

PRESBYTERIAN CHURCH (USA)
2015-2016 General Assembly Divestment List

December 22, 2015

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:

Alliance One International - AOI	(TO)
Altria Group (Philip Morris) - MO	(TO)
Aryt Industries - ARYT (TLV)	(MR)
BAE Systems - BAESY (ADR)	(MR)
Babcock International - BAB (London)	(MR)
Boeing – BA	(MR)
British American Tobacco Industries - BTI (ADR)	(TO)
CACI - CAI	(MR)
Caterpillar - CAT	(HR)
Chemring Group, PLC - CHG (London)	(MR)
Cobham - COB (London)	(MR)
Corrections Corporation of America - CCA	(FPP)
Cubic Corporation - CUB	(MR)
Doosan - Korea: 000150	(MR)
Elbit Systems - ESLT	(MR)
Finmeccanica - FNC (BIT)	(MR)
General Dynamics - GD	(MR)
GEO Group - GEO	(FPP)
G4S PLC - GFS	(FPP)
Hanwah - Korea:00880	(MR)
Hewlett Packard - HPQ	(HR)
Huntington Ingalls Industries - HII	(MR)
Imperial Tobacco PLC -ITY (NYSE ADR)	(TO)
Japan Tobacco - Tokyo Exchange	(TO)
Korean Aerospace Corporation - Korea: 047810	(MR)
K.T.& G. - “033780”	(TO)
L-3 Communications - LLL	(MR)
Leidos (formerly SAIC) - LDOS	(MR)
Lockheed Martin - LMT	(MR)
Man Tech International - MANT	(MR)
Motorola Solutions - MSI	(HR)
Norinco - 000065Shenzhen	(MR)
Northrop Grumman - NOC	(MR)
Orbital ATK - OA	(MR)
Philip Morris International Group - PMI	(TO)

Poongsan - Korea:103140	(MR)
Qineti: Q Group - LSE:QQ	(MR)
Raytheon - RTN	(MR)
Reynolds American Inc. - RAI	(TO)
Rockwell Collins - COL	(MR)
Saab - Saab B (OMX)	(MR)
SAIC - SAIC	(MR)
Serco Group - SRP	(FPP)
Singapore Technologies Engineering - SGX:S63	(MR)
Swedish Match - SWMA (STO)	(TO)
Textron - TXT	(MR)
Thales - HO Paris	(MR)
Ultra Electronics Holding - ULE (London)	(MR)
Universal Corp. - UVV	(TO)
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.

<u>COMPANY</u>	<u>PREVIOUS RANK</u>	<u>2014 AWARDS (in millions)</u>
Lockheed-Martin	1	\$40,128
Boeing	2	29,000
BAE Systems	3	25,449
Raytheon	4	22,228
General Dynamics	6	18,561

- 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.

COMPANYDEPENDENCY PERCENTAGE

BAE Systems	93.90
Babcock International	57.33
Booz Allen Hamilton	75.97
CACI	74.87
Chemring Group PLC	94.53
Cobham	64.73
Cubic Corp.	60.60
Elbit Systems	98.33
Finmeccanica	53.47
General Dynamics	62.40
Huntington Ingalls Industries	94.67
Korean Aerospace	58.90
L-3 Communications	81.77
Leidos	70.15
Lockheed Martin	90.80
Man Tech International	83.33
Northrop Grumman	79.17
Orbital-ATK	61.67
QinetiQ	70.33
Raytheon	94.47
Rockwell Collins	50.40
Saab	82.67
SAIC	71.80
Thales	51.97
Ultra Electronics Holding	72.67

Note: The source for these calculations is Defense News which annually issues a ranking of the top 100 military contractors worldwide, and includes the percentage of company revenue derived from military contracts.

In tracking the statistics from Defense News over the last five years, the nature of the top 100 corporations has been shifting significantly toward including numerous non-U.S. companies. For example, BAE Systems (a UK company) is now the third largest military contractor, and has a dependency ratio of 93.90%. Harris had been removed from the list last year. However, it acquired Exelis in 2015. Exelis, a spin-off from ITT, had been on the list due to dependency. Harris is now on the wait list as the addition of Exelis revenue will put it over the dependency threshold. Korea Aerospace Corporation now has a 58.90% dependency averaged over three years. It is now on the wait list. SAIC spun off part of its business in a company named Leidos. Both are among the top 100 military contractors, and are over the dependency threshold.

- 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.

Note: Until this year, these statistics were compiled for and published by *Government Executive* magazine. This is no longer the case. However, the Stockholm International Peace Research Institute collects data on arms sales. Initial research confirms that the largest military contractors are also the largest in terms of foreign military sales. With the growing presence of non-US companies among the top 100 DOD contractors, it is not surprising that BAE Systems, a UK company, is the largest seller of military equipment to foreign countries. Its largest customer is the United States. At the same time, the United States remains its number one position as the world's leading arms seller.

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*

None found. At present, there is no warhead production. Maintenance of existing stockpile goes continues through the ICBM Prime Integration Team involving the weapons and the missile delivery systems. The major companies involved are already on the GA divestment list. Interestingly, the Norway Oil Fund (Government Pension Fund of Norway) includes in its screen companies that make missiles used for no other purpose than to carry nuclear weapons, companies that maintain the weapons, and companies that do the nuclear explosion simulations essential to maintaining the readiness of the nuclear weapon (the Fund excludes Honeywell for this reason). Excluded companies for the first two reasons include GenCorp., BAE Systems and EADS NV, Finmeccanica, SAFRAN SA, and Serco Group PLC.

b) *chemical and biological weapons*

None found.

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.”)

Company

Aryt Industries

Doosan

Hanwah

Lockheed Martin

Norinco

Orbital-ATK

Poongsan

Raytheon

Singapore Technologies Engineering

Textron

Vishay Intertechnology, Inc.

Note: The Convention on Cluster Munitions (CCM) categorically bans the use, production, stockpiling and transfer of cluster munitions. 97 countries have signed the CCM, and 57 have ratified it so it entered into force on August 1, 2010. The United States has not signed. Several countries that have signed the Convention on Cluster Munitions have banned investments in companies producing cluster munitions. Research into other possible manufacturers continues.

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.

SOURCES: *Human Rights Watch; U.S. Department of Defense; Defense News; USASpending.gov; Stockholm International Peace Research Institute; Pax Christi Netherlands*

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 most recent data revealed the following top ten companies:

	Company	Average Revenue in millions of US dollars
1	Philip Morris International Group (PMI)	31,252
2	British American Tobacco (BTI)	25,312
3	Japan Tobacco (2914)	18,635
4	Altria Group (MO)	17,582
5	Imperial Tobacco (ITY)	11,471
6	Reynolds American Inc. (RAI)	8,270
7	K.T. & G. ("033780")	2,564
8	Universal (UVV)	2,502
9	Alliance One International (AOI)	2,253
10	Swedish Match (STO)	1,003

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).

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.

Japan Tobacco acquired Gallaher Group in April 2007. Its tobacco revenues for the last fiscal year were down substantially.

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.

For more information about these policies, and other MRTI activities including Corporate Achievement Awards, proxy voting recommendations, dialogues with corporations and socially responsible investing, please contact Rob Fohr, Associate for Mission Responsibility Through Investment, at 888-728-7228, ext. 5035. Fax is 502-569-8963. E-mail is Rob.Fohr@pcusa.org.