2011 GENERAL ASSEMBLY DIVESTMENT LIST
Background Report

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.

COMPANY	2009 RANK	2009 AWARDS (in billions)
Lockheed-Martin	1	$42.0
Boeing	2	31.9
Northrop Grumman	3	30.7
General Dynamics	4	25.9
Raytheon	5	23.1

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.

COMPANY	DEPENDENCY PERCENTAGE
1. ATK	61.0
2. CACI	74.2
3. Cubic Corp	70.3
4. General Dynamics	79.3
5. KBR	54.9
6. L-3 Communications	81.9
7. Lockheed Martin	92.5
8. ManTech International	94.0

9. Northrop Grumman	82.0
10. Raytheon	93.0
11. Rockwell Collins	52.5
12. SAIC	75.4

Note: The RiskMetrics (formerly IRRC) Portfolio Screener does these calculations for some of the companies. However, their data is not very good, and is not consistent with the IRRC data prior to IRRC's acquisition by Institutional Shareholders Services (ISS). ISS had also announced that they are no longer calculating the dependency ratio for all contracts with the Department of Defense. However, Defense News annually issues a ranking of the top 100 military contractors worldwide, and includes the percentage of company revenue derived from military contracts. Their data is more consistent with the previous IRRC data.

In tracking the statistics from Defense News over the last three 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 second largest military contractor, and has a dependency ratio of 94.4%. Other publically traded companies meeting the General Assembly's dependency criteria include Babcock International Group (64.9%), Chemring Group PLC (93.8%), Cobham (69.8%), Elbit Systems (94%), Finmeccanica (51.2%), and Ultra Electronics Holding (77.6%). ITT Industries, a U.S. company, also meets the criteria for the first time at 52.1%. All are now subject to the one-year waiting period.

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. MRTI staff has attempted to contact the research firm that originally compiled the data, but has not received a response.

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.

key components of nuclear warheads

None found. At present, there is no warhead production. Maintenance of existing stockpile goes on to some extent, as does clean-up of several sites.

chemical and biological weapons

None found.

anti-personnel weapons such as landmines (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

ATK
Lockheed Martin
Raytheon
Vishay Intertechnology, Inc.

Note: MRTI has been gathering information on the manufacturers of cluster bombs and artillery shells, and will include the information as soon as possible. MRTI has verified that ATK also makes cluster bombs.

"assault-type" automatic and semi-automatic weapons

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

SOURCES: Government Executive: The Top 200 Federal Contractors for 2009
Human Rights Watch
U.S. Department of Defense
IRRC Portfolio Screener
Defense News
USASpending.gov

Comprehensive List of Affected Military-Related Corporations

COMPANY	**CRITERIA**
ATK	2, 4
Boeing	1
CACI	2
Cubic Corporation	2
General Dynamics	1, 2
KBR	2
L-3 Communications	2
Lockheed Martin	1, 2, 4
ManTech International	2
Northrop Grumman	1, 2
Raytheon	1, 2, 4
Rockwell Collins	2
SAIC	2
Vishay Technology	4

Tobacco Policy

The General Assembly policy on investments in tobacco companies is to place the top ten (by tobacco revenue averaged over two years) on the divestment list. The most recent data revealed the following top ten companies:

	Company	Average Revenue in millions of US dollars
1.	Philip Morris International Group (PMI)	$25,370
2.	Imperial Tobacco (ITY)	25,137
3.	British American Tobacco (BTI)	20,090
4.	Japan Tobacco (2914)	23,565
5.	Altria Group (MO)	16,189
6.	Reynolds American Inc. (RAI)	8,632
7.	Lorillard (LO)	3,589
8.	Universal Corp. (UVV)	2,524
9.	Alliance One International (AOI)	2,283
10.	K.T. & G. ("033780")	2,190

Notes:

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 June 2008, Lorillard was spun off by Loews Corp. and now trades under its own name.

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.

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

Japan Tobacco acquired Gallaher Group in April 2007. Previously in 1999, it had acquired RJR International, the non-U.S. tobacco operations of RJR Nabisco.