A Faithful Voice for Justice

ABOUT ICCR

Currently celebrating our 42nd year, the Interfaith Center on Corporate Responsibility has been a leader of the corporate responsibility movement for four decades. Beginning with our calls for divestment from South Africa in opposition to apartheid, ICCR members have been actively engaging the world’s largest companies in an effort to transform corporate practices on a host of issues from rooting out human trafficking and supply chain abuses to ensuring safe food and water, to calling for financial and health care reform to protect the world’s most vulnerable. Today our membership is comprised of 300 institutional investors with over $100 billion in invested capital. Representing faith-based communities with congregations all over the world, SRI asset management companies, unions, pension funds and a global network of allies, ICCR members are not only shareholders, but trusted partners in corporate responsibility initiatives that promote a more just and sustainable world.

We do this in a variety of ways:

• CORPORATE DIALOGUES: As active shareowners who have built productive and long-term relationships with management, ICCR members conduct hundreds of dialogues every year to advance a wide range of issues. Because we have a vested interest in a company’s success and propose realistic solutions as opposed to making demands, these dialogues often bear fruit in the form of meaningful reform and have a positive impact on long-term profitability.

• SHAREHOLDER RESOLUTIONS: When dialogues are unproductive, ICCR may issue shareholder resolutions to engage management and other investors’ attention around a specific issue.

• CSR TOOLS: ICCR’s database offers members a historical record of shareholder actions with hundreds of companies. Known for our insightful reports on emerging trends such as our 2011 Social Sustainability Resource Guide, Extracting the Facts (an investor guide to hydraulic fracturing operations) and Effective Supply Chain Accountability, offering investor guidance on the new California supply chain legislation, along with our ability to convene key stakeholders from the business, NGO, community and investor sectors, ICCR is a resource for all those working in corporate responsibility.

OUR MISSION

ICCR seeks a global community built on justice and sustainability through transformation of the corporate world by integrating social values into corporate and investor actions.

We invite you to join us. We are inspired by faith and committed to action.
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Each time the Corporate Examiner goes to press, I am struck by the timeliness of our content. Our most recent edition, “The Price of Denial”, was published just as our region was being pummeled by an unprecedented series of weather events, recalibrating our notions of “climate risk”.

This issue is no exception. The need for stronger and more effective tools to help ICCR achieve its goals to build a more just and sustainable corporate world is clear. We need more accurate tools to drill down and unearth facts and to measure and benchmark performance. We need better blueprints and guides that help detail the steps required to build more sustainable business models. We see the need for more robust reporting tools and more effective consensus-building mechanisms to standardize them so that they are universally adopted. And, when indicated, we need more compelling levers to hold corporations accountable for non-performance.

I ask that you reflect on how the tools highlighted in the pages that follow could enhance your work, and to imagine what new tools might be needed to propel your programs forward. In our recent engagements with companies we have noticed that our voice has been amplified by our ability to refine how we measure success, to benchmark performance and highlight best-practice models that light the path to excellence. In sectors where transformation has been hard to come by, our vision is helping drive the creation of alternative structures that will lead to better outcomes for all stakeholders, including people, planet and shareholders. But perhaps the most widely used tools we are helping to create are those that encourage transparency so that investors, policy makers and consumers have the necessary data to make the best possible decisions for communities and families.

These are the tools of our trade. They are available for use by companies, investors, analysts, NGOs and all stakeholders engaged in this work. In the following profiles, you will read about the ICCR members and allies who are building tools that are contributing to the ever-expanding corporate social responsibility toolbox. Our proxy season update tells an encouraging story of their power and of the growing influence of ICCR members with increasing numbers of mainstream investors. We are committed to continuously sharpening these tools and, when needed, to inventing new ones.

Still reeling from the horrific acts of senseless violence and the loss of life in Boston and Bangladesh, and from the sudden death of our colleague and ally, Common Cause CEO Bob Edgar, we accept that much work remains to be done, and that we will need all the tools at our disposal – as well as each other – to achieve our goals. At this time when effective action is so needed by communities around the world, ICCR members refuse to waiver from our inspirational tagline – we are, and will always be, “inspired by faith and committed to action”.

We are grateful that you are as well.
Verité’s Fair Hiring Toolkit

“The prevailing perception is that slavery and hiring traps are unusual and rare in modernized industries but this is a myth: hiring traps are in every industry from information technology to agriculture. It all starts with fair hiring. Whether you’re a brand, a government, an investor, a labor-rights organization or an auditor, your approach to protecting migrant workers must focus on the path that workers take to get a job in today’s global economy.”
– Dan Viederman, CEO of Verité

Almost all of the products we buy, from clothes, shoes, computers, toys, and furniture, to the very food we eat, involve a supply chain that employs migrant workers at some point. These workers leave home in the hopes of improving their employment opportunities; however, in doing so, they may become indebted to labor brokers and moneylenders, whose practices can be exploitative and illegal.

Verité is a U.S.-based NGO whose mission is to ensure that people worldwide work under safe, fair, and legal conditions. Verité offers training and consulting services to global policy makers and the world’s top brands, their suppliers and investors, that help to guard against the risk of labor abuses in supply chains.

In 2011, Verité launched the Fair Hiring Toolkit to support the responsible recruitment and hiring of migrant workers in global supply chains. The Toolkit highlights seven concrete steps companies can take, from establishing strong codes of conduct and company policies, awareness raising and robust training, strengthening assessments and reporting, to multi-stakeholder engagement and public policy advocacy.

Also available in Spanish, the Toolkit teaches companies to recognize the:
• risks inherent in the employment of brokered/contract labor;
• mechanisms that lead to forced labor and other related abuses;
• how to use tools for identifying causes of debt-bondage and related risks for migrant workers;
• the VSA and how to apply it to managing forced labor and other migrant labor risks;
• the link between specific business processes and social responsibility risks;
• operational controls for mitigating forced labor and other key risks; and,
• best practices and benchmarks for companies hiring workers through brokers.

Intended Users of the Fair Hiring Toolkit:
While the toolkit offers guidance and resources for all stakeholders including governments and investors, its primary focus is on providing risk management tools for brands and their suppliers. According to Dan Viederman, CEO of Verité, “Suppliers are on the front line in terms of being able to protect against abuse as they are in control at the recruitment and hiring stages. If they are outsourcing recruitment, there are screens they can apply to ensure that their labor brokers are ethical and in full compliance with labor laws. Likewise, there is much investors can do to promote fair hiring. By insisting on reporting that allows them to evaluate a company’s level of risk and on policies and practices that help mitigate against that risk, they are protecting workers’ welfare and simultaneously, shareholder value.”

Along with Manpower Group, in 2012, Verité launched another important tool, the Ethical Framework for Cross Border Labor Recruitment, which outlines a set of specific operational practices for recruitment firms that operate across borders. The Framework has two parts: 1) a set of Standards for Ethical Practice - a concrete checklist of best practices for firms engaged in the cross-border recruitment and movement of workers, and 2) a Verification and Certification system to document compliance and provide essential information to third parties and potential business partners.

The response to both the Ethical Framework and the Fair Hiring Toolkit have been extremely positive. Said Viederman, “We put these tools out publicly so that companies and their suppliers face no obstacles to learning about the problem, understanding the specific risks that they face in their operations, and adopting approaches that can protect their businesses and workers too.”
New Tools to Abolish Slavery
The White House Forum to Combat Human Trafficking
April 9-10, 2013

ICCR members have long focused on the role business can play in helping to eradicate the dehumanizing practices of human trafficking and slavery in our world. In advancing this agenda, ICCR has worked closely with the Office to Combat Trafficking in Persons of the U.S. State Department which has been leading this initiative within the U.S. government. As a result of this relationship, ICCR’s David Schilling was invited to participate in the White House Global Forum to Combat Human Trafficking on April 9th. Sr. Kathleen Coll and Sr. Ann Oestreich attended a related event the next day sponsored by the President’s Advisory Council on Faith-Based and Neighborhood Partnerships as members of ICCR and the Leadership Council of Women Religious.

“In the months ahead, we will continue to take action by empowering investigators and law enforcement with the training they need, and by engaging business, advocates, and students in developing cutting-edge tools people can use to stay safe.”
—President Barack Obama

David Schilling, Senior Program Director, ICCR

I recently learned that the State Department is not alone in addressing trafficking and slavery, but rather has the full backing of the White House along with 14 U.S. agencies that together, are committed to making this issue an urgent national priority.

The White House sponsored the Forum to Combat Human Trafficking, which brought together advocates, business leaders, faith leaders, technology experts, law enforcement officials and key White House and government representatives to discuss strategies and introduce new tools in this work. I was inspired to be a part of this discussion as ICCR’s representative, and to witness our government taking the lead on this critical issue.

Attorney General Eric Holder presented the Federal Strategic Action Plan (2013-2017), Coordination, Collaboration, Capacity from the President’s Interagency Task Force to Monitor and Combat Trafficking in Persons. This plan has specific goals and objectives ranging from collaborating more effectively with state, tribal and local governments, increasing awareness of trafficking and slavery, building stronger partnerships with NGOs and faith-based institutions, and expanding training of personnel to detect potential trafficking victims.

During the event, the President’s award for exceptional leadership in confronting trafficking was presented by Ambassador Luis CdeBaca of the Office to Monitor and Combat Trafficking in Persons. Recipients were Marilyn Carlson Nelson, Chair of Carlson Company, the first U.S.-based hotel chain to adopt the ECPAT code of conduct and institutionalize ongoing training of front-line staff in its hotels, and Florrie Burke of Freedom Network USA. Ambassador CdeBaca emphasized, “It comes down to institutionalizing this fight against trafficking in all its forms. It can’t be one person or one office. It needs to permeate our entire culture.”

Participants shared carefully-honed strategies, new approaches and innovative tools, but by far the most powerful tool unveiled at the Forum was the passion that advocates from all sectors, including ICCR members, are bringing to this issue.
Building Partnerships to Eradicate Modern-Day Slavery

“This Council represents many diverse faiths and non-profit networks with connections on the ground in dozens of countries, mutually reinforcing domestic networks, and with investment capital in the billions of dollars. We have immense resources at our disposal and the capacity to create significant and lasting change within the United States and around the world in service of our shared values. And we have only begun to explore the seemingly endless ways to better promote—and protect—freedom.”

– From Building Partnerships to Eradicate Modern-Day Slavery

Sr. Kathleen Coll, SSJ, Administrator, Shareholder Advocacy, Catholic Health East

The President’s Council on Faith-Based and Neighborhood Partnerships convenes faith and community leaders with the goal of forming partnerships between governments at all levels and nonprofit groups, both faith-based and secular, to more effectively serve our nation’s most vulnerable. The President tasked the advisory council with exploring strategies for combating trafficking and slavery and on April 10th, we gathered at the White House as the Council’s report, Building Partnerships to Eradicate Modern-Day Slavery was released and ratified by the group. Sr. Ann Oestreich and I were participants, both as representatives of the Leadership Council of Women Religious and as members of ICCR.

The Council made 10 recommendations to the President. The second speaks most directly to the work of ICCR members: “(that) The Obama administration lead the effort to eliminate slave labor in the purchase and consumption of goods and services.”

Building on the President’s Executive Order to eliminate human trafficking in federal contracting, the report recommends that government:

• Create a set of standards that all companies can use to benchmark and track progress in evaluating, monitoring and eliminating forced labor from supply chains;
• Encourage auditors to include anti-slavery standards in their trainings and certifications; and,
  • Promote these standards and certifications to the business community and to the general public.

The Council also recommended the development of a national certification program similar to the ENERGY STAR label that could assure consumers that goods are manufactured without the use of slave labor.

Ambassador CdeBaca expressed his hope that young people would take this issue on just as they did the fight against apartheid in South Africa. He also challenged us to act, lest we be nothing more than “a noisy gong or a clanging cymbal (1Cor. 13:1-3)”.

His challenge served as an important reminder to us all that what compels us to continue to struggle against the injustice of slavery is our love for those who are vulnerable to this crime, and that, as people of faith, we are grateful for the honor to be their advocates.

“Right now there is a young boy in a brick factory covered with dust, hauling his heavy load under a blazing sun thinking, if he could just go to school, he might know a different future, but he does not think anybody is paying attention. Right now there is a girl somewhere trapped in a brothel crying herself to sleep again, and maybe daring to imagine that someday, just maybe, she might be treated not like a piece of property, but as a human being. And so our message today, to them, is - to the millions around the world - we see you. We hear you. We insist on your dignity. And we share your belief that if just given the chance, you will forge a life equal to your talents and worthy of your dreams.Our fight against human trafficking is one of the great human rights causes of our time, and the United States will continue to lead it - in partnership with you.”

–President Barack Obama, Clinton Global Initiative, September 2012

Left to right: Sr. Kathleen Coll, SSJ, and Sr. Ann Oestreich, IHM.
Investing the Rights Way: A Guide for Investors on Business and Human Rights

In early 2013, the Institute for Human Rights and Business, Calvert Investments, and ICCR launched Investing the Rights Way: A Guide for Investors on Business and Human Rights to help investors make human rights an integral part of their environmental, social and governance (ESG) considerations. The guide explains how investors can use the widely endorsed UN Protect, Respect and Remedy Framework and its implementing principles, the UN Guiding Principles on Business and Human Rights, to improve their due diligence and risk assessment of human rights-related risks across their portfolios and as a tool to hold companies more accountable for their social performance.

Human rights risks are not new to investors or companies. The impacts on people and communities, as well as on corporate financial performance, are evident in news stories addressing poor working conditions in supply chains, forced evictions from land, child labor in factories, and widespread restrictions on freedom of speech, among other abuses. The UN Guiding Principles provide a roadmap for companies on how to “know and show” that they are respecting human rights.

“Getting the guide into the hands of the people (investors) who can get to the parts of companies other people cannot reach, helping them to translate the language of the Guiding Principles into a language that makes sense to the people working in the hearts of these companies is so important. I hope this guide will enable investors to become the game changers in business and human rights that they are able to be.”
– Caroline Rees, SHIFT

Many of the due diligence steps in the UN Guiding Principles will be familiar to both investors and companies. What is new is the emphasis on the formal and systematic integration of human rights considerations into company risk management. However, there is a caveat: as with environmental impact assessments, the UN Guiding Principles require companies to assess the impacts they have on others (in this case on people and their human rights) compared to traditional risk management or due diligence processes which focus primarily, if not exclusively, on risks to the company.

Investors also have a responsibility to respect human rights and should also formally and systematically integrate human rights into their own due diligence processes. This includes mainstream investors as well as responsible investors, minority and majority shareholders, and pertains to all asset classes. The guide explains how investors can use the UN Guiding Principles as a tool to engage companies about whether they have put the suggested systems in place to identify and respond to the human rights risks they may be creating through their own operations or with their business partners. Companies that implement the UN Guiding Principles on an on-going basis will be better prepared to identify human rights risks in advance and to address them in a systematic and considered way, before they escalate into more serious impacts on people, communities, the company and its investors.

“Where you have an internationally accepted standard, it makes it much easier to say, Here are the expectations both with regard to your conduct and your due diligence, and it reinforces at minimum the reputational risks for not complying with those international standards. (The guide) is an important piece in moving the ball for our ability to better address the issues in our portfolio.”
– Michael Garland, NYC Pension Funds
Suggestions on Using the Guide

Investors, managers and service providers can use the guide in a number of ways:
1. As a basis to engage with companies on human rights, bilaterally or jointly with other investors;
2. To benchmark or rank companies on their human rights performance against their peers;
3. To screen companies in or out of a fund;
4. To explore what lies behind a company’s public reporting statements. The guide’s questions should reveal whether a company has policies and management system(s) to systematically address human rights;
5. To establish whether a fund, investor or company should invest in a particular region, country or sector. The guide’s questions may be used to probe whether companies have carried out appropriate due diligence, and understand the implications of their choices;
6. To engage with Environmental, Social and Governance (ESG) initiatives about human rights issues in an informed manner;
7. As an aid to research. The guide will help investors and analysts identify new trends and developments on relevant human rights issues;
8. As an aid to advocacy. Investors can draw on the guide when they evaluate legislation, policies or new international standards.

I. Making a Statement: A Company’s Policy Commitment to Human Rights
The presence of a human rights policy commitment helps investors differentiate between companies that publicly acknowledge their human rights responsibilities and those that do not. The adoption of a human rights policy commitment indicates that a company has considered the potentially negative impacts of its activity and its business relationships, and ideally discussed these with key stakeholder groups inside and outside the company.

“Based on the Ruggie principles and supported by this guide we have filed resolutions at three companies. We really believe human rights risk needs to be integrated into the overall framework for risk management of any corporation, particularly publicly traded corporations that operate in many countries, including the U.S., but particularly, where there is a prevalence of rule of law that is not conducive to the respect and protection of human rights.” – Lisa Lindsley, AFSCME

II. From Commitment to Action: Human Rights Due Diligence
Why human rights due diligence processes are important to investors:
Human rights due diligence processes can and should be incorporated into a company’s overall risk management system. They show that companies are actively taking steps to determine and address human rights risks to people and the related reputational, financial, and operational risks to the company. Companies that fail to conduct human rights due diligence may not identify and manage their exposure to new human rights risks, especially in jurisdictions where the legal system or enforcement is weak.

Why consultation is important to investors:
External consultation reassures investors that a company bases its human rights policies on a diversity of perspectives, including the views of people who may be affected by its activities and relationships. It is evidence that a company understands its stakeholders, including those it affects.

Why integration into company management systems is important to investors:
Sound human rights due diligence will result in operational changes that will minimize future business risks and impacts to stakeholders, therefore making the company a more attractive investment.

Why tracking performance is important to investors:
Tracking effectiveness demonstrates to investors and other stakeholders that a company has developed and implements appropriate systems and procedures to minimize human rights impacts. Further, tracking, and eventual disclosure, are an important tool for benchmarking companies against peers.

III. Righting the Wrong: Remedies and Operational Level Grievance Mechanisms
Grievance mechanisms show that a company’s systems enable it to identify and also track and address allegations of human rights abuses and provide it and investors with an early warning system for monitoring human rights performance.
Moral Fibers: Making Clothing Slavery-Free

While child labor in cotton production remains endemic in many countries, nowhere is it more organized than in Uzbekistan, where the Uzbek government forces over one million children to labor in the country’s cotton fields each year.

David Schilling: Senior Program Director, Human Rights and Resources, ICCR

When ICCR members learned in 2007 that the Government of Uzbekistan (GOU) was forcing children aged 10 to 15 years old to harvest cotton, they sent letters to over 100 apparel companies urging them not to purchase cotton from Uzbekistan until the government ended its policy of forced child labor.

In coordination with the Responsible Sourcing Network, investors have gotten over 130 apparel brands and retailers to publicly pledge to not knowingly purchase Uzbek cotton. This action was part of a broad multi-stakeholder initiative involving the U.S. State Department, the American Apparel Footwear Association, the National Retail Federation, trade unions, investors, companies and human rights groups, and groups with roots in Uzbekistan. The initiative urged Uzbek officials to invite the International Labor Organization (ILO) to monitor the cotton harvest and to provide technical assistance to restructure the cotton industry without the use of forced child labor. While the GOU ratified Convention 182 regarding the Worst Forms of Child Labor, and Convention 138 on Minimum Age, there has been little change in the number of children forced into the fields.

We believe the actions taken thus far have helped to focus attention on the problem. However, the scale of government-directed forced child labor in the Uzbek cotton fields compels serious and systematic action not only by the GOU, but also by companies, trade associations, human rights groups, investors and the international community working through the ILO.

Lauren Compere: Managing Director/Director of Shareholder Engagement, Boston Common Asset Management

One of the key ESG risks facing consumer-oriented companies is egregious labor and human rights practices in the supply chain, such as sourcing cotton from Uzbekistan where child and forced labor is widespread due to weak rule of law. In 2008 Boston Common began to engage companies all along the supply chain from brands (Adidas, Disney, and Esprit Holdings) to manufacturers (Li & Fung) to retailers (TJX Co. and Tesco) and commodity brokers (Olam) on how they were managing their potential exposure to Uzbek cotton. We brought the best practice models of European companies such as Adidas and Tesco to U.S. companies such as TJX Co., and engaged Li & Fung, which manages thousands of Chinese factories, on adopting policies of its own on Uzbek cotton.

Given the complex nature of supply chain traceability, we realized that coordinated action at the industry and multi-stakeholder levels was essential. Therefore, we joined other investors, human rights groups, companies, and trade associations in engaging Uzbek government officials and the State Department and the Department of Labor; in engaging cotton merchants such as the Dubai Commodities Exchange; and in raising awareness among Asian companies.

Patricia Jurewicz: Director, Responsible Sourcing Network

Determining if slave labor was used to harvest the cotton in brands’ products is not easy. At Responsible Sourcing Network (RSN), we have been developing tools to help brands set and communicate commitments, educate staff, and safeguard against purchasing cotton tainted with forced labor from Uzbekistan.

The first tool we created was the “Company Pledge Against Forced Child and Adult Labor in Uzbek Cotton”, which over 130 brands and retailers have signed. Our next two reports provided background information on the characteristics and movement of Uzbek cotton (From the Field, 2012), and examples of documentation and software systems that can be used to trace the origins of cotton used in a brand’s products (To the Spinner, 2013).

RSN is now setting up and encouraging brands to support a system that verifies which yarn spinners and textile mills are not using Uzbek cotton. By implementing these types of tools, brands can move from “not knowingly sourcing” to “knowing and not sourcing” Uzbek cotton, and protect themselves from the risk of inadvertently supporting cotton harvested with forced child and adult labor.
The Hands that Feed Us
Hungry Workers in the U.S. Food Supply Chain

It is a bitter irony that low wages for our nation’s food workers mean that many are unable to afford food for themselves or their families. But food insecurity is only one of many challenges facing food workers, as ICCR members learned at a recent educational session highlighting labor issues in the U.S. food supply chain.

According to a report by the Food Chain Workers Alliance, U.S. food production – including processing, distribution, retail and service – collectively account for over $1.8 trillion dollars annually or 13% of total GDP. Moreover, the food system is the nation’s largest employer, accounting for roughly 20 million U.S. workers or one-sixth of the nation’s workforce. Despite the importance of the sector to the American economy, food workers are among the lowest paid, and overworked employees often work in unsafe environments and without access to health care.

On hand in February to present new research on the topic were ICCR members Ariel Jacobsen of the Unitarian Universalist Service Committee and Bill Dempsey of the Nathan Cummings Foundation, as well as Diana Robinson with the Food Chain Worker’s Alliance (FCWA) and Saru Jayaraman from the Restaurant Opportunities Center (ROC).

Robinson introduced the new FCWA report *The Hands that Feed Us*. Based on statistics from the U.S. Department of Labor and the Bureau of Labor Statistics as well as interviews with over 600 food chain workers and nearly 50 food employers across the U.S., the report describes the poor wages and working conditions faced by food workers, and identifies strategies that policymakers, consumers and employers can use to address them.

ROC is an advocacy group which was founded to support restaurant workers displaced by 9/11. Jayaraman spoke to us of ROC’s work with high profile restaurants to improve working conditions. She also introduced her book *Behind the Kitchen Door*, which describes how “poor working conditions, discriminatory labor practices, exploitation, and unsanitary kitchens affect the meals that arrive at our restaurant tables.”

ICCR members worked together with the speakers to identify key levers within the food supply chain to improve the lives of workers; to develop questions that investors can use to engage companies in different segments of the supply chain; and to map initiatives and networks to identify potential areas of collaboration.

FOOD WORKER STATS

- Only 13.5% receive a living wage
- 51% work more than 40 hours a week
- 79% do not have paid sick days
- 83% do not have employer-sponsored health insurance
- 53% have worked when sick
- 57% suffered an injury or health problem on the job
- 75% never had an opportunity to apply for a better job

“I went to work sick a lot because they would tell you if you don’t come, you have no job.” Uyolanda Dickerson, 39, Joliet, Illinois, from *The Hands that Feed Us*.

Diana Robinson, Saru Jayaraman, Ariel Jacobsen, Nadira Narine, David Schilling, Bill Dempsey.
The Aqua Gauge

Water is a human right, yet more than one billion people — one seventh of the world’s population — lack access to freshwater. The CERES Aqua Gauge is one of a new group of water tools that has recently emerged which corporations can leverage in order to be better stewards of our freshwater resources. The Gauge was developed in 2011 as a joint project of Ceres, the World Business Council for Sustainable Development, Irbaris, and IRRC. An extensive, Excel-based assessment tool for evaluating existing water risk management strategies or for developing a water strategy from the ground up, the Gauge has the support of investors with over $2 trillion in assets, and incorporates input from over 50 financial institutions, companies and NGOs. It evaluates corporate activities in four broad areas – water measurement, management, stakeholder engagement, and disclosure – and is intended for use by both investors and companies. The Gauge is currently being employed by dozens of companies across the U.S. and abroad, in industries ranging from food and beverage to semiconductors.

HOW INVESTORS, PORTFOLIO MANAGERS AND ANALYSTS CAN USE THE AQUA GAUGE

For investors, the Aqua Gauge tool and accompanying report provide guidance on key regions and sectors facing water-related risks. Company performance is ranked along one of four possible levels of achievement: no action; initial steps; advanced progress; and finally, leading practice. The Gauge can serve as a tool for assessing corporate water management practices in a way that helps investors evaluate and compare companies based on their publicly reported information. In addition, the Gauge provides a set of water use topics that can be used as a framework for dialogue between company representatives and investors when discussing water risk and approaches to risk mitigation.

The Aqua Gauge assesses both short- and long-term water risk in direct operations and throughout a company’s supply chain, and addresses both environmental and social impacts. The tool also evaluates whether a company’s public policy positions and lobbying activities are in alignment with its own stated water stewardship goals. It provides users with an intuitive, graphic output that clearly displays strengths and weaknesses. Once a true picture of performance is clear, companies can focus on areas of weakness and quickly identify the steps needed to improve responses and reduce risk.

The Aqua Gauge can help portfolio managers and analysts identify companies that are effectively managing their water-related risks by allowing them to benchmark company performance against the expectations set out in the tool.

HOW COMPANIES CAN USE THE AQUA GAUGE

Most water tools currently available help companies with risk assessment – such as identifying their exposure to physical water scarcity. The Aqua Gauge goes a step beyond, by helping companies develop appropriate and impactful water risk responses. Water is a local issue with local solutions, so managing water risk across businesses operating in multiple watersheds is dependent on creating an enabling environment for effective risk management.

The Aqua Gauge defines leading practice in each area of the framework. Companies can assess themselves versus their peers on a sliding scale.

Said Greg Koch, Global Director of Water Stewardship at the Coca-Cola Company, “The Aqua Gauge helped us understand the relative maturity of different elements of our water stewardship strategy as we work to enhance our strategy and its execution. It’s a powerful tool for helping companies develop a strategic, holistic response to water risk.”

In an increasingly water-constrained world, the CERES Aqua Gauge enables corporations to prioritize efficiently, and respond to water-related physical, reputational and regulatory risks.
Community Voices for Global Water Justice

On February 8th, 2013, ICCR hosted its first Water Roundtable on the Human Right to Water, convening 70 representatives from corporations, NGOs and community groups from around the world. Participants looked for ways to improve collaboration in identifying good practices related to corporate water use, and in developing frameworks for programs that uphold the Human Right to Water for communities in water-stressed areas of the world.

“We need to be good stewards of God’s creation. God and countless villages are with us on this journey. Together we can do it!” Fr. Marco Arana Zegarra, Grupo de Formacion e Intervencion para el Desarrollo Sostenible (GRUFIDES), Peru

“We are engaging government agencies but where we are most challenged in our engagements (on water issues) is with corporations. We direct our efforts to empowering community engagement.”
Nanette Antequisa, ECOWEB, The Philippines

“Because I was raised by farm worker parents, I had the privilege of experiencing agriculture from both sides: its benefits and its impacts. This is why it is such a privilege to be able to work with so many residents and families like mine, who want to ensure that we are not forced to choose between having a job and clean drinking water. We should be able to have both.” Maria Herrera, Community Water Center, Visalia, California

“I read the ICCR document and saw water is a human right and I said ‘Wow. I didn’t know that.’ I thought you just live and what you get is what you get.”
Christine and Delmar Bennett, Mossville Environmental Action Now (MEAN), Mossville, Louisiana

“Communities along the Mekong are experiencing more intense droughts as well as flash flooding. Learning to cope with climate changes is becoming an important new challenge.”
Sophea Lay, Development and Partnership in Action, Cambodia

“We are engaging government agencies but where we are most challenged in our engagements (on water issues) is with corporations. We direct our efforts to empowering community engagement.”
Nanette Antequisa, ECOWEB, The Philippines

“You need to be good stewards of God’s creation. God and countless villages are with us on this journey. Together we can do it!” Fr. Marco Arana Zegarra, Grupo de Formacion e Intervencion para el Desarrollo Sostenible (GRUFIDES), Peru
We live in a world of increasingly constrained physical resources. Yet, these very constraints impel us to develop ever more creative solutions to supply our needs. The Interfaith Center on Corporate Responsibility’s (ICCR) Multi-Stakeholder Roundtable on the Human Right to Water held in New York City on February 8, 2013, brought together civil society organizations and affected community members, faith-based investors and company representatives to address the growing problem and impact of water scarcity on communities and business. While those present did not agree on all points and positions, the Roundtable underscored how ongoing, multi-stakeholder discussions are critical to achieving progress on difficult issues.

The work of the UN Special Rapporteur Catarina de Albuquerque has been instrumental in providing guidance on what the human right to water means in practice – for governments, communities and corporations. The Roundtable sought to build on that work, by bringing diverse perspectives and experiences to the table to encourage more effective engagement among stakeholders who depend on water. Different stakeholders, naturally, have distinct water needs, and therefore different entry points in any discussion regarding water use and scarcity. Ordinary people find themselves grappling with declining well levels, decreased rainfall, and water sources so polluted they are unusable. Companies, for their part, worry about whether they will have sufficient water for their operations, or how they will deal with water-related disruptions in their operations and supply chains.

Our discussions clarified that there is not one single entity with authority to make all necessary decisions related to access to water. Acting alone, companies, community groups and governments are unable to effectively address the issue. All stakeholders bring their own experiences to the discussion, and contribute to a deeper, more comprehensive, and collective understanding of the challenges faced in implementing the right to water. Only by working together can we achieve more equitable and just management of water resources.

Participants sought to identify and build good practices related to community sustainability and corporate water programs to protect communities’ access to sufficient, safe, acceptable, physically accessible, and affordable water. We listened to each other and engaged in thoughtful dialogue, and learned afresh that we are much more effective and imaginative when we work collaboratively. As human beings we have the capacity to organize ourselves, to problem solve, and to create a world where the fulfillment of the human right to water becomes a reality. Let us take concrete steps together in the months ahead to make progress on realizing the human right to water for the benefit of all.
The 2013 ICCR Water Roundtable

Stakeholder Responsibilities In Managing Access To Water

ROLE OF LOCAL COMMUNITIES
Without access to relevant and detailed information, communities cannot exercise their right to participate in decisions that affect their rights, nor effectively consent to local water projects.

COMMUNITIES NEED:
• To be invited to participate in dialogues with decision-makers in companies;
• To be included in impact/due diligence assessments and studies;
• Studies provided in appropriate formats, with technical specificity and the necessary local languages; and,
• Clear descriptions of issues that will be important to water quality and access.

ROLE OF COMPANIES
Companies need to recognize water as a public good across their operations, particularly in water-stressed areas. As a starting point, companies need to develop and share baseline information on water – including water availability in areas of their direct operations, and their own water use, withdrawals and discharges.

Key questions for companies to ask:
1. What level of assessment do we need?
2. Has extraction affected others’ access to and quality of water?
3. How are our operations impacting the watershed?
4. Has our discharge of wastewater affected communities and ecosystems?

COMPANIES SHOULD:
• Respect international human rights standards like the Guiding Principles for Business and Human Rights and consult with local stakeholders on how best to implement when local regulations and national laws conflict with those standards;
• Gain the consent of First Nations, where applicable, and local communities and provide them with their own resources to gain scientific and social information;
• Establish early and ongoing grievance mechanisms for solving disputes and remediating damages; and,
• In water-stressed areas, take proactive steps to limit impacts.

ROLE OF GOVERNMENTS
Under international human rights law, governments have the primary duty for upholding the human right to water. However, the capacity of states to uphold the human right to water has not kept pace with expanding global economic activity; businesses are gaining greater access to water, leaving governments scrambling to balance economic development with their duty to ensure access to water for all.

GOVERNMENTS SHOULD:
• Consult with local authorities and community groups in decision-making that may impact water sources and their accessibility;
• Integrate the full range of regulatory requirements that protect drinking water resources, such as disclosure of assessments;
• When contracting, permitting, or licensing companies, include requirements specifying local & national recourse mechanisms for dispute resolution and remedies; and,
• Protect against mismanagement of financial resources allocated for implementation of the human right to water, and against bribing of officials in charge of monitoring/reporting complaints by affected communities.

ROLE OF INVESTORS
Even if companies manage water resources responsibly, they can face serious reputational risks and jeopardize their social licenses to operate if communities surrounding their operations lack access to clean water, or if other water users deplete or pollute shared water resources. In an era of increasing water scarcity, investors should be gauging companies on their ability to minimize water risks, and on how they are preparing to operate in a more water-constrained world.

INVESTORS SHOULD:
• Assess the water risk exposure of a company by seeking more information on how it is managing its physical, reputational, regulatory, and litigation water risks;
• Require robust corporate disclosure of how companies are evaluating, managing, and disclosing water risks in operations, and throughout their supply chains and ask companies to set water goals and reduction targets to mitigate risk; and,
• Ensure that companies are engaging all stakeholders – communities, government and investors.
The International Water Stewardship Standard

Worldwide, approximately 800 million people lack access to safe drinking water; by 2025 the United Nations estimates that two-thirds of humanity will live in water-stressed regions. At the same time, demand for water continues to increase. Said Alexis Morgan, Coordinator for WWF-US / The Alliance for Water Stewardship, “Water is a common good and a shared resource, and its stewardship requires collaborative solutions.”

Businesses, governments and communities need tools to enable them to work together to ensure that our individual and collective water needs are met. Policy responses alone aren’t sufficient to address the scale of global water-related challenges. There is an urgent need for an internationally consistent, multi-stakeholder, cross-sectoral mechanism that standardizes best practices related to water stewardship. The Alliance for Water Stewardship (AWS), a non-profit organization dedicated to promoting responsible water use through a multi-stakeholder approach, is attempting to achieve just that.

After publishing a first draft in 2012, in March of 2013 the AWS released the beta International Water Stewardship Standard, for use by water service providers and businesses that are significant water users. The beta Standard is currently being implemented in sectors as diverse as agriculture, mining and hotels, and across a wide geography, including China, Brazil, South Africa and North America.

The AWS considers water stewardship to be an adaptive management cycle that emphasizes:

1. Responsible on-site water use;
2. Understanding the context in which the site is operating, in particular the shared water risks; and
3. Working collectively with stakeholders to develop and implement consensus-based responses.

The Standard is designed to give companies and water service providers a systematic and verifiable way to assess their own water use and impact on catchment areas adjacent to their operations, while providing a mechanism through which they can engage constructively with their stakeholders.

Said Morgan, “It is not enough that companies manage their own internal water risks; they must begin to engage with the other stakeholders in their shared watersheds.”

The Standard applies to any site that interacts with water and covers all types of interactions: water use, consumption, withdrawals, treatment, sourcing, supplying, or diverting, as well as discharging into water bodies. It also applies to all types of water: freshwater, effluent, recycled water, salt water affected by freshwater (i.e., desalination), ground water, water in the atmosphere (including precipitation), and solid forms of water (snow, ice, glaciers).

The AWS encourages corporations to take six steps towards improved water stewardship:

1. Commit to being a responsible water steward;
2. Gather data to understand water risks, impacts and opportunities;
3. Develop a water stewardship plan;
4. Implement your water stewardship plan and improve your impacts;
5. Evaluate your performance; and,
6. Communicate about water stewardship and disclose your stewardship efforts.

The Standard measures corporate performance in water stewardship along an increasing continuum (with Platinum being the highest):

1. Core level (0-39 points)
2. Gold level (40-79 points)
3. Platinum level (80+ points)

It is designed to achieve the following four water stewardship outcomes:

1. Good water governance;
2. Sustainable water balance;
3. Good water quality status; and,
4. Healthy status of important water-related areas.

These four outcomes are most sustainable when achieved collectively. While much of the motivation for the Standard has come from large corporations that recognize the need to address their water risks, the Standard will also be applicable to SMEs and other interested parties, likely through group verification.

By implementing the Standard, businesses and water service providers will be better able to manage their water risks, whether those risks are physical, regulatory or reputational. The Standard is also intended to help to drive innovation and efficiency gains, while also improving standing amongst stakeholders, who may include investors, financiers, buyers, communities, regulators or consumers.

AWS will be soliciting public comment and input on the beta Standard throughout 2013. Meanwhile, implementation of a multi-stakeholder governance model for the AWS, including establishment of regional initiatives, will also be ongoing throughout 2013. AWS hopes to have the final standard ready for full use and verification by early 2014.
2013 Proxy Season Update

The filing of shareholder resolutions, which appear on the annual proxy statement, are voted on at company annual general meetings and are a matter of public record, can be an effective lever in promoting corporate responsibility. As of April 22, ICCR members have filed 210 shareholder resolutions at 149 corporations for the 2013 proxy season. Of these proposals, to date over 50 withdrawals have been negotiated as a result of agreements with management. Below we review a number of these successful withdrawals as well as several AGM votes.

BOARD DIVERSITY AND INCLUSIVENESS

In an increasingly complex global marketplace, the ability to draw on a wide range of viewpoints, skills, and experiences is critical to a company’s success. A diverse board increases the likelihood a company will make the right strategic and operational decisions. ICCR members have made significant strides this season in encouraging corporations to diversify their all- or mostly-male boards of directors to include women and minorities; they have negotiated successful withdrawals of shareholder resolutions at six companies. After receiving a resolution from shareholders last fall, NetApp promptly responded with an offer of dialogue, and has pledged that it will add more information regarding its workplace diversity practices on its corporate website and governance documents.

ICCR members also withdrew their resolutions at Zimmer Holdings, Republic Services, Hartford Financial Services Group, Superior Energy Services, and Lowes after the companies agreed to amend their corporate governance guidelines to include diversity of race, gender and ethnicity as criteria in selecting Directors. The latter three also agreed to “make diversity an intentional part of board nominee search criteria”.

GLOBAL WARMING

According to the World Bank Report, Turn Down the Heat, average global warming is already .8°C above pre-industrial levels, and without significant further reductions in GHG emissions, is likely to increase by more than 3°C, radically impacting global weather patterns and sea levels. ICCR members were able to withdraw their Stryker resolution asking the company to adopt GHG reduction goals after Stryker pledged to participate in the Carbon Disclosure Project, and announced that it will formalize a program that includes conducting a GHG inventory and the setting of a reasonable baseline in order to adopt quantitative GHG reduction goals.

LOBBING EXPENDITURES DISCLOSURE

While virtually every company participates in lobbying of some sort, when undisclosed expenditures through third-party trade associations are used to support activities that directly conflict with publicly-stated positions a company holds, it may pose serious risks to brand integrity.

ICCR members have made significant inroads this year regarding increasing transparency around corporate lobbying expenditures, withdrawing a total of seven resolutions. Agreements were reached to expand disclosure with 3M, Bristol-Myers Squibb, CCA, Reynolds American, and PepsiCo. Wells Fargo, meanwhile, agreed to articulate its philosophy regarding lobbying and its lobbying priorities; it also agreed (still in process) to disclose total dues and payments made to trade associations. An Xcel Energy resolution was withdrawn after the company agreed to report any future contributions to ALEC, and after it committed to ongoing dialogue with shareholders. At present 45 companies have withdrawn financial support for ALEC and over 20 from Heartland.

Meanwhile, two of the largest shareholder votes reported so far this season were for lobbying disclosure resolutions, with Visa reaching 37% and Accenture 31.2%.

POLITICAL CONTRIBUTIONS

The Supreme Court’s Citizens United ruling effectively eliminated most legal restraints on corporate political spending, making corporate payments – often secret – to controversial trade associations a major issue for investors. ICCR members were able to withdraw their CenturyLink resolution on contributions after the company made a commitment to disclose its political spending. Likewise, Mylan Laboratories agreed to undertake disclosure in line with current best practices. Well over 100 companies now disclose political spending information.

SEPARATE CHAIR & CEO

ICCR members recommend separation of a corporation’s CEO and Chair positions. Without separation, there is a potential conflict of interest for a CEO to be her/his own overseer while managing a business. Shareholders withdrew resolutions calling for a separation of the roles of company CEO and Board Chair in exchange for substantive discussion at 3M, and at Pfizer when the company announced its decision to drop its membership in and support for the Heartland Institute, and engage in substantive dialogue with shareholders.
SEXUAL ORIENTATION AND GENDER IDENTITY DISCRIMINATION

Employment discrimination on the basis of gender identity diminishes employee morale and productivity. Many corporations are now taking steps to ensure a respectful and supportive atmosphere for all employees. Three companies — East West Bancorp, Sealed Air and J2 Global — recently agreed to make positive changes to their corporate codes of conduct, agreeing to prohibit discrimination on the basis of sexual orientation and/or gender identity & expression, enabling shareholders to withdraw their proposals, filed last fall.

HUMAN RIGHTS

Companies are expected to have formal policies in place that promote and protect human rights within their spheres of influence, in accordance with the UN Framework for Business and Human Rights. After ICCR members filed a shareholder resolution late last year, the board of directors of GEO Group, the private prison corporation, formally adopted a human rights policy in February, and ICCR members withdrew in exchange.

HUMAN TRAFFICKING AND CHILD LABOR

The State Department’s Trafficking in Persons report estimates that each year as many as 27 million people may be victims of human trafficking and slavery. Human trafficking and slavery includes all forms of forced labor such as bonded and/or debt labor, and sex trafficking, which includes child sex trafficking. In an effort to combat child labor in its cocoa supply chain, in October of last year, the Hershey Company announced its plan to have all its cocoa sustainably sourced through third party certifiers by 2020. With a 43% share of the U.S. chocolate market, ICCR views Hershey’s decision as an important advancement that is certain to influence the industry and result in more sustainable cocoa farming and production.

Late last year, both Choice Hotels and Expedia received shareholder resolutions asking them to address the risk of human trafficking in their operations and supply chains. ICCR members withdrew their resolution at Choice after the company agreed to set up training and committed to ongoing dialogue. Members also withdrew their Expedia resolution after the company agreed to address the issue within the company and continue dialogue with the ICCR team and ECPAT.

PALM OIL

Palm oil is found in roughly 50% of all consumer goods, including foods and cosmetics. Palm oil production is also a significant source of greenhouse gas emissions as it leads to deforestation, and conversion of high-carbon peat land into plantations. This year, ICCR members asked five companies to implement policies for purchasing sustainably grown and managed palm oil for their products. Four of the five have been already been withdrawn. Starbucks committed to purchasing only 100% certified sustainable palm oil, while Dean Foods substantially implemented actions toward sustainable palm oil after dialoging with ICCR members. ICCR members have also made progress with Kroger, which is moving closer to a commitment to using oil that is 100% RSPO certified.

LABELING GENETICALLY MODIFIED FOOD

Citing consumers’ “right to know”, ICCR members ask corporations to adopt policies for identifying and labeling all food products manufactured or sold under a company’s brand names or private labels that may contain genetically modified (GM) ingredients. After receiving a shareholder resolution in the fall of 2012, Pepsi reached an agreement with shareholders in 2013 in which it pledged to acknowledge its dialogue with shareholders regarding GM foods in its 2013 proxy, as well as publish a letter for public use, and finally, committed to seeking ICCR input on the issue of GMO labeling; as a result ICCR members withdrew their resolution.

SUSTAINABILITY BY COMPANIES AND IN THE SUPPLY CHAIN

Sustainability refers to meeting present needs for natural resources without impairing the ability of future generations to meet theirs. Shareholders withdrew their resolution at Oracle calling for the company to issue a report covering sustainability efforts by its suppliers after it agreed to encourage its direct manufacturing suppliers to report their sustainability performance. Sustainability resolutions at Emerson and C.R. Bard garnered 38% and 35% of the vote in favor, respectively.

WATER

Water is a human right recognized by the member states of the United Nations General Assembly and the UN Human Rights Council, yet 2.5 billion people lack water for basic sanitation. ICCR members withdrew their Monsanto resolution on water risk after the company committed to specific water metrics for 2013 and 2014.
The Campbell Family of Brands

In each issue of the Corporate Examiner, ICCR will feature a corporation and its work to advance ESG issues. Following is a conversation with Dave Stangis, Niki Kelley and Patricia Zecca of The Campbell Family of Brands.

The Campbell’s Soup Company, founded in 1869, is an iconic American brand immortalized in pop art by Andy Warhol. Does this legacy influence you to show leadership within the food sector?

Dave: The Campbell Family of Brands has earned a place of trust in our consumers’ hearts and minds. That trust is a paramount consumer promise that informs our behavior and practice every day. Quality and safety will always be job one. The heritage of our brands is rooted in goodness while nourishing the future and sets an expectation that Campbell will demonstrate leadership both in our sector as a food company and in corporate citizenship as a leading global company. We’re contemporizing our brands and bringing more innovative products to appeal to today’s consumers, and the next generation, all around the world.

Can you tell us about Campbell’s recent decision to adopt a Human Right to Water Policy? Why was this undertaken and how do you see it impacting Campbell’s operations and, more broadly, the food sector?

Dave: Whether fruits, vegetables, grains or protein, water plays a critical role in the growing, harvesting and preparation of our soups, sauces, juices and baked goods. Water is also critical to our growers, suppliers and the communities where we live and work. The concept of a Human Right to Water Policy first arose in our periodic conversations with ICCR members and shareholders. Reflecting on the UN resolution recognizing water as an undeniable human right as well as our own goal to be a role model in stewardship of the resources we touch in our business, it made sense to our sustainability leadership team.

We have set public goals for water savings and have integrated year over year water reductions into Campbell’s balanced scorecard. We are working with our growers to optimize water use and yield and we view the policy as a reminder of our near-term efforts and our long-term development plans. We hope it inspires other companies within and outside of our sector to consider the importance of water wherever they operate.

Niki: My participation in the Water Roundtable was a great example of how we approach stakeholder engagement, and was an invaluable experience that allowed me to gain a better understanding of how communities are impacted by water issues. Hearing from members of water-impacted communities provided me with information that I was able to bring back to Campbell and share with our team so that we can make more informed decisions related to our sustainable agriculture practices.

One recent example of the power of stakeholder engagement involves a process we embarked on to define sustainable agriculture priorities. In 2011, a series of 50 stakeholder interviews with farmers, agriculture suppliers, retail and food service companies, and NGOs focusing on the environmental and social impacts of farming was conducted by Campbell’s Manager of Agriculture Sustainability Programs. The results of the interviews were used in our strategic planning and we are already seeing results.
How are your strategies improved through direct consultation with your investors?

**DAVE:** I am a firm believer in the power of strong, 2-way consultations with investors. My conversations with ICCR members began as soon as I came to Campbell and they continue today. These dialogues help advance our understanding of emerging issues and raise topics for discussion internally. The dialogues challenge our thinking and provide the opportunity to share our point of view on a range of topics to a group of stakeholders invested in our company’s long-term future.

**How is Campbell’s working to reduce obesity, particularly childhood obesity, which has become a national health care crisis?**

**PATRICIA:** Campbell’s Nutrition and Wellness website is designed for consumers and health care professionals. The content highlights the role of Campbell products in helping meet the 2010 Dietary Guidelines for Americans. We dedicate an entire section of the website to weight management information, recipes, and a variety of healthy menu plans that can help meet weight loss or maintenance goals. We provide advice and simple ideas to empower better dietary choices and increase physical activity. We also publish an e-newsletter which provides science based nutrition content, tips and recipes that help put the Dietary Guidelines into action.

Campbell’s Healthy Communities program partners with a range of stakeholders and the greater Camden community to address the health and wellness of Camden, New Jersey’s young people. Our goal is to “Measurably improve the health of young people in our hometown communities by reducing childhood obesity and hunger by 50% in the next ten years.” In the first 2 years alone, we have brought more than 100,000 hours of new physical activity to Camden youth and exposed 600 children to the first city-wide after school program stressing nutrition education and soccer. We have also provided structured nutrition education to more than 100 teachers.

**What is Campbell’s doing differently in the way of product offerings, formulations and marketing to address childhood obesity?**

**PATRICIA:** Campbell has more than 600 products, over 90% of our portfolio, that are ≤ 200 calories per serving and more than 300 products that are ≤ 100 calories per serving including a variety of juices, beverages, bakery and other products. Soup is at the core of our product portfolio and research supports that when people eat a low-energy-dense, high-volume food like soup before a meal, they are more likely to eat less at that meal overall. Vegetable products are often low in energy density and increased intake may protect against weight gain. Campbell’s offers nearly 170 products with a full serving of vegetables.

Campbell is a charter participant in the Children’s Food and Beverage Advertising Initiative (CFBAI) which was launched in 2006 with the goal of shifting the mix of advertising primarily directed to children to encourage healthier dietary choices and healthy lifestyles. Campbell only advertizes children products that meet the CFBAI’s strict uniform nutrition criteria.

**Beyond philanthropy, what is Campbell’s doing to increase access to nutrition by making healthier foods more affordable for economically vulnerable communities?**

**PATRICIA:** Campbell’s recommends that our healthy products be priced in line with our regular products. We also offer dietitians coupons for our healthy products to share with their clients and participate in various promotional trade programs.

Campbell also participates in the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), which provides vouchers for nutritious food and nutrition counseling. Our WIC eligible products, include Campbell’s® Tomato Juice, V8® 100% Vegetable Juices, Pepperidge Farm® 100% whole wheat and whole grain breads, and Pace® Salsa. Currently 60% of all states include at least one variety of our whole grain bread, and 70% of states include Campbell vegetable juices and/or salsa to be purchased as part of the WIC food package.

Our Healthy Corner Store Initiative is bringing a new model to Camden that evolves many of the hundreds of corner stores (Camden has only one full-service grocery store) into local sites for healthy food access. We have already created 16 new Healthy Corner Stores in Camden. Including our 5 program sites within the community, close to 13,000 residents now have access to healthy food in their neighborhoods.

**What tools has Campbell’s developed to advance its CSR and sustainability goals?**

**DAVE:** Our goal from the beginning was to build a CSR and Sustainability strategy for Campbell that delivers meaningful, measurable and differentiated Business, Brand and Societal value by optimizing and leveraging the power of Campbell people, culture, core competencies and innovation against some of our communities’ principal challenges.

We have created internal cross-functional teams, quarterly reporting requirements, training modules and communication strategies to help drive this strategy. Additional tools include an emerging issues monitoring process and regular reviews of external profiles to drive continuous improvement. Better data is the next frontier. We have embarked on a pre-assurance process for our key environmental metrics and we are analyzing data from our grower network to identify opportunities to reduce water and fertilizer use while optimizing yield among our tomato growers.
The General Board of Pension and Health Benefits rebranded its investments division in 2011 under the name Wespath Investment Management—a deliberate evocation of John Wesley, the founder of Methodism and a pioneer in identifying socially responsible business practices. His sermon, “The Use of Money” remains as relevant today as it was when it was first delivered in the mid 1700s. Can you talk about the genesis of socially responsible investing in the United Methodist Church and how the practice has evolved to meet the needs of your constituents and the ESG issues we are confronting in today’s world?

**Vidette Bullock Mixon:** John Wesley, Methodism’s founder, believed and expected that “the people called Methodists” would be actively involved in their communities—feeding the hungry, tending to the sick, visiting prisons and helping the poor.

During the 105-year history of the General Board, our organization has maintained the belief that financial investments have ethical dimensions. We are committed to upholding the traditions of The United Methodist Church and seek to influence corporate policies and practices on ESG issues consistent with Church values as contained in the UMC Social Principles, which give voice to the hope that all of humanity may live in a world where rights are respected, freedoms are protected and creation is preserved.

The first major focus of shareholder advocacy undertaken by Wespath was human rights in South Africa. Letters were written, shareholder resolutions filed and dialogues held with companies doing business in South Africa requesting that corporate management endorse a set of human rights principles known as the Sullivan Principles (later referred to as “the Statement of Principles”). Our work in collaboration with other ICCR members resulted in companies acting to improve working conditions and protect the rights of black South Africans. Since advocating for human rights in South Africa, concerns have been raised about supply chain issues in Burma and Sudan, child labor in the cotton fields of Uzbekistan and the cocoa fields of West Africa, as well as conflict minerals in the Democratic Republic of the Congo, to name a few.

**Anita Green:** Wespath’s proxy voting guidelines align with United Methodist principles and reflect our obligations as a

Would you discuss the proxy voting guidelines your organization has published (and the business case statements) and how they were developed? How are these being used by your constituents and how might they evolve in response to the changing ESG environment or a deeper understanding of the issues?

**Anita Green:** Wespath’s proxy voting guidelines align with United Methodist principles and reflect our obligations as a...
fiduciary. They are reviewed annually by a committee of our board of directors. As a service to others, we make our guidelines and our proxy voting record available on our website. Whenever possible we pre-disclose our votes in advance of corporate shareholder meetings, so others are aware of how we intend to vote.

Two years ago we developed a set of business case statements describing the correlation between certain ESG factors and corporate financial performance to further document our belief that ESG has financial impact. Although companies are making strides in many areas, the business case on corporate governance revealed widespread underperformance regarding board diversity. As a result, we amended our proxy voting guidelines to withhold our vote from members of the nominating committee if the board is less than 20% diverse, and we wrote to the companies in question to inform them of the reason for our actions. Nearly half of the replies we received stated that the board exceeded the 20% threshold – however, the information was not disclosed in the proxy statement. This is a concern because in 2009, the Securities and Exchange Commission issued rules requiring listed companies to disclose in the proxy statement how diversity (including but not limited to gender) is considered in the selection of directors, and how the effectiveness of the policy is measured.

From this process, we have learned that there are three facets of the board diversity conversation: 1) the composition of the board of directors, 2) the disclosure provided in the proxy statement, and 3) the ability of the proxy advisors to capture and analyze the data.

**Wespath has been a leader in exploring alternative investments for its SRI clients in the way of other asset classes, i.e. fixed income and community reinvestment opportunities. Would you tell us more about the work being done in these areas and how these alternatives align with your core investment principles?**

**Michael Lohmeier:** We instituted the Positive Social Purpose (PSP) Lending Program in 1990 with the goal of promoting affordable housing and community development for disadvantaged communities, while delivering competitive returns to investors. Today, the program has a market value of $750 million and has resulted in more than 30,000 affordable housing units. The PSP strategy complements our traditional fixed-income mortgage investments. By targeting underserved market niches and partnering with established, qualified lenders, we are able to provide market returns commensurate with risk, while creating high social impact. The loans that PSP makes offer attractive credit spreads and also provide strong prepayment protections.

The General Board was an early member of the ICCR coalition and continues to play an important role in our work. Can you describe a recent initiative that has been successful as a result of a collaboration with other ICCR members?

**Anita Green:** Wespath collaborates with ICCR members on a variety of issues. For example, ICCR is the perfect venue for our access to medicines work. As a result of the pharmaceutical round table hosted by ICCR two years ago, many of the corporate participants agreed to enter into negotiation with the Medicines Patent Pool. Not all of these negotiations will lead to agreements, but Wespath and ICCR helped facilitate conversations that may ultimately save lives.

Most of Wespath’s assets ($19 billion) are managed externally. How does Wespath work with its managers to ensure the organization’s commitment to ESG is upheld?

**Dave Zellner:** Wespath is convinced that an element of our fiduciary duty to our stakeholders is to ensure that our investment managers consider the impact that ESG factors will have on the long-term sustainability of our investments. Accordingly, we helped develop and were one of the original signatories to the United Nations Principles for Responsible Investment (PRI). We have aggressively encouraged our investment managers to become signatories to the PRI—currently signatories manage over 80% of our assets. Beyond the PRI, in the months and years ahead we will monitor the extent to which our managers have integrated ESG analysis into their investment process, and encourage a more robust analysis where we think our managers have fallen short of our expectations. We also aspire to leverage our relationships with our managers by collaborating on corporate advocacy efforts, focused initially on corporate governance issues.
Founded in 1971, ICCR members first gained international attention for their campaign to bring down the oppressive system of apartheid through their collective power as shareowners of corporations with investments in South Africa.

Today, with 300 institutional investors as members, ICCR's growing coalition is at the center of the Corporate Social Responsibility Movement they began nearly forty years ago. Actively engaging global corporations on social justice issues that impact the health of our planet and all its inhabitants, we invite you to join us in our mission to build a more just and sustainable world.

As pioneers in socially responsible investing (SRI), ICCR members form coalitions both within the membership and with external allies that work with corporations on a wide range of issues from supply-chain accountability and corporate governance to a host of human rights and environmental concerns. ICCR provides our members with critical resources such as research and staff support, as well as access to our growing membership with which to partner, for more effective corporate engagement. Through shareholder proposals, in corporate dialogues and in participation with other CSR organizations, every day ICCR members are helping to change the conscience of the world's most influential corporations and keep them mindful of the human and environmental costs of doing business.

As we look towards the future, our growing coalition seeks new members who bring with them new visions and fresh ideas. The Interfaith Center on Corporate Responsibility is committed to broadening our membership by actively reaching out to all who support our mission.

In short, ICCR members are inspired by faith and committed to action, as we work together to bridge the divide between morality and markets.

For more information or to become a member of ICCR please contact ICCR's Member Relations Associate Allison Lander at alander@iccr.org or 212-870-2984.