

ICCR Advocate eNewsletter – February 2007

**In this issue:**

- [Primer / Reminder: Proxy Voting – Your Voice for Change](#)
- [Your Proxy Right – Hang on to That Ballot](#)
  - [What is Shareholder Action?](#)
  - [What is a Shareholder Resolution?](#)
  - [Who Is Eligible To File A Shareholder Resolution?](#)
  - [Are There Any Restrictions On The Content Of A Shareholder Resolution?](#)
  - [What Does It Take To Get A Resolution Adopted?](#)
  - [What are Corporate Dialogues?](#)
  - [How do I Vote?](#)
  - [What if I all my investments are in Mutual Funds?](#)
- [Your Proxy Ballot](#)
- [What YOU can do](#)
- [ICCR in the News](#)

**Donate to ICCR Now!**

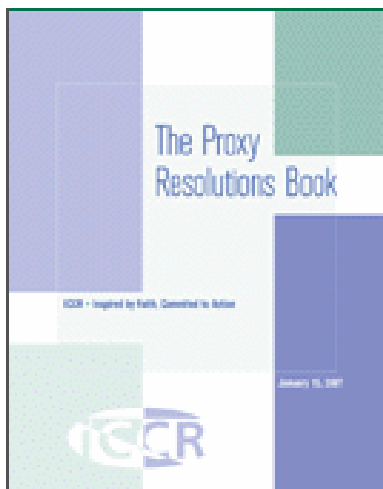
**Primer / Reminder: Proxy Voting – Your Voice for Change**

*We understand that no matter the extent of our resources, we all have the capacity and responsibility to use our money to make difference. ICCR helps us make a difference.”*  
 – Rabbi Mordechai Liebling

*When it comes to principled shareholder activism, when it comes to an unwavering commitment to the interest of shareholders and our fellow citizens, ICCR quite literally wrote the book on shareholder activism.”*  
 – Denise Nappier, State Treasurer of CT

*Ignorance is not bliss. We can no longer turn our heads and allow corporate greed to dictate where to invest funds. ICCR has taken the lead in showing us how to help turn the tide of human misfortune - and how to act with integrity and mercy.”*  
 – Amy Domini, Founder and CEO,  
 Domini Social Investments

**Your Proxy Right – Hang on to That Ballot**



As a rush of politicians enter the Presidential race - still a year away from primary season - shareholders know that a more pressing voting season awaits them just a month or two from now: “proxy season.” While the winter chill is still in air, the release of ICCR’s annual [Proxy Resolutions Book](#) reminds us that spring is “proxy season.” The ICCR Proxy Resolutions Book contains the complete texts of socially responsible shareholder resolutions submitted for 2007 annual company meetings.

In order to navigate the sometimes labyrinth nature of the proxy season, this issue of the Advocate Newsletter seeks to provide a primer on the tools and tactics of shareholder activism and to serve as a reference and inspiration for our advocates as we enter another busy proxy season.

A shareholders proxy ballot will arrive before a company's annual meeting, which generally takes place in the spring of each year. These often lengthy documents include information that the Securities and Exchange Commission requires corporations to provide to their shareholders prior to voting by proxy. The information included relates to matters to be voted on at the next shareholders' meeting, typically involving corporate governance and financing issues, such as approval of the board of directors, any proposed new incentive structures, or capitalization plans. In addition, the proxy statement lists all the resolutions to be voted on at the meeting, even those submitted by minority shareholders. ICCR members are often these minority shareholders, filing resolutions which call to account the social responsibility of the corporation in question. As people of faith, ICCR members are invested morally and ethically in the actions of these companies and the dignity of all who work for them. As institutional investors, ICCR members are financially invested in a corporation's long-term financial performance. Both perspectives keep ICCR members engaged and call on the company to be a positive agent of change.

The proxy resolution is an important mechanism for submitting proposals to corporations on issues of social significance. In the nearly 35 years since the Episcopal Church filed the first religious shareholder resolution, the corporate responsibility movement has grown to include religious investors, unions, foundations, universities, investment firms, and public and private pension funds with over \$2.1 trillion in invested portfolio worth. When you own stock in a corporation you not only obtain the right to participate in the growth and success of that corporation, you also have the right to vote on important matters concerning corporate policies and governance.

Many shareholders will gloss over and discard these sometimes daunting packages in favor of noting only a company's stock performance and returns. By doing so, that shareholder may have simultaneously discarded their right to vote as they see fit – forfeiting their voice on issues of corporate responsibility issues they deem important. When that happens, shareholders give their right to vote their shares over to the Board of Directors. That's what a proxy is -- a written power of attorney by which a shareholder authorizes a specific vote. While this is common practice among busy shareholders, what voter would surrender their Presidential ballot?

### What is Shareholder Action?

Shareholder action, also known as shareholder advocacy or shareholder activism, is an assortment of activities undertaken by shareholders of a corporation that are designed to change corporate policies or practices. These activities may include:

- filing of shareholder resolutions;
- dialogues with corporate management;
- outreach to other shareholders, investment advisors, and consumers;
- media campaigns;
- divestiture (selling the stock); and
- corporate boycotts.

As one of the three main strategies of socially responsible investing (the other two consist of Screening and Community Investing), shareholder action is a powerful tool for encouraging corporations to improve their social and environmental records.

Shareholder activists have traditionally included entities focused on socially responsible concerns. [ICCR members](#) are among the social responsibility-oriented groups that often use the shareholder resolution process to advocate for their desired goals.

### What is a Shareholder Resolution?

As owners of a corporation, shareholders have the right to take part in the firm's management by participating in annual meetings. A company's management proposes issues to be voted on at these meetings, and shareholders have the right to place their own proposals on the ballot. These proposals, or written requests to management, are filed with the Securities and Exchange Commission (SEC) and placed on the ballot.

The SEC has broad power over corporate practices, including the way in which proxy votes are solicited and when a company must include a shareholder proposal in its proxy statement. These rules can be found in the [Code of Federal Regulations](#).

Resolutions can request reports from management or propose that the company consider changes in practices or policies. Shareholder resolutions deal with a variety of issues, including diversity, environmental practices, and sweatshop practices.

Here's where the power of the individual comes in: All shareholders who have held at least one share of company stock for at least two months or more may vote on resolutions either in person at the company's annual meeting or via a proxy ballot that is mailed or e-mailed to all investors before the annual meeting.

Proxy ballots arrive together with the proxy statement, which is a booklet that presents the details of the proposals that must come to shareholders for a vote. Proxy voting is the primary forum where management seeks affirmation of what it is doing, and where shareowners weigh in on important issues.

### Who Is Eligible To File A Shareholder Resolution?

Any shareholder who owns \$2,000 worth of a company's stock for a year or more can introduce a proposal. However, it's often best for individual investors to team up with investor coalitions or organizations.

Often, the first thing a company will do upon receiving a resolution is to take it before the SEC and ask that it be thrown out; groups with experience introducing shareholder resolutions have the resources and legal backing to ensure that their proposals make it onto the ballot and are written correctly. An easier way to get involved in filing a proposal is to join an existing group of filers and be a co-filer, lending your shares to the coalition, being updated on its progress, and providing input on negotiations within the company.

### Are There Any Restrictions On The Content Of A Shareholder Resolution?

The text of the resolution may not exceed 500 words (including any accompanying statement of support) and it may not contain any "materially false or misleading statements." The matter addressed in the shareholder proposal must "relevant" – i.e., it must relate to at least 5% of the company's total assets and at least 5% of its net earnings and gross sales for the most current fiscal year. A shareholder proposal may be excluded from the proxy statement if it conflicts with a resolution put forward by the company on the same subject, or if the company has already "substantially implemented" the proposal.

The proposal may not advocate action that would be improper under the laws of the state in which the company is organized or incorporated. Some states consider it improper for shareholders to issue mandates to the board of directors. (However, the SEC usually interprets shareholder proposals to be recommendations or requests rather than mandates.) The proposal may not recommend action that would violate any state, federal, or foreign law, nor can it call for action that the company has no power or authority to implement.

One rule that raises many questions allows exclusion of a resolution that relates to the company's ordinary business operations. While it would seem most matters that pass the relevance test would relate to the company's [ordinary business](#), the SEC seems to distinguish matters of corporate policy that may affect shareholder value.

But the SEC's decisions present a mixed bag. For example, before the recent corporate scandals, the SEC had ruled that resolutions calling for companies to "expense" stock options fell under the ordinary business exclusion because they concern a choice of accounting methods that is essentially a managerial decision. Last December, however, the SEC changed its mind and ruled that options accounting was not "ordinary business."

Management may ask the SEC for permission to exclude a proposal that does not conform to all the requirements. The filers have a right to respond to the company's challenge and this is usually done through legal counsel.

### What Does It Take To Get A Resolution Adopted?

At the annual meeting one of the filers (or a designee) must make a motion from the floor to put the resolution to a vote (each share gets one vote). In some cases, there must also be someone there to second the motion.

A resolution does not have to get 51% of the votes to "win" – something that rarely happens because most large blocks of shares are held by investors who support management. "Unsuccessful" resolutions can still educate shareholders about corporate misconduct, shame the companies and executives for their misdeeds, and highlight a lack of interest in corporate reform.

The SEC rules recognize this and give small shareholders a voice by requiring a fairly low threshold of support for a proposal to be resubmitted a second and third year. The proposal must get at least 3% of the vote in the first year; 6% of the vote in the second year; and 10% in the third year. This gives shareholder advocates the opportunity to mount multi-year education campaigns on the proposal before the company. Outreach to pension funds and other institutional investors is especially important to increase the size of the vote for the resolution each year.

The goal in filing shareholder resolutions is not simply to gain the votes of shareholders but to change corporate policies. If this goal is achieved before the annual meeting, the filer may choose to withdraw the resolution. Should negotiations fail to produce a satisfactory result, the objective becomes to achieve sufficient votes to keep the resolution on the proxy the following year.

ICCR encourages individual and institutional shareholders to cast their proxy votes in favor of ICCR member sponsored resolutions as a way to keep the issue in the spotlight and pressure management to respond.

### What are Corporate Dialogues?

Approximately fifty percent of ICCR member activity is devoted to direct dialogue with corporations. Dialogues are ongoing and some are at such a sensitive stage that they are considered confidential by all parties.

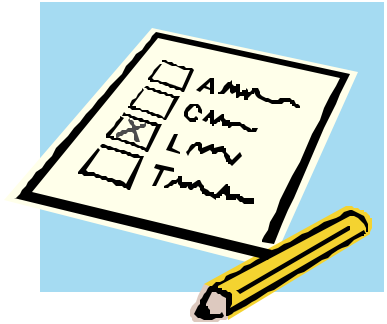
Each year numerous resolutions are withdrawn or amended when agreements are reached between management and sponsors. Others could be excluded from proxy statements by the Securities and Exchange Commission. When studying issues or preparing to vote on the resolutions, investors should carefully check company proxy statements for the final wording of all resolutions as well as management's response. Further information on most of the proposals as well as a list of ICCR publications and services is available from ICCR.

Concern over publicity generated by shareholder campaigns and the prospect of the resolution getting a substantial vote often brings corporate management to the table prior to the annual meeting. By addressing shareholder concerns through dialogue, management hopes that the filer will withdraw the resolution before it is voted on. Dialogues allow filers and co-filers to establish an on-going relationship with management and to move them in the right direction over time.

For example, during the 2006 Proxy season, corporations including Starbucks, Home Depot, Coca Cola, Cummins and Caterpillar agreed to address key socially responsible investor issues brought to their attention through the filed resolutions and the resolutions were consequently withdrawn.

## How do I Vote?

You vote your proxy simply by filling out the form you receive and mailing it back before the due date; phoning your results in, if there is a call-in option listed on your ballot; or voting on the Internet using special voting Web sites like [www.proxyvote.com](http://www.proxyvote.com). Be sure to mark your votes on your ballot, even if the instructions don't specifically tell you to do so; ballots returned unmarked count as votes for management's position.



## What if I all my investments are in Mutual Funds?

Mutual funds have the clout to hold the companies in their portfolios accountable for their impact. Furthermore, they have a duty to do so. The evidence continues to mount that companies which fail to address corporate responsibility and sustainability are at risk for severe financial losses, lawsuits, and insurance problems. Mutual funds must act in the best interest of their investors by making the companies in their portfolios reduce these risks.

For example, a survey by the [Civil Society Institute](#) points out that about seven out of 10 mutual fund investors (71 percent) said that they want their mutual fund to support climate change resolutions on their behalf and yet, *none of the top 100 mutual fund companies in the US are voting in favor of any climate change resolutions.*

You have the right to contact investor relations to let them know how you would like them to vote on ICCR resolutions. If your fund is unresponsive to your concerns, you can consider switching to funds that vote in ways that support your values— but be sure to let the fund's investor relations department know why you're no longer going to do business with them.

## Your Proxy Ballot

Those proxy statements exist for a reason -- they represent an important privilege of share ownership. Exercise your vote according to your own wishes, and you can only know what your opinion is by reading about the issues. Consider making a new year's tradition to review your proxy statements and vote according to your conscience. It's your right – and your voice for change.

*For a complete list of resolutions, (including those that have passed and those that have been omitted or withdrawn) click [here](#).*

## What YOU can do

- Write to your mutual fund management:
  - Tell them you support disclosure and ask for their proxy voting guidelines
  - Ask them to vote on social, environmental and corporate accountability issues
  - Watch for their reports on proxy voting and express your reactions
- Write to the SEC
  - Tell them you support disclosure and want the requirement to stay
  - Report on whether your mutual fund has been responsive to you

## ICCR in the News

[Retailers trying to prevent abuses](#) - Los Angeles Times

[Stocks With Scruples](#) - Motley Fool

[Exxon meets green groups as climate focus surges](#) - Reuters

[Institutional Investors to Press Companies for a Shareowner Vote ...](#) - Yahoo! News

[From Competition to Cooperation: Companies Collaborate on Social ...](#) - SocialFunds.com

[Thompson Going After GTA IV](#) - Action Trip - USA

[Keeping their hands clean](#) - Gulf News

[From Competition to Cooperation: Companies Collaborate on Social ...](#) - GreenBiz  
[Is Exxon Mobil Finally Engaging On Climate Change?](#) - New West  
[Update: ICCR Institutional Investors Have Filed First 150...](#) - CSRwire.com

---

**For more information on ICCR and its programs – please [click here](#).**

*To unsubscribe from this newsletter, [click here](#).*