly (UPCUSA) adopted "Investment Policy Guidelines," a comprehensive policy on corporate responsibility describing the use of investments to further the church's mission. Subsequent General Assemblies adopted supplementary statements.
25.315
In 1976 the 116th General Assembly (PCUS) adopted "Investment Policy and Guidelines," providing a statement of the church's social responsibility for the use of its investments.
25.316
The policy statements of the former General Assemblies (UPCUSA) and (PCUS) express a common commitment to mission through use of the church's investments. As such, these statements will serve to guide the MRTI Committee until such time as the General Assembly of the Presbyterian Church (U.S.A.) may adopt its own policy statements.

(This statement was followed by a chart summarizing and harmonizing the operating policies of both constituent MRTI Committees which is available from the New York and Atlanta offices.)

Presbyterian FOUNDATION

Creative Investment Program

Definition and Goal:

Creative Investment is a program to implement the Investment Policy Guidelines adopted by the 183rd General Assembly (1971) through the use of direct investment. The goal of Creative Investment is to invest funds on six continents for the promotion through investment of social concerns expressed by the General Assembly. This represents a holistic approach to investment and will enable a continual interchange and dialogue between those charged with investment responsibility and those involved in mission program development.

Policy:

(1) Up to ten percent (10%)[1] of the endowment funds valued at market held by The United Presbyterian Church in the United States of America, a Corporation[2], for which The United Presbyterian Church in the United States of America[3] itself is the beneficiary shall be made available for creative investments, insofar as legally possible.

(2) The use of such funds for creative investments should not have an adverse impact on the total investment income (yield) derived from the total funds described above.

(3) Final decisions concerning creative investments shall remain with The United Presbyterian Church in the United States of America, a Corporation.

(4) All income generated through creative investments shall be treated as investment income for use in support of mission of The United Presbyterian Church in the United States of America.

Criteria:

In addition to the criteria currently employed by The United Presbyterian Church of the United States of America, a Corporation, in investment of the funds under its care, the following criteria shall apply to funds used in creative investments:

(1) The proposed project investment must meet the goal of Creative Investment outlined above and the need for a financial return on investment.

[1] Amended to 10% from 3% in 1988
[2] the name of the Presbyterian Foundation at that time
[3] the name of the PCUSA at that time

(2) Each investment proposal shall designate a monitoring agent that is capable of periodic review of the enterprise and who shall provide progress reports quarterly. It shall also recommend the source of funds to administrate the investment.

(3) It is desirable that, where applicable, self-determination should be a non-financial benefit from a successful project.

(4) It is highly desirable that the investment should be able to serve as a model with transferable lessons so that other funding sources can emulate that investment and thereby give the United Presbyterian Church some leverage on its activities in Creative Investment.

(5) Proposed equity investments should be liquid after five years and, where possible, should have guarantees of repayment.

(6) Proposed debt investments should normally carry an interest rate of at least sixty-seven percent (67%) of current market rates for the same type of debt. Where possible, security or repayment guarantees should be obtained.

(7) No project commitment will exceed ten percent (10%)[4] of total funds available. Guarantees, etc., will be treated as project commitments.

(8) Deviations from the first two criteria will not be considered. Deviations from the other seven above will be evaluated on a case-by-case basis, as they may arise, in the light of the current health of the Creative Investment program.

[4] Amended to 10% from 5% in 1988