

Ethical Investment: Report by the Ethical Investment Advisory Group (GS 1604)

The Chairman: I will ask Mr John Reynolds, chairman of the Ethical Investment Advisory Group, to address the Synod under SO 112.

Mr John Reynolds: The Ethical Investment Advisory Group sits somewhere at the centre of the Church's mission to the corporate world, and I am going to take members through four key points: a brief explanation of the rôle and constitution of the EIAG; engagement with companies; four recent case-studies or examples of our activities; and details of how we are increasing our activity in the corporate world.

First, the rôle and constitution: the EIAG develops and co-ordinates ethical investment policy for the three Church investment bodies: the Church Commissioners, the CBF Church of England Funds and the Church of England Pensions Board. The Group includes representatives from these three bodies, the Archbishops' Council and the Council for Mission and Public Affairs, as well as representatives from the General Synod. The Group has theological understanding at the centre of its work and seeks to promote high standards of corporate behaviour and the principles of integrity, accountability and transparency.

We realize that we need to have a two-way communication with the rest of the Church. This communication takes a number of forms: we publish an annual report which is not solely financial; reports on the individual policy issues we examine are available on the Church of England website; and, very important, we offer to parishes, dioceses, cathedrals and other Church of England agencies advice, advice which includes screening existing investment portfolios to assess whether they comply with the Church's ethical investment policies. Any Church body – here is a blatant advert – with an interest in discussing this service can contact Neville White, the EIAG's secretary.

In total, the Church has shareholdings in many hundreds of companies. The top 20 holdings alone are in companies with a combined market capitalization of £900 billion and with two million direct employees. The influence of these companies is even broader through their relationships with their suppliers, their customers and their sub-contractors. One key aspect of our rôle is to screen for those companies where investment would be inimical to the Church's mission. Such areas are kept under review to ensure that our thinking and policies take into account changes in the companies concerned and remain relevant.

Let me turn to engagement with companies. Although the EIAG may be best known or recognized for 'banning' investments, in the vast majority of cases companies are keen to engage in a dialogue on a range of ethical and governance issues. The boards of these companies welcome dialogue. Why? There are two reasons. First, for many there is a clear desire to behave in a responsible and long-term manner, and the EIAG's view on governance carries a lot of weight. Having myself advised the boards of many major companies over the past decade, I believe that it is genuinely difficult to serve God and Mammon. There can be a very real tension and a real need to wrestle over the major conflicts where ethical issues arise. Second, in the world post-Enron and post-WorldCom, there is increasing legal risk to the directors of companies, which has changed the balance of risk in decision-making even in companies which would not previously have set business ethics or governance at the forefront of their agenda. This is especially the case for those companies with shares or other securities listed in the US, where standards are particularly demanding, especially in relation to Sarbanes Oxley, the statute put in place in the wake of Enron.

There is now a plethora of sometimes conflicting corporate governance reports – Higgs, Cadbury, Greenbury – as well as a number of vocal investor protection groups. However, I would seriously question whether adherence to a code can ever really improve governance or, rather, it puts in place a tick-box, compliance culture. Such a legalistic or formulaic approach to governance will inevitably miss the true spirit of ethics.

Why should the Church engage on these issues with these companies? Where the Church has assets invested we have an obligation to be good stewards, as is illustrated in a number of places in the Bible, including the parable of the talents. We are also exhorted to provide moral guidance: II Corinthians IV.2: reads 'we would commend ourselves to every man's conscience in the sight of God'. For the many companies seeking a discussion on ethical issues, we have a duty to offer consideration of their policies as these companies wrestle with complex dilemmas; for those not seeking to act in an ethical way we also have a duty, in this case from our stewardship perspective, to endeavour to engage in active dialogue to seek to bring about adoption of ethical behaviour.

There are two reasons why the Church is uniquely placed to provide an authoritative voice on these issues, both of which relate to the basis of our ethical thinking: first, the Bible and theological reflection and analysis and, second, our ability collectively to gain understanding through prayer and contemplation. This is why Hans Urs von Balthasar described the Church as 'the medium of knowledge'.

Let us move on to some case studies. I want to take four specific examples of how the EIAG has been involved with companies in which the Church has invested. First, GlaxoSmithKline. Amanda Young has worked with GSK to develop a policy relating to the fast-moving field of stem cell research. The next stage for the EIAG is to propagate our policy among smaller biotech companies active in the field so that we can set an accepted ethical standard for human embryo stem cell research. On HIV, the Group contacted 30 FTSE 100 companies with respect to HIV/AIDS. This focused not just on employees but also on suppliers and contractors. Many of the FTSE 100 have significant workforces in Africa or parts of Asia where HIV is prevalent. Our research enabled us to identify leading standards in this area. We have used this knowledge to engage in discussion with some companies whose policies are less well developed. This has already resulted in one of the UK's largest companies, with a global presence, thoroughly reassessing its own policy with respect to HIV/AIDS. On Sunday trading, we are currently actively engaged in the debate over the deregulation of Sunday trading. This has included discussion with the chairmen of major supermarket groups and correspondence with the Secretary of State. The Church believes that further moves to deregulate Sunday trading are unwelcome, and the EIAG is able to play a rôle in supporting the Church's message.

Our most demanding involvement over the past year has been Caterpillar. Caterpillar earth-moving equipment acquired by the Israeli Government has been used in the past to demolish Palestinian houses. We were able to engage in a constructive dialogue with all sides, including a detailed exchange of letters and a number of meetings with Caterpillar as well as Palestinian, Jewish and Israeli groups, War on Want and others. After extensive investigation and discussion, we determined not to exclude Caterpillar from investment. Although there are no current sales of Caterpillar earth-moving equipment to the Israeli Government, we continue to monitor Caterpillar closely and the company has agreed to engage in a regular, on-going dialogue with us. Members will not need telling just how difficult the issues are, and may imagine how much of Neville White's time this took.

What connects these issues for us is that they are all in areas where the Church should have a voice. The EIAG can give a voice to the Church directly to the boards of the companies concerned, and an unashamedly theological and biblical voice.

Finally, increasing our impact: the EIAG is already actively involved in debate on ethical and moral issues with the boards of major companies but this process can be taken much further to enable the Church, through the EIAG, to have a major impact on a more proactive basis, and to take part in the process of fulfilling our responsibilities for both mission and stewardship.

We now plan to increase the focus on the areas where we are able to exert influence, through increasing the intensity of our interaction with the top 20 to 30 companies in which the Church, through its investing bodies, has investments. This will be based on more regular, high-level meetings to review a detailed agenda of ethical and governance issues, including policies on the environment, HIV, supply chain and other labour issues. Our aim is that by influencing the market leaders in their fields new policies implemented by these companies will become established by suppliers, customers and their competitors.

The corporate world is large, powerful and affects all of us. In the UK, of a total working population of just under 29 million people, over 21 million work for private sector companies. In nearly all cases, the

boards of major companies want to engage in their activities in an ethical way. As part of this, they welcome engagement with the Church through the EIAG. Collectively, the Church's investing bodies are, I believe, the UK's largest ethical investment fund. This gives us an unparalleled voice and an ability to set the agenda on ethical and governance issues with the companies in which we have investments. Our dialogue is based on a combination of detailed understanding of corporate behaviour, investment principles and theological reflection and argument. We can change – and have changed – corporate behaviour. Our voice is clear, unashamedly Christian and an integral part of the Church's mission.

The Bishop of Worcester (Rt Revd Peter Selby): I beg to move:

‘That the Synod do take note of this report’.

My remarks are purely formal at this point, except in one respect, and that is that I think Synod will have discovered what John Reynolds can do in six weeks in office and therefore will join with me in looking forward to what, out of his experience and energy, theological and commercial, we can expect to gain. So I am sure Synod will want to welcome his appointment and this beginning to his work. (*Applause*) With that, and in anticipation of members' vigorous participation in this debate and our opportunity to note their questions, I move.

Mr Aiden Hargreaves-Smith (London): I wish to welcome this report and commend the work of the EIAG as a steward of the Church on ethical investment matters and adviser to the Church Commissioners, the Central Board of Finance and the C. of E. Pensions Board. It is clearly essential that, if the Church is to practise what it preaches, we need such a group to help ensure that the Church's investments are made carefully, responsibly and with integrity. It was particularly good to have the EIAG's statement of ethical investment policy appended to the report, and I would like to draw out a few words in the second paragraph, which says, ‘We seek to invest in companies that will successfully develop their business financially in the interests of their shareholders, but which also demonstrate responsible employment and best corporate governance practices, are conscientious with regard to environmental performance and human rights and act with sensitivity to the communities in which they operate’.

In the context of these aims, I would like to ask the Group what advice has been given to the Church Commissioners in respect of its holding in Anglo-Dutch Shell. I, like a number of other members of this Synod, am an associate member of the Ecumenical Council for Corporate Responsibility. The ECCR, like the EIAG, does sterling work at the interface of ethics and corporate affairs, and I would draw to the attention of members a letter from the ECCR, written by a former member of this Synod, Canon Christopher Hall, a copy of which is in every diocesan tray. In a recent report the Council identified key ethical issues that Shell is not addressing. In particular, it looked at Shell's failure to carry out effective and complete environmental and social impact assessments at new developments or modifications to existing facilities, in contravention of its own guidelines, and its failure to develop and abide by memoranda of understanding with local communities. My question is, I believe, thrown into rather stark relief when one takes into account two simple facts. First, the Church Commissioners are reported to hold shares in Shell worth in excess of £65 million. Second, Shell last week announced profits for 2005 of more than £13 billion. I do not have the precise 2004 figure: a few billion less, but what is a few billion between friends?

I am delighted that it is the Bishop of Worcester who has moved this motion. As a Church Commissioner, he is in an ideal position to seek to influence the approach of the Commissioners to their investments. I would just like to ask him if he will urge his fellow Commissioners to join him in supporting a shareholder resolution being co-ordinated by the Ecumenical Council for Corporate Responsibility. The resolution calls on Shell to achieve significant improvements in the quality of its risk analysis, social and environmental impact assessment and community consultations, and to implement vigorous policies and independent assessments when proposing untested technical solutions. I would have thought £13 billion might comfortably cover it.

Revd Canon Dr Chris Sugden (Oxford): I wish to contribute a suggestion to Synod and to the Ethical Investment Group. At the Lambeth Conference in 1998 conversations were arranged between the senior directors of the Shell oil company and the bishops of the Church of Nigeria. The delta region in south-east Nigeria was ravaged by the oil companies and the compensation offered, according to their annual

report, was minimal: in the area of something like £200,000. Shell pleaded that, if they paid the financial compensation that was adequate, there was every possibility that it would mainly line the pockets of the wrong people and bring no benefit at all to the population of the region. The bishops of the Church of Nigeria offered to work with Shell and the people of the region, to be a channel and a catalyst for delivering activity that really did bring benefit to people in the affected region through such mechanisms as schools, community groups and so on. May I therefore commend to the Ethical Investment Group that it will, as a matter of course, be in close contact directly with bishops and Churches in regions where ethical investment is being used to challenge injustice and promote good works? We need joined-up thinking, and the international partnerships that our Communion provides, to maximize the impact that our concern can have by working with Christians on the ground in these areas.

The Archdeacon of Worcester (Ven. Joy Tetley): In the context of thanks for this report, just a very brief comment and a question. I begin with a text now being confidently proclaimed by one of our leading high street stores: 'There is nothing woolly about our commitment to animal welfare'. A few weeks ago our diocesan investment and glebe committee was addressed by someone connected with the Ethical Investment Advisory Group. When asked whether the Group had considered issues to do with animal welfare, his response was twofold: No, because no-one had asked the Group to do so; and No, because it was too controversial an issue and discussing it might have undesirable consequences. He was left in little doubt that this response evoked consternation and dismay in at least one member of that committee. So I now ask for clarification and, if possible, some reassurance. The request is not to urge a particular outcome, merely to clarify process and indeed to ask that this issue might appear on the Group's agenda.

In many respects the issue of animal welfare matters, and matters critically. I find it difficult to believe that the EIAG would shy away from such an issue simply because it arouses strong and potentially dangerous passions. Many other things do, as we have already heard this afternoon. All the more reason, then, to do some rigorous – not woolly but rigorous – thinking about it. Two areas immediately come to mind which might potentially affect investment: animal experimentation and factory farming. Has the Group looked at these? If so, with what outcome? If not, why not? The Church surely has a responsibility to consider the well-being of non-human animal creation. Major theological and ethical issues are involved here, not least in relation to a God who, as the psalmist puts it, saves both human and beast, is the creator of both and will indeed ultimately hold humankind to account for our stewardship.

The Bishop of London (Rt Revd Richard Chartres): There is certainly a good deal of enthusiasm for that speech from our friend the hearing dog, lying here in the front, but it is a very serious issue.

I would particularly like to commend the report and the presentation because we have been moved on from a rather negative view of ethics in investment, a view which really focuses on refraining from investing in various things, to a much more positive view, and engaging with large companies in some of the issues that have already been mentioned is certainly part of that more positive approach. I wonder, however, whether we ought not to go even further in our positive approach and actively seek out and commend investment vehicles which do correspond with some of our aspirations as a faith community. The Group is now in alliance internationally with the Inter-Faith International Investment Group (3iG), and that is a very important aspect of this subject. It is not only – I entirely agree with previous speakers – that we ought to be making common cause with bishops in Nigeria and other places but this is one of those subjects where we can make progress on an inter-faith basis and internationally. It is estimated that about six per cent of all the investment capital in the world is in the hands of religious bodies; this is potentially a very significant constituency indeed.

I would like to look, particularly in the field of the environment, at finding investment vehicles which give a reasonable long-term return to those who are the beneficiaries of our various funds but actually achieve some of our objectives as a faith community in faith-consistent investment. I would just like to draw attention to two things very quickly. One is that the UK produces about four per cent of its energy needs from renewables; that is rather less than the much-criticized United States of America or China. If we really want to make an impact, it is not only engaging with large companies; it is finding ways of having an impact on that situation. The second thing internationally is that the Church of Sweden, the Church of Norway, Harvard University, are engaged with the Anglican diocese of Niassa in northern Mozambique in a reforestation programme; the Soviets cut down a forest on the Lichinga plateau and

there is a real hope of developing, in the interests of the local community, a new forest with all sorts of other surrounding facilities, like a furniture factory et cetera.

What I am pleading for is a further extension of the proactive approach in ethical investment: the search for vehicles which can provide faith-consistent investment which provides a modest long-term return but also is consistent with our policies as a faith community.

The Chairman imposed a speech limit of three minutes.

The Archdeacon of Newark (Ven. Nigel Peyton): I want to congratulate the Group on this report and urge us all to support it warmly. I speak as a member of our diocesan finance committee and its investment group. Three weeks ago we held a beauty contest for three firms of investment brokers. Why? Because we were seeking to increase what our investments were doing (because we need the money) and we felt we ought to be more proactive and ought to review the kind of advice that we were getting. As we were doing that, we became aware that at least two of these companies were familiar with ethical investment and with the work of this Group. One firm, in particular, engaged us in what I can only describe as a robust theological discussion about the difference between disinvesting, avoiding and engaging with public and other companies. We need to exercise good Christian stewardship of our money and therefore for an ordinary diocese like ours ethical investment considerations are very important. So we were very grateful for the help that we received and we will be making an appropriate decision in due course.

I became aware when we listened to one of the firms – the one we eventually chose – that there are other people active in this field. We have heard a bit about the ecumenical and inter-faith opportunities for co-operation on these issues of ethical investment, but clearly there are other ethical investment action groups, more secular ones, and I would like to know from the Group what contact it might have with them.

I was very interested in the four case studies, but may I suggest a fifth? What about banks? What about the financial services industry whose domestic and overseas activities sometimes engage with companies and regimes about which we might wonder? What advice would the Group give us in that area?

It is important, is it not, to invest ethically, and I am really pleased that what used to be a rather marginal topic has become thoroughly mainstream. It is important that we engage with companies and, in the light of the previous debate, achieve good returns on our limited resources.

I would like to thank the Group for a particularly user-friendly and crisp report which is very easy to use in our dioceses, and I warmly commend it in its continuing work.

Mr Mark Russell (Archbishops' Council, Ex-officio): I want to begin by echoing the previous speaker and commending the Group for this lucid report. As someone who has absolutely no knowledge of financial matters at all, I found it easy to read and easy to understand.

One of the things I have learnt in Church is that a policy can look great on a page, it can eloquently express a carefully held view and perhaps a negotiated compromise but where it hits the road is when it is put into practice. I just want to make a couple of points on this policy and in doing so I want to begin by commending the different bodies in our Church, not least the CBF and the Commissioners, for the way in which they have invested and have achieved significant returns which have enhanced our ministry to this nation. However, our challenge here is to use our assets wisely. The parable of the talents in the New Testament makes very clear, and Jesus told us, that we need to invest properly. Of course that can be applied to spiritual gifts as well as material. In other words, our investments should show love, promote the Gospel and protect the vulnerable as well. So I would encourage the EIAG once again to look back at Caterpillar.

The chair of the Group mentioned the work of Caterpillar in producing bulldozers. I want you to imagine that you are living in a small village in Palestine. I want you to imagine that you are having a quiet evening and suddenly 53 tonnes of metal head towards your house, four metres high and eight metres long, with a powerful front-fitted blade and a rear ripper blade; it is as tall as a double-decker bus and heavier than a tank. This is a weapon, and it is used as a weapon by different governments

across the world. May I encourage the Church to do a little bit of joined-up thinking? We spent a significant amount of time discussing terrorism at our last meeting. What are the causes of terrorism? In my speech I said that we should be tough on terrorism and tough on the causes of terrorism. I said that we should think very carefully. What motivates a teenager to bomb? Perhaps it might be when he has seen one of those heading towards his house. Perhaps it might be when he considers whose money has paid for it.

The second point I want to make on our investment policy is that perhaps we need an ethical disinvestment policy. To take the topical example of the disposal of houses over the course of the past week, where were our ethics in that disposal? Where were our ethics in listening to the views of residents? Did we take account of the views of local clergy? Did we consider the impact on the ministry of the Church in that area? Did we think ethically? May I encourage the Synod to take note of this report absolutely and also to support the motion standing in the name of the Bishop of Southwark, that EIAG and its policies may be at the centre of our investment practice and not merely a fig-leaf to hide our modesty behind on occasions like this?

Mr Paul Eddy (Winchester): I welcome this report and also the proactive rôle of the Group. I also very much welcome the assurance given to Synod today by the chairman in relation to Caterpillar, that there are no current sales of the demolition machines that Mark has just mentioned. I would like to ask the chairman if he is going to take up the Bishop of Jerusalem's urgent request for him or members of his Group to visit, to see the destruction by those 100 Caterpillar bulldozers of the Israeli army, and will he be going soon?

Mr John Freeman (Chester): On a point of order, Madam Chairman. I beg to move:

‘That the question be now put’.

This motion was put and carried.

The Bishop of Worcester, in reply: This is good news. It is good news about a piece of work that has been pursued over some years now and where one thing has led to another. We are a very different Group, working very differently, from when I was first privileged to join it. Part of the reason for that is the welcome that it has received throughout the Church and the discoveries that we have made (including this afternoon) of the wealth of interest and experience that can be found in a synod such as this. I am very grateful to all who have participated in this debate, and I hope that they will understand if I do not have time to reply to them all. It has of course been foreshortened – and there is a message in that – by the two following motions, and that is the way it should be. Ethical investment leads you into new areas of thought, requires you to think about things you had not thought about before, and awakens items in people's consciousness which you do not know they are thinking until they tell you. So I am very grateful for all those who have said, with whatever degree of criticism – and that is perfectly fair – that there are lots of things we still have to do.

I am very grateful, for example, for the comment of the Archdeacon of Newark about the need to look at the financial services industry. I am grateful for it because it was a comment that I made to the Group some while back, and we did investigate, for instance, the home loans industry, which produced a recommendation for disinvestment from Provident Financial. That is just an example; there is much more work to do about that in a society which becomes increasingly credit-burdened.

The Bishop of London has himself led an enormous increase of interest in environmental issues in the Church, for which I am hugely grateful and we are doing our best to keep up with him. The 3iG initiative is a key example of something that we have felt able to join ourselves with and which will itself lead us into a whole range of new issues that we need to look at.

The Archdeacon of Worcester asks me a challenging question – a new experience for me! – and I concur that it is absolutely correct to say that animal welfare has not figured as much as it should have done in the work of the Group. I do not think that she need expect that we shall always avoid controversy – much as the diocese of Worcester always tries to avoid controversy – but I do think we will approach this, for instance, through our on-going engagement with the supermarket industry. That is a really important issue which affects all of us, which is a source of very considerable power in our economy and where we need to be very much in touch.

All I can say to the opening two comments from Aiden Hargreaves-Smith and Chris Sugden about the work of the oil companies is that I shall value very much any offer that either of them makes, but particularly Mr Sugden and his African contacts, that would enable us to do some work about getting together with agencies elsewhere that deal with investment issues. Those are really important questions and I would cite as a similar example the visit of the Bishop of Alaska to lobby BP where he entered into a relationship with our Group. That whole international co-operation issue is of key importance.

This is a very encouraging story but it leads us into some difficult places. I refer to Mark Russell's speech about the two following motions. I have to say to the Synod that our engagement with Caterpillar and our decisions about it were the most searing and difficult that I can recall, and the Group has to be enormously grateful – and so do you – for the way in which Neville White, in particular, engaged over a very long period and through many hours with every lobbying and pressure group, which led to a situation at the end of our process where we made a decision which was to continue to monitor the situation and to bring it back on to the agenda very quickly if there were any further sales to Israel of Caterpillar machines. What was good about it was that War on Want, who disagreed with our conclusion, nonetheless believed that it was a valid and proper process in which they had been thoroughly listened to. I have to say – and this will lead me to my main concluding point – that that is in marked contrast to what I fear is going to be said about the Assets Committee's engagement with the Octavia Hill residents. That is a process about which I do not think we can be proud.

I make that point, not because I have time to comment on the whole of that issue and about the nightmare of the meeting which I sat through last Friday, but because in ethical investment process is all. Process and the integrity of process, the entry into other people's experience, into what they are actually thinking, is really important. If I may say so, in relation to Caterpillar, the Bishop in Jerusalem entered into dialogue with us in an immensely effective way by asking what our policies were and how we had developed them, and that dialogue took time. I do not complain about that because he has many other things to do, but his conclusions came to us after we had reached the provisional recommendation that we have made, and I have absolutely no doubt that it will come back on to our agenda and we shall have to look again. This is work through which God leads from issue into issue and further and further forward, and the Synod should be very proud and glad that we have people of enormous quality serving this particular investigation.

I want to say one thing in conclusion. I hope that the Synod will note this report and will be glad about this work but I want members to know that they must not be complacent in expecting that there will be an Ethical Investment Group or policy. In the process which I have described as a nightmare of the Assets Committee last Friday, there were dark hints dropped, after it had said that it was not actually obliged to listen to anybody else, whether Archbishop of Canterbury or tenant, about the need to re-examine the cost of the ethical investment policy and review it. If members of Synod want an ethical investment policy, they will have to support it, campaign for it, pray for it, and they may indeed have to be prepared to pay for it. This is where the rubber, as we were told, hits the road, and I hope that at that point the Synod will not back away.

The motion was put and carried.

Mr Keith Malcouronne (Guildford): I beg to move:

‘That this Synod

- (a) heed the call from our sister Church, the Episcopal Church in Jerusalem and the Middle East, for morally responsible investment in the Palestinian occupied territories and, in particular, to disinvest from companies profiting from the illegal occupation, such as Caterpillar Inc, until they change their policies;
- (b) encourage the Ethical Investment Advisory Group to follow up the consultation referred to in its report (GS 1604) with intensive discussions with Caterpillar Inc, with a view to its withdrawing from supplying or maintaining either equipment or parts for use by the State of Israel in demolishing Palestinian homes et cetera;

- (c) in the light of the urgency of the situation, and the increased support needed by Palestinian Christians, urge members of EIAG actively to engage with monitoring the effects of Caterpillar Inc's machinery in the Palestinian occupied territories through visiting the Episcopal Church in Jerusalem and the Middle East to learn of their concerns first hand and to see recent house demolitions;
- (d) urge the EIAG to give weight to the illegality under international law of the activities in which Caterpillar Inc's equipment is involved; and
- (e) urge the EIAG to respond to the monitoring visit and the further discussions with Caterpillar Inc by updating its recommendations in the light of these'.

I should first like to add my thanks to John Reynolds for his clear and focused address to us this afternoon.

I have tabled this following motion to encourage the Ethical Investment Advisory Group to continue and to intensify its monitoring of the involvement of businesses like Caterpillar in the on-going conflict and displacement of people and communities in Palestine. This reflects concerns in parishes in my own deanery of Runnymede but also of some earlier speakers this afternoon.

I expect that we are all conscious of the heightened tensions in Israel and Palestine at this time, following the recent election of Hamas to run the Palestinian authority and the pending elections in Israel with the Prime Minister, Ariel Sharon, now incapacitated. We also recognize that this on-going conflict involves atrocities on both sides, with the terror of suicide bombers as awful as the destruction of Palestinian homes, schools, farms, wells, roads, orchards and ancient olive groves.

The EIAG is charged with promoting ethical investment and helping the Church and Christians generally to use our economic influence for good rather than evil. Caterpillar bulldozers have been used by the Israeli military since 1967 to consolidate their occupation of the Palestinian territories, but to increasingly ruthless and devastating effect since the construction of the dividing wall or fence through Palestinian territory, which has involved the on-going forcible displacement of hundreds of thousands of Palestinians. No self-regarding modern business would want to be implicated in these events, and I understand from answers given to the EIAG, which have been mentioned this afternoon and were reported to a Synod fringe meeting back in November, that Caterpillar say they have not sold to the Israeli military, only to the US military, who then use them in their foreign military aid programme. Likewise, they say that they have not sold any for this purpose since 2001 - although the picture on the ground can look different - and that they have not helped to adapt their D9 bulldozers for the Israeli military (although the rear ripper blade does seem an integral part of that particular design, which seems unnecessary for construction site use). There are other adaptations that the Israeli military have obviously put in place themselves. I ask the question: are there no on-going spare parts required or supplied for these 100 D9 Caterpillar machines?

As has been mentioned, the EIAG has been invited by the Anglican Bishop of Jerusalem, Riah Abu el-Assal, and by Canon Naim Ateek of the Sabeel Ecumenical Centre, to visit Palestine to learn of their concerns and to see recent demolitions at first hand. This act of solidarity with our Christian sisters and brothers would be welcomed, even if it could be shown to them that Caterpillar's involvement is now at an end and no further purpose would be served by what would then be purely punitive disinvestment.

I would also encourage the Ethical Investment Advisory Group to keep watch for other situations in the world where Western-manufactured machinery may well be acquired for use in human rights violations and massacres, including the wholesale destruction of so-called illegal homes in Zimbabwe last year which appeared also to use Caterpillar equipment, and the razing of internally displaced people's settlements around Khartoum, something which was rather overshadowed by the events in Darfur. We refuse to invest in armaments manufacturers and we need to continue to keep watch that we do not profit from the sale of other machinery for equally destructive purposes.

This morning I received the following message from Bishop Riah when he learnt of the motion going forward to our debate today. He says, 'I'm saddened to witness less courage within our Church than one would expect. Both time and energy have been spent on issues such as human sexuality. But non-violent instruments, such as disinvestment from companies that produce death rather than life, do not

seem to get the same attention. No wonder the Church is losing credibility in many parts of our world. The Elijahs are absent and the voiceless wait in vain for the church Synods to be their voice. Need the Church wait until there are no homes and no trees for our people to wake up to tell the Ahabs of today that Naboth is but another child of God and deserves to lead a life with dignity and secure enough that those bulldozers will not reach his home?’

Dr John Dinnen (Hereford): I want to support this motion that Keith has just put forward on the Caterpillar issue. I will not go over all the ground that we have already heard gone over as it were, but members may notice that mine is another Northern Irish accent; and I feel that we are a bit attuned to some of this conflict between two groups of people by our origin over there. I am not as fluent as Mark so I shall not attempt to compete with him.

My starting-point was really to look at this document, GS 1604, which is very good and very clear. Initially, I was dismayed that there was only one sentence about the Caterpillar issue, but that has obviously been well and truly amplified in the discussion so far. When you go to the second half of the document, when you come to the definition of the areas where investment is banned, or whatever word you want to use, it lists armaments and weapon platforms and weapon systems and, from what Mark and others have said, these bulldozers, which are heavily armoured and are used to destroy buildings, have machine guns fixed on them and really are forms of weapon, I think. Others may take a different view, but if you were crushed by one of these vehicles you might regard it as a weapon.

As regards the scale of the problem, in the fringe debate in November - when I think I may have been the only member of the audience who was not involved in the debate about Caterpillar - John Reynolds said that there were about £2.2 million-worth of shares invested in Caterpillar on behalf of the Church of England, so it is not a trivial amount. I would ask General Synod and all the people we have been hearing about, pensions, all the members of the Church of England, employees, pensioners, just to think about that £2.2 million invested in Caterpillar.

One of the items in the motion that Keith has moved calls on the EIAG to visit Palestine and see what is going on. I would urge all members of Synod to try and do that, for two reasons. One is the fact-finding thing and the other is to support the community financially. What impressed me on a visit that I made there last year was that, in a party of 25 of us from the British Isles and North America, one-fifth were Jewish or of Jewish ancestry, so it is not anti-semitic to be drawing attention to the problems in Israel-Palestine. One of our most impressive contacts was Professor Jeff Halper who I gather shared a platform with Archbishop Rowan at Greenbelt in 2002, and as well as talking about the walls and the destruction of property Jeff Halper impressed on us that disinvestment – or divestment, which I gather is the American equivalent – was something that he was urging on people, to use as a lever against Israel. Somebody else put it that we should encourage the Israelis as our brothers to look again at this issue, rather than as enemies. I gather that Jeff Halper has been nominated by the US Quakers for the Nobel peace prize, which is about to be announced this week. One of the other impressive people was Canon Ateek of Sabeel. He was a kind and gentle person. Sabeel is an ecumenical group in Jerusalem, and he again is quoted in the paper in members’ baskets outside. I gather also that the Presbyterian Church in America has disinvested from Caterpillar, though I am open to correction on that.

I was going to finish by asking us not to wash our hands of this issue but to remember what these people who are on the ground and are affected are appealing to us to do. I think it would be unkind to the EIAG to say that it has been washing its hands, having studied this, but I would like Synod to support this motion and ask the EIAG to have another look at it, and speak to the people on the ground; and I would urge as many people as possible to visit Palestine and Israel.

The Bishop of Chelmsford (Rt Revd John Gladwin): I support this motion and I also was very encouraged by the Bishop of Worcester’s remarks in summing up, so whatever we do, it seems to me, we are going to persist with this issue. It is vital that we, corporately and individually, when we are considering issues of investment, invest only in those agencies which contribute to the common good. We have got into a habit in our society of thinking that investment is about making profits and money; those are second order issues to the fundamental issue for Christians in investment, namely the use of our resources for the common good. So all the issues that have been raised about Caterpillar I support entirely, and I must declare an interest: I chair Christian Aid and I also am president of the English Sabeel.

I want to make a second point. This motion and the comments of the Bishop of Jerusalem and Naim Ateek are a sign of despair. Caterpillar may be a company that is being used for dreadful purposes across the world, but the problem is not Caterpillar; the problem is the political situation in the Middle East, and it is the Government in Israel who are demolishing homes and have done so for a very long time. We must make sure that we identify the issue. The statement of despair is that people feel that the political situation is so unshiftable that we have to focus on Caterpillar and on our investments. It is very important that we say here in the West to our political leaders that we have had enough of their prevarication in relation to the issues in the Middle East, in Palestine and in Israel. The failure of the Government in Washington and, to a measure, I have to say, our own Government, to put real energy into the complex process of finding a just and honourable peace in the Middle East is one of the reasons why houses continue to be demolished and Caterpillar bulldozers continue to be put in.

I support the motion, but let us not be deceived that this is going to sort the issue out.

Mr Barry Barnes (Southwark): On a point of order, Madam Chairman. Are we to have a financial statement in the light of part (c) of the motion, which urges the EIAG to visit?

The Chairman: I am going to call another speaker first, and then I will invite a member of the Council, if they wish, to comment on that point of order.

The Bishop of St Albans (Rt Revd Christopher Herbert): I am the national chairman of the Council of Christians and Jews, and it is therefore my privilege to spend time with various sections of the Jewish community in this country on behalf of our own Church and on behalf of ecumenical friends and partners. I use the word 'privilege' not lightly but profoundly. Members of Synod may not know, because this is not known in general, that there is in fact a wide variety of views within the Jewish community about the nature and purpose and behaviour of the State of Israel. That is a fact. It is also a fact that that variety of views within the Jewish community in this country is echoed within Israel itself. There is not one single voice, one single Jewish voice, on Israel, and it is unhelpful and inaccurate to suppose that there is. What there is unanimity about within the Jewish community, however, in this country is their belief and hope that, when Christians discuss the current situation in Israel-Palestine, we should be entirely aware of the points of view (in the plural) of Jewish people in this country and Israeli Jews, and never, ever discount or ignore those voices. I note that the word 'Jew' has not been used once in this debate.

What there is also unanimity about within the Jewish community is their belief that, when British Christians discuss the situation in Israel-Palestine, our Christian understanding of the historical circumstances which surrounded the creation of Israel should be on our agenda. We seem to fail to recognize the major rôle that our country played in the creation of the State of Israel, from the last decades of the 19th century to the Balfour Declaration of 1917 and in the period of the British Mandate. If anyone wants to read a wonderful book about the British Mandate, please read Tom Sigad's book *One Palestine, Complete*, so-called because, when the Mandate handed it over, the chap doing it from the army came to attention, passed the document over and said, 'Sir, one Palestine, complete'.

The motion standing in the name of Mr Keith Malcouronne rightly and understandably highlights the perspective and the needs of Palestinian Christians, but I regret to say that because it does not mention or acknowledge a Jewish or Israeli perspective – or perspectives, which would be more accurate – I do not think that, as a motion, it is as well balanced as it should be. What would be really positive as a result of this debate would be for parishes, deaneries and dioceses to determine both to listen to the voices of Palestinian Christians – of course we should and we must – but surely we should and we must also listen to the voices of the Jewish community in this country. That way, real understanding may grow.

I commend all that the EIAG does to try to hold all these very complex issues together. If we fail to understand the complexity, I regret to say that ultimately we shall be failing in our duty as Christians, not only in relation to our Christian Palestinian brothers and sisters but also to all the peoples of Israel-Palestine.

Mr Michael Chamberlain (Ex-officio): A financial statement has not been prepared in respect of paragraph (c) of the motion. I believe that any modest cost that might follow from this would be accommodated within the EIAG budget.

Mr John Freeman (Chester): On a point of order, Madam Chairman. Would you accept a motion for closure on this item?

The Chairman: I will not take a motion for closure just yet.

Before we proceed further, I should remind the Synod that we are due to complete the business before us by 7.00 p.m. Under SO 14(e) I may, with the general consent of the Synod, extend the sitting by not more than 15 minutes. In order that we may complete this business, I propose an extension of the sitting of not more than 15 minutes. Does the Synod give its general consent for this?

The Synod withheld its general consent.

Mr John Freeman (Chester): On a point of order, Madam Chairman. Would you accept a motion for closure on this item?

The Chairman: Not just yet.

Revd Simon Butler (Southwark): I returned from Israel and Palestine about two weeks ago. Among my beautiful photographs of the Church of the Holy Sepulchre and the Mount of Olives is a picture of the wall, going into Bethlehem. On the wall the Israeli Ministry of Tourism have put a large banner, presumably for tourists, saying 'Peace to you all'. Those of us who drove through it could not fail to see the irony of this, and it is a double irony because, as I recall my digital photograph now, I remember that just at the side appeared a large Caterpillar tractor. This to me seems to double the sense of irony.

In supporting the motion, I just wanted to point out that, in our theology and understanding of sin, acts have consequences. It is all very well for Caterpillar to say that they are no longer investing, but their tractors and their bulldozers are still there. Acts have consequences.

Mr Jacob Vince (Chichester): I did not prepare a speech on this subject, but I was very disturbed about the imbalance in how the debate has gone on in respect of Israel. I think we have to look at a very long-term view here. I have no doubt that Caterpillar trucks were used to demolish settlements in the Sinai. I do not think one person has mentioned the fact that the Gaza has been vacated and many Jewish people who felt that that was their place and their home have been moved out. No-one has mentioned that at all. According to Charity Commissioners' guidelines, the duty of charity fund investors is 'to use their funds for the purposes for which they have been given and not to use them for unrelated social, moral or political purposes'. I have no problem with that. What I am concerned about is that it has been hijacked by people who are actually making political points. I do not think that is correct. Paragraph 8 of the report itself says, 'However, this is only part of our story. Our experience as a Group tells us that the Church can exert disproportionate influence'. Some people used the term earlier 'as a lever'. I think that it is manipulation, which I do not think is a Christian way to invest. I have no problem with investing positively, but to try use our investment to lever is not, I think, Our Lord's way of spreading the Gospel.

Mr John Freeman (Chester): On a point of order, Madam Chairman. I beg to move:

'That the question be now put'.

This motion was put and carried.

Mr Peter Smith (St Edmundsbury and Ipswich): On a point of order, Madam Chairman. Would you consider a division of the text of this item so that paragraph (a) is by itself and paragraphs (b), (c), (d) and (e) are taken as a separate motion? I do have my reasons for this.

The Chairman: I will consult. Thank you for your point of order. I am minded not to accept it.

Mr Keith Malcouronne, in reply: Thank you to all who contributed, John Dinnen pointing out how significant our own investment as the Church of England - £2 million-plus - is in this, and to a former Bishop of Guildford, John Gladwin, for the focus on the real issue, which is why these machines are

being used and who is behind that. Actually the force of our debate and argument is through our Government to engage with the parties, across this and several other trouble-spots around the world. I thank the Bishop of St Albans for reminding us about the balance that we need in this. In my own introductory remarks, inadequate as they were, I tried to stress that atrocities are on all sides of this. Addressing Mr Vince, this is by no means intended to be a political motion nor in any way trying to manipulate things; we are just expressing the level of concern that we have, which reflects that of our brothers and sisters in the Anglican Church in Jerusalem and the Middle East.

I urge members to support the motion.

The motion was put and carried.

The Chairman: In the light of the Synod's decision not to extend the sitting, we cannot go on to the next item.

The Session was adjourned at 7.00 p.m.