Working Values

Ensuring ethical labor practices in global supply chains
A Faithful Voice for Justice

ABOUT ICCR

Currently celebrating our 43rd 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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RING has finally arrived here in New York City and everyone at ICCR is so grateful to watch the city come alive with blossoms and feel the warmth of the sun. Since the publication of the previous Corporate Examiner, we have turned our attention to labor and issues related to work and human dignity. As we reflect on the one-year anniversary of the terrible tragedy of Rana Plaza and launch our new project the “No Fees” campaign, we are reminded that that ICCR community has been at the vanguard of the struggle for labor rights and human dignity since our very first days in the anti-apartheid movement.

While César Chávez Day is observed in the United States on March 31 each year to celebrate Chavez’s birth and serve as a tribute to his commitment to social justice and respect for human dignity, this year is special. With a number of recently released films, there has been considerable public focus on César Chavez’s life and work on behalf of farm workers and laborers throughout the world. I imagine that everyone in our community has been inspired by his work and his words:

*It is possible to become discouraged about the injustice we see everywhere. But God did not promise us that the world would be humane and just. He gives us the gift of life and allows us to choose the way we will use our limited time on earth. It is an awesome opportunity.*

--- César Estrada Chávez

We know that every year, millions of workers become enslaved through the actions of unscrupulous labor brokers who charge exorbitant recruitment fees, and either do not provide contracts or change contract terms, and impose unreasonable deductions from promised wages. This edition of the Corporate Examiner describes ICCR-led efforts to combat modern day slavery as we work with our partners in corporate America to help ensure that their supply chains are free from the taint of forced labor.

As we do each year at this time, we are also pleased to present updates on our shareholder engagements. You will find the wide range of our work reflected in the proxy season update. Together with our members, we are discovering innovative approaches to framing our corporate “asks”, as is demonstrated in the brief overview of member efforts on nutrition at Facebook.

With this edition of the Examiner, we are launching a new section that will introduce ICCR’s newest member organizations to our longstanding members and all our faithful readers. Any feedback or suggestions for improvement you are willing to provide will help us make it a more powerful and effective tool for you and others who may be new to this work. Please take a few minutes to answer a brief online survey. Directions can be found on the back inside cover of this issue, and thank you again for all your support!

Laura Berry
Executive Director
ICCR Welcomes New Members

In this issue, ICCR welcomes a dozen new members to our broad coalition. Below we profile each new institutional investor, so that you can get to know them better. This will be a regular feature of each issue of the Corporate Examiner.

Based in Milan, the Fondazione Culturale Responsabile Etica works for cultural ethical responsibility. Banca Etica seeks to promote a network of “new sustainable economies” to integrate business ethics at the national and international levels. It sees itself as “a laboratory for research, creation and provocation for a new economic and financial culture in the service of civil society.”

Launched in 1981, Great Lakes Advisors is a value-oriented manager serving nearly $5 billion in assets for public funds, not-for-profits, religious communities, Taft-Hartley funds, corporations, endowment/ foundations, health care plans, platform relationships, and high net worth individuals.

Just Capital Foundation is a new nonprofit based in Greenwich, CT, focused on developing new research methodologies in responsible investment.

With offices in the US, Hong Kong and the UK, Lighthouse Investment Partners, LLC is an investment manager dedicated to managing funds of hedge funds. Lighthouse’s investors include pension plans, corporations, insurance companies, university and college endowments, public and private foundations, family offices and individual investors.

Located in Brentwood, NY, for more than 150 years the Sisters of St. Joseph, NY have served the people of Long Island from the docks of Red Hook in the shadow of the Statue of Liberty to Long Island’s eastern shore. The sisters have since expanded, with missions in Appalachia, Puerto Rico, the Dominican Republic, Brazil and beyond.

SumOfUs is a global movement of consumers, investors, and workers, working together to hold corporations accountable for their actions and forge a new, sustainable and just path for the global economy. SumOfUs pursues a number of environmental issues such as the impacts of coal ash waste, to corporate tax havens and the fight to preserve internet neutrality.

Located in lower Manhattan on Wall Street, Trinity Church is a historic, active, well-endowed parish church in the Episcopal Diocese of New York. Trinity is committed to social justice and peace, and has a grant-making program that supports the growth of sustainable churches in Africa and advocates for children in NYC public schools.

The UAW Medical Benefit Trust provides health care benefits for retired UAW members of General Motors, Ford and Chrysler. The Trust established a Corporate Governance Program in 2010 with the goal of promoting corporate governance best practices at these companies, leading to better performance and in turn, protecting the assets in the Trust used to pay for retiree health benefits.

A subsidiary of Bank of America, U.S. Trust provides investment management, wealth structuring and lending services to high net worth clients. Its values-based investment strategy, Socially Innovative Investing, scores companies on more than 400 distinct attributes. U.S. Trust is interested in issues of pay disparity, environmental stewardship, social justice and diversity.

Wall Street Advisors provides independent investment research on public companies that is used by money managers, stockbrokers, high net worth individuals, financial planners, investment clubs, investor relations firms and individual investors.

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On the Hook for a Job

How migrant workers in the palm oil and seafood industries become trapped in slavery

Every year, millions of migrant workers become unwittingly enslaved through the actions of unscrupulous labor brokers. These brokers charge exorbitant recruitment fees, do not provide contracts or change contract terms, or impose unreasonable deductions from promised wages and may retain workers’ documents to prevent them from returning home. These are the hallmarks of bonded labor and indentured servitude, and these workers are the victims of human trafficking and modern day slavery.

Building on current and upcoming legislation requiring supply chain reporting and a growing awareness of the enormous risks posed by modern slavery in corporate supply chains, responsible investors are using their leverage to create and/or strengthen corporate supply chain policies to eradicate unethical and illegal hiring practices.

The ‘pay for work’ practice is especially prevalent at the commodity-sourcing level of the food supply chain. “Because commodity sourcing exposes companies to these trafficking and slavery risks,” said Senior ICCR Program Director David Schilling, “ICCR has launched the No Fees campaign, an initiative designed to encourage companies to create robust management systems which will ensure that workers in their immediate and extended supply chains are recruited ethically and not forced to pay for employment.”

The No Fees campaign will initially focus on promoting ethical recruitment practices in key companies in the palm oil and seafood industries before eventually scaling up to the 50-plus companies that ICCR members are already engaging on human rights issues in the electronics, apparel, and extractives sectors. The project is funded in part by a grant from Humanity United.

Most Americans have a somewhat romanticized notion of how seafood makes its way onto their dinner plates. Visions of small fishing boats run by families living in picturesque fishing villages along the Atlantic and Pacific coasts tell only part of the story. While the U.S. does have a robust fishing industry, most of the shrimp consumed in the U.S. is sourced from Southeast Asia, Ecuador and Mexico, while our tuna comes from Thailand, the Philippines, and Vietnam, and our tilapia is sourced from the waters off China’s coasts.

Due to the largely unregulated nature of the overseas fishing industry, abusive working conditions are endemic both on boats and in fish farms. According to a report on Thailand’s Fishing Industry by the Environmental Justice Foundation and underwritten by Humanity United, “Multiple reports over the past five years have documented abuses of trafficked boat workers in Thailand, including bonded labor, excessive working hours, little or no pay, threats of violence, physical abuse and murder.”

Because workers are required to be away from their homes and families for extended periods of time, the work day is long and physically demanding and wages are extremely low; it’s a job that few people with any real choices want. As a result, boats and farms are typically crewed by economically vulnerable migrant workers.

Working conditions on palm oil plantations are equally dire. Palm oil plantations are most commonly found in Indonesia and Malaysia where the rule of law regarding migrant workers’ rights is weak. According to Verité’s report on workers’ living conditions, workers have been “locked in hot, windowless rooms, given small portions of food often infested with bugs, and provided with fresh water only once a month.” Abuse and coercion are common on palm oil plantations.

In both industries, migrant workers become easy prey for labor brokers who take advantage of their desperation for work, and set unreasonable terms that ultimately trap them in slavery.
ICCR’s No Fees campaign will initially target 12 companies sourcing palm oil and seafood, either directly as food producers or indirectly as food retailers. Specifically, the companies will be asked to:

- Create/supplement a company policy and ensuing documentation regarding ethical recruitment. A robust company policy should demonstrate a company commitment to respecting human rights, with reporting mechanisms feeding into the current reporting on transparency in the supply chains act.
- Establish procedures that ensure suppliers are abiding by the company’s policy and are recruiting responsibly.
- Implement a supply chain traceability program to track commodities to their producers.
- Cease any relationships with suppliers that do not cooperate.
- Participate in the multi-stakeholder network of NGOs, investors, companies, trade associations, and trade unions that is collectively working to promote better recruitment practices in given commodities, and share the steps taken to ensure that the social/labor component stays on the sustainability agenda.

“While every labor-intensive sector is prone to modern slavery, agricultural commodities are more vulnerable than most,” said Mary Beth Gallagher of the Tri-State Coalition for Responsible Investing. “As demand for food grows worldwide and climate change impacts growing regions, the need for low-cost or migrant labor to produce it is also rising. What we have seen is that a chronic labor shortage in fishing and palm oil harvesting industries is driving the growth of modern-day slavery.”

ICCR Associate Program Director Valentina Gurney clarifies what the No Fees project hopes to achieve: “ICCR will begin by educating companies and other shareholders on this issue as many agribusiness companies are unaware that these risks lurk within their supply chains. We will work with them to develop specific policies that prohibit the paying of recruitment fees by workers and to implement the verification and reporting mechanisms they will need to ensure compliance by all their suppliers.”

In 2011, the United Nations adopted the Guiding Principles on Business and Human Rights, declaring the corporate responsibility to respect human rights in company operations and supply chains and thereby providing a global framework for addressing these often unseen risks to individuals, communities, and companies.

Companies have a responsibility to conduct due diligence that ensures human rights are respected throughout their supply chains and that all suppliers adhere to a company’s policies and are not contributing directly or indirectly to slavery and other violations. Ensuring responsible recruitment practices, especially at the commodity level where violations occur more frequently, is a vital step towards better business practices.

Continued Gurney, “Recruitment fees, document retention, and the absence of proper contracts often trap workers in substandard conditions, redefining the notion of modern day slavery. Businesses must be aware of these risks, especially when they are working in commodity markets that are operating seasonally or are heavily reliant on migrant labor. This awareness then has to be translated into company policy, leading to robust implementation and verification mechanisms in the form of guidance documents, supplier codes, and vendor agreements that will allow for complete transparency and traceability of commodities to their sources.”

No Fees builds upon decades of productive ICCR corporate engagements on human rights and supply chain issues and further amplifies three years of ICCR member-led engagements with food and beverage companies on sustainable sourcing, production and labor practices for palm oil and seafood. Our initial “asks” will challenge companies to expand their supplier code of conduct policies.

Corporations further up the supply chain face challenges eradicating unethical labor practices, especially at the commodity level. Monitoring working conditions on palm oil plantations is difficult, in part because they are typically located in remote rural areas, and because the plantations themselves tend to be vast, and geographically dispersed. Monitoring working conditions on fishing boats and fish farms present even greater challenges.

Members of ICCR have already reached key agreements with two major companies. With input from ICCR, Coca-Cola adopted an ethical recruitment policy with a “no fees” provision for its suppliers and bottlers prohibiting the practice of workers paying recruiters fees, a major step in building ethical labor recruitment. And as a direct result of its engagement with ICCR members, in early May agribusiness giant Archer Daniels Midland adopted a Respect for Human Rights statement with policies for fair wages, safe working conditions, freedom of association, and ethical recruitment standards that expressly prohibit workers paying recruitment fees.
Over 65 years ago, the United Nations Declaration on Human Rights was approved by the UN’s member states. The declaration articulated 30 principles that would become internationally accepted conventions to uphold human dignity, freedom, justice and equality. Among these conventions is article #25 which declares that “everyone has the right to a standard of living adequate for the health and well-being of him/herself and of his/her family, including food, clothing, housing and medical care and necessary social services.” This declaration, along with the respective teachings of the world’s faith traditions to care for the most vulnerable among us, has provided the foundation for more than 20 years of ICCR advocacy on expanding access to global health care. ICCR members – many with overseas missions – work with members of the health care sector to promote the equitable access to and affordability of life-saving medicines in emerging markets. One of the challenges they face is the current business model of the pharmaceutical industry which is focused on the development and marketing of highly profitable drugs for affluent markets at the expense of the sick and poor living in underdeveloped nations.

Donna Meyer of Mercy Investment Services spoke about the implications of the current business model for people living in low income countries: “The donation of drugs and other philanthropic efforts, while commendable, aren’t sustainable solutions to getting medicines to low income markets where they are desperately needed. The traditional model of higher price points in developed markets to cover R&D costs and allowing for lower price points in lesser developed markets may not provide the competition needed to significantly lower costs. These models aren’t effective and sustainable. Drug companies need to be more creative in order to genuinely promote access and affordability and to be more flexible in their responses to the many changes in the health care environment.”

Said David Schilling, Senior ICCR Program Director, “These outdated business models have led to enormous gaps in the global health care system, particularly in research for medicines to treat neglected tropical diseases and tuberculosis that overwhelmingly affect poor people living in less developed countries. We are encouraging the pharmaceutical companies we work with to continue to innovate in this area of unmet need.”

The health of a society is truly measured by the quality of its concern and care for the health of its members...We believe that health is a fundamental human right which has as its prerequisites social justice and equality and that it should be equally available and accessible to all.

–Imam Sa’duallah Khan, The Islamic Center of Southern California

Of all the forms of inequality, injustice in health care is the most shocking and inhuman.

–Martin Luther King, Jr.

Health is not a luxury, nor should it be the sole possession of a privileged few. We are all created b’tzelem elo-him — in the image of God — and this makes each human life as precious as the next.

–Rabbi Alexander Schindler, Past President, Union of American Hebrew Congregations

Our current global health work has two main thrusts: non-communicable diseases (NCDs) and HIV/AIDS. NCDs, including heart disease, strokes, and cancer, are the leading cause of death in the world, killing more than 36 million people each year. Similarly, an estimated 34 million people are currently living with HIV. In the face of these enormous global health challenges, the pharmaceutical industry has a responsibility to respond with new mechanisms, structures and strategies to help answer the need and close the gaps.

To this end, in March of 2014, ICCR’s Working Group on Global Health released its Statement of Principles and Recommended Corporate Practices to Promote Global Health. The white paper sets out ICCR’s roadmap for expanding access to health care around the globe. To date, the six principles and accompanying best practices have been endorsed by over 80 institutional investors, including health care systems, asset management companies, foundations, insurance companies, and religious congregations.
Said Julie Tanner of Christian Brothers Investment Services, “We are very encouraged by the strong positive response the principles have received from both our allies working on global health concerns and the companies we have been engaging. Over the next few years, we will be partnering with the drug companies we hold to help them identify ways to fully implement our recommended practices, to ensure that global health needs are addressed in ways that are equitable, accessible, affordable and sustainable.”

An example of creativity and innovation in global health is in the sharing or “pooling” of patents which allows for easier generic production of these life-saving drugs. Formed in 2010 through funding from UNITAID, the Medicines Patent Pool (MPP) is a unique collaboration that encourages the sharing of HIV/AIDS patents by major pharmaceutical companies in order to facilitate their manufacture by generics companies. It is a powerful example of a social innovation with the potential for profound global health impact. The MPP has been endorsed by the World Health Organization, the UN High Level Meeting on AIDS, and the Group of 8 as a promising approach to improving access to HIV medicines.

In ICCR-convened industry roundtables, in regular face-to-face corporate dialogues and through shareholder resolutions, ICCR members are urging big pharmaceutical companies to share their patents via the MPP. While progress has been slower than hoped, it is gradually being made. The most recent breakthrough came in April of this year when ViiV agreed to contribute the license for its adult and pediatric HIV drug, dolutegravir, to the MPP, a decision which will help improve the lives of millions of people currently living with the virus.

“We aren't confronted with the inequities of the current system on a regular basis because they occur in communities far from home and, for this reason we often don't feel the same urgency,” said Anna Falkenberg of the Socially Responsible Investment Coalition. “But when we internalize the principles articulated by the UN Declaration 65 years ago of providing access to health to everyone as a basic human right, we are compelled to act. We cannot continue to let people fall through the cracks in the global health care system.”

**ICCR’s Global Health Principles**

**ACCESS & AFFORDABILITY:** Global health business models must promote access to health for all, and be equitable and affordable, regardless of one's country or resources.

**INNOVATIVE RESEARCH & DEVELOPMENT MODELS:** Companies must develop new models that address critical global health needs, including non-communicable diseases, HIV/TB/malaria and neglected tropical diseases that impact the most vulnerable.

**ETHICAL BUSINESS PRACTICES:** Companies must develop, implement, and monitor a global code of conduct that incorporates responsible marketing practices; anti-bribery corruption measures; fair clinical trials; and robust oversight of supply chain management programs.

**COMMUNITY INVESTMENT:** Pharmaceutical companies working with communities, the private sector and other stakeholders must find solutions to overcome barriers to improving a country's health system infrastructure and supply chain distribution.

**PARTNERSHIPS & COLLABORATION:** Companies must increase collaboration within the pharmaceutical industry and with other stakeholders to share knowledge and resources to develop and implement access to health initiatives.

**TRANSPARENCY & DISCLOSURE:** Companies must increase transparency and disclosure on access strategies, health outcomes, public policy positions and lobbying activities in order to demonstrate responsible corporate citizenship and enable investors and other stakeholders to hold companies accountable.

* Note: for full list of Recommended Practices, please download the full publication from our website: [http://www.iccr.org/iccrs-statement-principles-and-recommended-corporate-practices-promote-global-health-0](http://www.iccr.org/iccrs-statement-principles-and-recommended-corporate-practices-promote-global-health-0)
Putting Public Health Before Profits

CVS Caremark Ends In-Store Tobacco Sales

For decades, members of ICCR have used a variety of strategies to successfully reduce the public health impacts and hazards posed by tobacco, including working with film studios to eliminate smoking in youth-rated movies, calling for curbs on advertising to minors, minorities and the poor, and pushing for transparency around tobacco companies’ attempts to influence regulation through lobbying. One of their earliest successes came in 2000, when fast food chain Wendy’s decided to make all of its company-owned facilities smoke free, after receiving a shareholder resolution from ICCR member the Province of St. Joseph of the Capuchin Order.

In recent years, ICCR members have focused on challenging major pharmacy chains on the obvious incongruence of their ongoing sale of tobacco products. “Cigarette smoking is the leading cause of illness and premature death in the United States” said Michael Crosby, coordinator of the Province of St. Joseph, “and selling tobacco products is inherently antithetical to the business model of pharmacies, whose stated business goal is to provide consumers with access to the medicines and products they need to be healthy.”

According to the Surgeon General, cigarettes cause as many as 480,000 deaths each year due to lung cancer, heart disease and stroke. In a move that members and other responsible investors hope will represent a tipping point for the retail pharmacy sector, in early February, CVS Caremark announced a landmark decision to end tobacco sales in its chain of 7,600 stores. The move will make the company the first national pharmacy to stop selling tobacco products.

While the move is expected to cost the company about $2 billion a year, roughly 3% of its overall sales, in its press release CEO Larry J. Merlo acknowledged the contradiction of selling cigarettes and other tobacco products while positioning the company as a health care provider: “Ending the sale of cigarettes and tobacco products at CVS/pharmacy is the right thing for us to do for our customers and our company to help people on their path to better health.”

For years, regulatory, competitive and public pressure to halt sales of tobacco products has been building, with numerous cities passing ordinances banning tobacco sales in pharmacies since 2008. Former CVS Caremark CEO Tom Ryan even considered halting the sale of cigarettes as early as 2007, but, finding that the impact on sales would be too great, decided not to go forward at that time. Seven years later and in light of the inevitability of further state regulations, CVS made the right choice. In becoming the first mover in its sector, CVS Caremark has successfully secured its leadership position on the issue – a decision that could reap positive reputational benefits in the months and years ahead.

Since 2012, ICCR members – a number of whom are hospital systems – have been engaging CVS Caremark in dialogue, asking the company to create an independent ethics committee on cigarette sales. “We have been shareholders in CVS Caremark for a number of years, and in that time we have seen our company employ innovative strategies that resulted in more sustainable business,” said Cathy Rowan of CHE Trinity Health. “As momentum grows across the nation for legislation limiting tobacco sales, we applaud CVS Caremark’s forward-thinking decision.”

Now that CVS Caremark has moved, pressure is mounting on rivals Walgreens and Rite-Aid Corporation. Twenty-eight state attorneys general have now written both, along with grocery store chains Kroger and Safeway, calling on them to stop selling tobacco products.

The dialogue leading up to the agreement was led by the Sisters of St. Francis of Philadelphia, and joined by the Benedictine Sisters of Mt. Angel, the Benedictine Sisters of the Monastery of St. Gertrude, the Camilla Madden Charitable trust, Friends Fiduciary Corporation, Mercy Investment Services, Northwest Women Religious Investment Trust, the Socially Responsible Investment Coalition, and Trinity Health.
Investors Ask Facebook to Help Kids “Like” Healthier Food

Last fall, ICCR members filed a shareholder proposal with Facebook requesting that it issue a report evaluating whether the company is doing enough to address mounting public concerns about social media marketing and its impact on childhood obesity.

The proposal is part of ICCR’s broader Access to Nutrition campaign which engages food, beverage, retail and media companies in order to encourage the production, promotion, and accessibility of healthier, more nutritious foods for children.

Obesity in youth remains a grave public health threat, in the U.S. and around the globe. According to a recent analysis by the Centers for Disease Control, teenagers’ obesity rates increased in the last decade, and the rates for children remain more than double (and for adolescents, quadruple) what they were in 1980.

Carrying extensive food marketing to youth, as Facebook does, exposes the company to significant and growing regulatory and reputational risks that may impact its financial performance.

“We know from studies that children are particularly susceptible to food marketing and that it has the power to shape youths’ diets,” said Sr. Judy Byron of the Northwest Coalition for Responsible Investment who represents the Sisters of the Holy Names of Jesus and Mary, the lead filer of the proposal. “In requesting a risk assessment, ICCR members are asking Facebook to safeguard the privacy and health of the youth using its site by implementing prudent policies that will prevent online surveillance of kids for commercial purposes and restrict messaging, including junk food marketing, that doesn’t promote healthy behavior.”

Said Ava Alkon, Associate Program Director for ICCR’s Access to Nutrition program, “Food marketers currently take full advantage of the Facebook platform, intentionally blurring the lines between content and advertising and enlisting kids as a sales force to further promote brands to their ‘friends’.”

But of even greater concern to the investors is Facebook’s use of sophisticated tracking and measuring tools which allow food marketers to continuously refine their strategies against these young audiences.

Continued Alkon, “Facebook’s current business model relies on offering marketers access to an unparalleled amount of personal data that can be used to customize messaging to young audiences. The online surveillance of children and teens is disturbing to both parents and public health advocates, who worry about how the commercial use of this information will impact kids’ health and well-being.”

Food marketing has been highly scrutinized by high-level officials, regulators, and civil society institutions:

• In 2009, Congress and the Federal Trade Commission convened a federal Interagency Working Group on Food Marketed to Children to recommend nutritional standards for food marketed to children under 18.

• In 2011, the American Academy of Pediatrics called for a total ban on child-targeted advertising of unhealthy foods.

• In June 2013, the World Health Organization called for tighter controls on the marketing to children of unhealthy foods.

• First Lady Michelle Obama hosted a Convening on Food Marketing to Children, urging companies from multiple sectors to do more to address the contribution of marketing to childhood obesity.

Proposed legislation, HR 3481 and S.1700 The Do Not Track Kids Act of 2013, calls for extensions to the current Children’s Online Privacy Protection Act that would further restrict personal data collection and establish a “Digital Marketing Bill of Rights for Teens”. Said Byron, “According to press reports, Facebook may consider opening its platforms to children ages 12 and under, which would greatly increase the company’s exposure to regulatory and legal risks. Safeguarding the health and privacy of kids and teens must take precedence over the generation of advertising revenue. Our resolution asks management to assess protections for young users because we believe the current policies put both kids and the company at great risk.”
The Problem with Coal

Coal-fired power plants produce almost half of the energy consumed in the U.S. each year. Unfortunately, coal mining, along with coal-fired energy generation, have serious, long-term impacts on air and water quality. Water is involved at multiple parts of the production chain – it is used to extract, wash, and at times even transport coal.

Since 2008, members of ICCR have been engaging coal-mining company Alpha Natural Resources on its water management policies and practices, and the social and environmental impacts that its mining operations have on the surrounding Appalachian communities. Alpha is one of a number of coal mining companies practicing “mountain-top removal (MTR)” mining, where upper elevation forests are cleared and stripped of topsoil, and explosives are used to break up rocks to access coal. Excess rock is then pushed into adjacent valleys, where it buries existing streams and potentially releases heavy metals into waterways.

MTR is legal, but just barely. Mining companies must first seek a federal permit to discharge waste from their mining operations directly into streams and wetlands (i.e., “valley fill”) and violations of the Clean Water Act due to pollution from cancer-causing heavy metals are so widespread they have become an accepted business risk. Though its provisional legality has been established, it would be difficult to argue that MTR is anything but destructive for the environment, for business, and importantly, for the communities where it is taking place.

Earlier this year, Alpha was charged and agreed to pay the largest penalty in history under Section 402 of the Clean Water Act for violating water pollution permits more than 6,000 times in the states of Pennsylvania, Kentucky, Tennessee, Virginia and West Virginia between 2006 and 2013. The fines total over $27 million and the company has further agreed to spend another $200 million in water remediation initiatives.

Tom McCaney, Director of Shareholder Advocacy for the Sisters of St. Francis of Philadelphia and leader of ICCR’s shareholder engagement with the company remarked, “Our fear is that the coal mining industry views these huge EPA fines as the cost of doing ‘business as usual’ and these enormous environmental and social risks are assumed as part of their operational plans. If this is true, then it demonstrates a staggering disregard for the people who live in the Appalachian communities where they operate, and is a very sorry statement about the industry’s commitment to corporate responsibility.”

At the heart of this latest Alpha controversy are several public statements that the company has made about its environmental and water safety record – statements which
cast Alpha’s behavior in an altogether different light.

Back in December of 2013, ICCR members filed a shareholder proposal with Alpha, requesting reporting on the company’s environmental and community impacts, including the water impacts of its business operations.

Upon receiving the shareholders’ resolution, Alpha released a statement of opposition, which appears alongside the proposal on the proxy ballot, and cites several company claims that either strain credulity, intentionally obfuscate, or gloss over a clearly abysmal record, including:

- Almost 100% compliance with regulatory permits governing all water discharges
- A 2013 water compliance rate of 99.8%
- A company-wide violations per inspection rate of less than 1 per 100 inspection days

These company statements were made at the same time that Alpha was in settlement discussions with the EPA for repeated and egregious violations of the Clean Water Act.

“Alpha boasts of multiple ‘green’ initiatives which on the surface seem impressive, but when viewed in the context of current litigation, become highly suspect,” continued McCaney. “The company’s opposition to our shareholder proposal requesting improved measuring and reporting on environmental impacts was written at the same time it was negotiating an embarrassingly large settlement with the EPA for egregious environmental impacts. I’m sure no one will dispute that 6,287 citations for water pollution in five states over a nine year period is unacceptable and a clear sign that the company needs to reevaluate its environmental risk management protocols.”

According to Paul Corbit Brown, President of Keeper of the Mountains, a nonprofit committed to stopping MTR in Appalachia, “MTR is not only destroying thousands of acres across Central Appalachia but also destroying our way of life in these mountain communities. MTR has exacted an unfathomable toll on mountain communities that are paying dearly for the profits Alpha squeezes from these hills. In many cases, people are literally paying with their lives and the lives of future generations, as the long-term health impacts of MTR are only beginning to be understood. Soon after Alpha purchased Massey Energy, CEO Kevin Crutchfield promised me personally that Alpha was going to be a ‘good actor and a good neighbor’ in the communities where it mines coal. The irreversible poisoning and destruction of our water are not the actions of a good neighbor. Stripping us of clean water is tantamount to stripping us of our human dignity and is a gross violation of our human rights.”

“We have been transparent about our intentions,” said McCaney. “Our primary goal is to help our companies improve their environmental and social records because it is the right thing to do, but we also know that a company that chooses to ignore its social contract is much more exposed to legal, reputational and financial risk. Investors often end up paying for those risks when the share price falls. We are therefore deeply troubled by the discrepancies in the EPA’s report versus Alpha’s reporting to its shareholders on these critical metrics.”
As the public discourse on climate change continues to heat up in light of increasingly urgent reports from the Intergovernmental Panel on Climate Change, ICCR members have been strengthening their corporate engagement strategies to more directly address the need to deeply cut GHG emissions globally. This year saw ICCR members and other investors filing a record number of climate change-related resolutions across all sectors, with GHG reduction targets becoming a renewed priority for investor engagements.

Financial institutions have enormous influence on climate change through their financing of companies in greenhouse gas emission-intensive industries like coal mining, oil and gas production, and fossil fuel-based electric power. Consequently, ICCR members have begun asking the world’s largest banks to closely scrutinize their investment portfolios related to climate risk. Specifically, they are calling for the development of formal lending criteria that account for climate risk in future investments and, further, to actively invest in solutions that will accelerate the transition to a low-carbon economy.

To this end, ICCR members filed a resolution with Bank of America, a leading financier of coal-fired power, requesting that it assess and report on emissions that may result from its lending portfolio. Sr. Judy Byron who filed the resolution on behalf of the Sisters of the Holy Names of Jesus and Mary, US Ontario Province wrote, “As responsible investors, many of us representing faith communities, we are concerned about the environmental and social impacts of climate change and what it means for the planet and its people. We are especially concerned about people who are poor or marginalized, and often feel these impacts most keenly. In addition, as long-term shareholders, we are also acutely aware of the material risks climate change poses to shareholder value for the companies in our portfolios.”

On April 11th a coalition of investors led by ICCR sent a letter to CEO Brian Moynihan requesting that management reconsider its opposition to the resolution to be voted on at Bank of America’s annual general meeting (AGM) on May 7. The letter was endorsed by over 50 institutional investors, many of them Bank of America stockholders, who collectively represent nearly $35 billion in managed assets. It cited the significant downside or ‘tail risk’ to shareholders due to stranded assets and underperforming loans that may result from climate-related pricing, business, and regulatory risks.

“We recognize that assets may become stranded for a variety of reasons,” said Gabriel Thoumi, CFA, of Calvert Investments and a co-filer of the resolution. “But the mispricing of the fossil fuel reserves of oil, gas, and coal producers due to climate risk has been cited by the Carbon Tracker Initiative and others as a significant exposure for the financial institutions that invest in and lend to these companies. The company’s current disclosure to investors on their loan loss and valuation models in light of these potential material risks is inadequate, and may expose shareholders to unacceptable ‘tail and event risks’.”

Said Ben Collins of Rainforest Action Network, “New climate change predictions suggest unprecedented threats to our planet and its inhabitants if urgent action is not taken to dramatically reduce current GHG emissions. While we acknowledge that the primary responsibility for regulating GHG emissions lies with policymakers, decisive action by the private sector is clearly needed if we are to avoid catastrophic consequences.”

The resolution received 24% investor support at the AGM on May 7th, a significant response that appears to have gotten management’s attention. Moynihan designated a senior executive to speak on climate change during the meeting, and he made some encouraging public statements on the issue, including confirming the bank’s public support for the World Resources Institute financed emissions standards development process.

He also noted the following: “Bank of America agrees that we need to transition from a high carbon to a low carbon economy and that the bank has a responsibility to accelerate this transition. The core of our strategy is our $70 billion environmental finance commitment. Reflecting the transition that is taking place, the bank significantly reduced its exposure to coal mining companies, including companies that engage in mountaintop removal. Going forward we expect to continue to reduce exposure to coal mining, including to mountaintop removal mining, as this transition to a low carbon economy continues.”
The Socially Responsible Investment Coalition Celebrates 32 Years of Faithful Advocacy.

Sr. Pat Daly winner of the 2014 Joan Bavaria Award for “building sustainability into the capital markets”.

Veteran members share their wisdom (and a beer) with members of ICCR’s NextGen group.
Remembering the Victims of Rana Plaza

On April 24th, to mark the one-year anniversary of the collapse of Rana Plaza, the Bangladesh Investor Coalition, a group of 134 institutional investors representing over $4.1 trillion in managed assets and led by ICCR, released a statement calling attention to the need for greater financial aid for the victims and their families.

Rana Plaza was one of the worst workplace disasters in history, resulting in the deaths of over 1,100 garment factory workers who were forced to continue working in the building even though they had left it the day before because of major cracks in a wall. The tragedy underscored the need for heightened vigilance on the part of apparel companies for potential human rights risks in their global supply chains, particularly when they source from low-cost producing nations such as Bangladesh.

The Bangladesh Coalition comprises responsible institutional investors from a dozen countries who press for greater corporate responsibility, including the abolition of trafficking and slavery from global supply chains. The coalition was convened by ICCR after the Rana Plaza disaster to urge apparel brands and retailers sourcing from Bangladesh to use their collective influence to help institute system-wide changes that will ensure the future safety of apparel workers.

Investors point to several key achievements over the last 12 months, many of which emerged through the formation of the multi-stakeholder initiative the Bangladesh Accord on Fire and Building Safety, which includes trade unions, apparel companies and retailers with an independent chair from the International Labor Organization.

Improvements noted in the statement are:
• 160 companies in 20 countries have joined the Accord for Fire and Building Safety, which is implementing factory inspections and remediation efforts to create safe and healthy workplaces in 1,500 factories between now and October, and is beginning to train workers.
• Participation of the International Labor Organization (ILO) in the creation of the National Tripartite Plan of Action on Fire Safety and Structural Integrity, with the government of Bangladesh, the Bangladesh Garment Manufacturers Export Association, and trade unions. Labor inspectors are being hired and trained to fill close to 400 new positions.
• With the ILO’s support, the government has improved the trade union registration process with 127 new unions registered since the beginning of 2013.
• Adoption of common inspection standards by both the Accord and the Alliance for Worker Safety, an initiative of North American apparel companies and retailers/brands with 26 members covering over 700 factories (http://www.bangladeshworkersafety.org/).

While the coalition concedes that progress has been made there is concern that corporate financial aid to victims is falling short of projected need. Of the $40 million the Rana Plaza Trust Fund estimates it needs to cover the medical expenses of over 2,000 injured and to compensate the families of victims for loss of income, to date only $15 million has been pledged or collected.

According to the investors’ statement, “The UN Guiding Principles on Business and Human Rights clearly articulate the corporate responsibility to safeguard human rights throughout global supply chains through its ‘Respect, Protect and Remedy’ framework. While companies that haven’t met their human rights responsibilities face clear legal, financial and reputational risks, the moral mandate for increased human rights due diligence inherent in these principles transcends ordinary business concerns.”

Separately, the investors are engaging companies they hold via letters and/or follow-up company dialogues urging them to contribute generously to the Fund. The Fund is purposely open to all brands and donors, irrespective of whether they had any sourcing links to the Rana Plaza building.

The investor statement concludes, “We hope the lessons learned from Rana Plaza and the new multi-stakeholder model in practice in Bangladesh will inform supply chain practices globally.”
Shareholder resolutions are an important investor tool typically used when a dialogue with a corporation on a given issue stalls. Resolutions may ask corporations to disclose information, to measure and report, or to adopt or change policies and practices. Members of ICCR filed 201 resolutions on a range of social, environmental and governance issues for the 2014 proxy season. They have formally withdrawn 62 of those, the majority in exchange for reaching significant agreements with the companies. Below, we highlight a number of successful withdrawals, as well as some key early resolution votes.

GLOBAL WARMING
Without significant further reductions in greenhouse gas (GHG) emissions, average global warming is likely to increase by more than 3°C, radically impacting global weather patterns and sea levels. In 2014, members of ICCR are asking more companies to set GHG and renewable energy goals and targets, and to speak out about the importance of society as a whole committing to reducing GHG emissions.

As a result of member efforts, Church & Dwight committed to setting public targets for carbon emissions reductions. Denbury Resources has created a GHG emissions reduction plan of action. Exxon has agreed to publish a carbon asset risk report describing how it assesses the risk of stranded assets, and has agreed to release a public letter describing how its Board views the risks of climate change. Cabot Oil & Gas has agreed to set qualitative energy/climate goals. Valmont Industries will establish and report an emissions baseline for its coatings division by December 31, 2015. Lincoln Electric Holdings Inc. has also agreed to set a GHG emissions reduction target. Mettler-Toledo International has agreed to set a corporation-wide GHG emissions reduction target. Questar has agreed to release information on its fugitive methane emissions and emissions reduction efforts. Simpson Manufacturing has committed to more detailed GHG/sustainability reporting. Archer Daniels Midland agreed to publicly disclose its GHG emissions to the Carbon Disclosure Project, and will work with shareholders and other stakeholders on its GHG reduction goals. ICCR members also reached agreements with BorgWarner and PACCAR.

Early global warming/sustainability votes have been strong, with Clarcor reaching 40%, Emerson 38%, and ESCO Technologies 24%.

BOARD OF DIRECTORS DIVERSITY & SEXUAL ORIENTATION/GENDER EXPRESSION
In an increasingly complex global marketplace, the ability to draw on a wide range of viewpoints and experiences is critical to a company’s success. Cerner and Westinghouse Air Brake Technologies both committed to including women and minorities in their board of directors nominee pools. Jarden recently named a woman to its board of directors and adopted a board diversity policy. O’Reilly Automotive agreed to add sexual orientation to its workplace non-discrimination policy. A National Fuel resolution on workplace gender identity/expression discrimination won 33% of the vote.

FINANCIAL PRACTICES AND RISK
ICCR encourages banks to provide affordable and sustainable credit products. In January, Wells Fargo agreed to end its Direct Deposit Advance program. Wells Fargo’s Direct Deposit Advance product carried hefty fees, which can trap cash-strapped borrowers in cycles of long-term debt. In February JPMorgan Chase agreed to release a detailed report of its financial risk mitigation efforts.

LOYBING EXPENDITURES DISCLOSURE & POLITICAL CONTRIBUTIONS
While virtually every company participates in lobbying of some sort, companies often make undisclosed expenditures to third-party trade associations which then use that money in ways that can run counter to a company’s publicly-stated positions. After sustained engagement with ICCR members, VISA left the controversial model legislation group American Legislative Exchange Council (ALEC) and has implemented board-level oversight of its lobbying activities. Amgen agreed to disclose its membership in trade associations along with the amounts the trade associations spend from its fees for lobbying. Accenture has significantly expanded its public lobbying disclosure. A resolution calling for lobbying disclosure at Emerson won 41.6%.
Political spending by corporations is also an issue for investors. Hess committed to fully disclosing its trade association memberships and the names of the tax exempt organizations to which it makes contributions, as well as the portion of those payments that is used for political activities. EQT adopted a political contributions transparency policy. A resolution on contributions at Emerson won 47% of the vote.

**HEALTH**
For more than 20 years ICCR members have been advocating for the equitable access and affordability of health care and of life-saving medicines in the U.S. and abroad. ICCR members this year persuaded major chain pharmacy CVS Caremark to cease selling cigarettes, e-cigarettes and other tobacco products. After conversations with shareholders, Bristol-Myers Squibb in late 2013 agreed to share the patent for its HIV/AIDS drug Atazanavir with the Medicines Patent Pool, allowing for a much-needed, low-cost, 2nd line AIDS drug to be offered in 110+ countries. GlaxoSmithKline and ViiV also recently agreed to add their key HIV/AIDS drug Dolutegravir to the Pool.

**SHAREHOLDER RIGHTS**
Corporations sometimes attempt to weaken the rights and access of their shareholders, such as by abolishing in-person shareholder meetings. Both the Bank of New York Mellon and PNC Financial Services late last year passed bylaw amendments allowing them to discontinue their physical stockholders meetings and hold virtual meetings instead. After receiving shareholder resolutions, both reversed their positions, and agreed to use virtual meetings only in conjunction with physical meetings.

**SUSTAINABILITY**
Sustainability refers to meeting present needs for natural resources without impairing the ability of future generations to meet theirs. Cincinnati Financial agreed to publish an annual sustainability report, and maintain ongoing sustainability efforts. Wolverine Worldwide will publish a 2014 ESG report and has formed an Executive Council on Sustainability. Gentex has agreed to release a sustainability report.

**WATER**
While 70% of the Earth's surface is covered by water, only 2.6% of it is usable freshwater. VF agreed to discuss its water management practices in its first sustainability report, and will undertake a full water assessment in 2015, and publish a water quality report in 2016. Peabody Energy agreed to begin publicly reporting via the Global Reporting Initiative, and will set water goals for 2014 – 2015.

**FOOD**
Land grabbing - large-scale land acquisitions involve evicting traditional land holders through coercion or fraud. After being engaged by ICCR member Oxfam, both The Coca-Cola Company and Pepsi publicly adopted zero tolerance policies for illegal activities in their supply chains and for displacements of legitimate land holders.

Tyson Foods substantially improved its animal welfare policies, making them better than “industry standard” including encouraging more humane alternatives.

**SUPPLY CHAIN**
ICCR has launched a “No Fees” campaign to lead companies to create robust management systems that ensure that workers in their immediate and extended supply chains are not forced to pay for employment. Coca-Cola agreed to create formal policies for its suppliers and bottlers prohibiting the practice of workers paying recruiters fees, a major step in building ethical labor recruitment.

Archer Daniels Midland is considering adopting a more robust human rights policy that will be applicable to all of its suppliers and will include language around best practices for employee recruitment and use of labor brokers.

**HUMAN TRAFFICKING**
Estimates indicate that 27 million people fall prey to trafficking and slavery each year. After receiving shareholder resolutions from ICCR members, Con-Way, Landstar and J.B. Hunt each agreed to adopt human rights policies prohibiting human trafficking. They also agreed to conduct worker training regarding identifying instances of human trafficking, and will promote human trafficking awareness via their internal communications.
In 1991, Levi Strauss & Co. (LS&Co.) created its Terms of Engagement policy, making it one of the first companies to adopt a code of conduct for its suppliers. How has Levi Strauss & Co.’s supply chain approach changed over the years?

Levi Strauss is committed to bringing our pioneering values of empathy, originality, integrity and courage to life. Over the past 23 years, our approach has transformed from a set of labor standards for suppliers, to a broad social and environmental sustainability agenda, seeking to improve workers’ well being and restore the environment.

Highlights include:
- In 1994, we implemented strict water quality guidelines – our Global Effluent (wastewater) Requirements – that all contract laundries and finishing facilities must meet.
- We followed with a comprehensive Restricted Substance List to ensure our products are manufactured in a responsible and environmentally sensitive manner.
- Since 2000, we have been a leader in advocating for the protection and enforcement of workers’ rights as an integral part of U.S. trade negotiations.
- In 2005, we were one of the first apparel companies to release the names and locations of all the factories that manufacture and finish our products.
- In 2010, we announced the Levi’s® Water<Less™ collection, which uses less water in the finishing process. In 2010, we partnered with H&M to ban the practice of sandblasting in our supply chain.
- In 2012, we launched the Levi’s® Waste<Less™ collection, which incorporates post-consumer waste into the apparel.
- In 2014, we created and began testing 100% recycled water standards.

How does LS&Co. ensure that working conditions in its supplier factories meet the company’s Terms of Engagement?

We employ full-time factory assessors. These experts understand the scope of our labor and environment, health and safety standards and know the local languages, laws, culture and business context of each country where we operate. They conduct regular assessments of every factory contracted to manufacture our products, which involve on- and off-site discussions with workers, management interviews, review of factory records and environment, and health and safety inspections. Each assessment identifies improvement areas and a corrective action plan. Regular follow-up visits are also conducted to ensure suppliers are completing their action plans on a timely basis.

Over the years, we have learned that while the factory assessment process is important, the key to lasting improvement in working conditions is for our suppliers to understand and appreciate the importance of operating a responsible workplace. Today, we are also partnering with the International Labor Organization’s Better Work program in many countries to reduce duplication of monitoring and focus on factory improvement.

LS&Co. is a member of the Better Cotton Initiative. What are the particular challenges involved in working for sustainability with commodities like cotton?

When we completed a lifecycle assessment of the environmental impact of our key products, we found that the biggest impacts were in two phases we have very little control over – at the beginning, how cotton is grown – and at the end – how consumers care for clothes.
With respect to cotton, the key challenges and opportunities that we and the other members of the Better Cotton Initiative are working to address are:

Complex supply chain: There are many actors in the cotton supply chain—farmers, gins, spinners, mills, garment manufacturers, cotton traders, and brands/retailers. To be successful on sustainability, all parties must be engaged. The BCI was established as a multi-stakeholder organization and includes representatives from all of the supply chain tiers, public-private partner organizations and civil society.

Demonstrating impact: The majority of cotton farmers are smallholder farmers. Reaching them with more sustainable growing techniques and tracking the actual impact the Better Cotton agriculture system achieves in terms of reducing chemical and water use, and improving farmer profitability, is a challenge.

Building a credible supply: BCI has worked hard to establish a credible supply of Better Cotton. In 2014, Better Cotton available for uptake into supply chains is projected at over 1 million MT (metric tons).

Creating strong demand: The other necessary factor to achieving scale is creating strong demand for the sustainable commodity with necessary credibility. BCI now has brand/retail members who represent 10% of the global cotton demand, some of whom work in collaboration with the BCI to build supply chains able to demonstrate credible uptake of the commodity.

Vision, strategy and leadership: BCI has established a compelling vision and strategy to scale sustainable cotton.

LS&Co. first began publicly disclosing its list of suppliers in 2005. This degree of transparency is unusual for a large apparel company. What have been the results of the disclosure?

We’ve always led by example and stayed true to our values—and we believe transparency is part of that.

Making our list of suppliers public has proven to act as an enabler in multi-stakeholder initiatives or other forms of collaboration. Other brands have followed suit and are disclosing their supplier lists.

The internal benefit of this transparency is that we have become disciplined about knowing who our suppliers are—who is making our product. Surprisingly, many companies do not know where their product is being made. For us, this is the starting point to ensuring we are working with suppliers who support our vision of a more sustainable supply chain.

What is the company doing to improve the working and living conditions of the people who make its products? How has LS&Co.’s “Improving Workers’ Well-Being” program led to positive change? And why does this make good business sense?

Too often, supply chain compliance programs fall short of ensuring that worksite-based improvements improve workers’ lives, so we’re now piloting a new approach with factories that moves beyond compliance to help improve workers’ lives beyond the factory walls. The new approach, Improving Workers’ Well-Being, is outlined in this research paper.

Our priority areas include:

• Economic empowerment: access to information and services to manage personal finances.
• Good health and family well-being: health information and services pertaining to hygiene, reproductive health, nutrition and children’s health.
• Equality and acceptance: protect workers from harassment and discrimination, sharing communications and negotiation skills.
• Education and professional development: literacy, basic education and opportunities to develop professional skills for workers, their families, and where possible, their communities.
• Access to a safe and healthy environment: improving water, sanitation, mobility and environmental resilience infrastructure for workers, their families and communities.

Programs to address these issues have already begun in our pilot suppliers, and we know these types of programs have an impact. For example, the HERproject, supported by the Levi Strauss Foundation, has documented that for every $1 invested in its peer-to-peer health education programs, there is a $3 return to suppliers in terms of reduced worker absenteeism and tardiness, and improved worker satisfaction.

Many of the systemic issues present in the garment sector require a collaborative approach. How does LS&Co. engage in multi-stakeholder collaboration to achieve tangible improvements for workers?

Multi-stakeholder collaborations are important when the challenges are systemic and too great to be overcome by individual company action. Some of the multi-stakeholder collaborations we are participating in today are:

• Better Cotton Initiative: BCI is now reaching an estimated 300,000 farmers in 8 countries.
• ILO Better Work Program: The Program helps to improve the lives of over 1 million apparel workers in 7 countries around the world.
• Sustainable Apparel Coalition: The SAC is developing the second generation Higg Index which will enable brands and retailers to apply a consistent set of social and environmental indicators in their supply chains around the world.

What role has ICCR played in LS&Co.’s development and implementation if its human rights policy?

ICCR has been a helpful and trusted advisor in the ongoing development of our sustainability program. Its staff has always been open and thoughtful in listening to our issues, encouraging our explorations, and challenging us to always strive to do better.
What led the Ethical Investment Advisory Group to first develop an ethical investments policy, and how has that policy evolved over time?

The Church Commissioners (managers of the Church of England’s endowment) established an ethical investment policy in 1948 when they first started to invest in equities. At that time their ethical approach comprised avoiding shares of companies involved in activities like armaments, gambling and alcohol. Most of those original exclusions remain in place and others (like tobacco) have been added.

When I started in my job in 2009, I was amused to learn that the Commissioners used to exclude newspaper businesses on account of their being considered too political. However, when the News of the World phone hacking scandal broke in 2011 and we ended up having to disinvest from News Corporation, I saw this exclusion in a new light!

Today there are three Church of England national investing bodies and they are all advised by the Church of England Ethical Investment Advisory Group (EIAG), of which I’m the Secretary. The EIAG was established in 1994 in rather unusual circumstances after the Church Commissioners were challenged in court by one of the Church of England’s bishops, the Bishop of Oxford, who wanted the Commissioners’ exclusions to be widened to take in all companies with subsidiaries in South Africa. While the EIAG still advises on investment exclusions, it also makes recommendations on environmental, social and governance issues, and conducts engagement and proxy voting on behalf of the investing bodies.

Shareholder resolutions are extremely rare in the U.K. Can you compare shareholder advocacy in the U.K. /U.S.?

Relationships between institutional investors and companies seem to be less confrontational in the U.K. than in the U.S. If an institutional investor has a concern about the way a U.K. company is operating, it’s generally not difficult to establish dialogue with the company. And if one investor’s voice isn’t enough to get a company to respond properly, there are always plenty of other investors in London who take ESG issues seriously, so an engagement can be escalated by acting in collaboration.

Also, it’s much harder to file a shareholder resolution in the U.K. than in the U.S. You need either to have 5% of the voting rights or to pull together a group of 100 different shareholders in order to file a resolution. Most years there are no resolutions filed at all.

We have been thinking in the London-based Church Investors Group (CIG) whether there is a place for shareholder resolutions in our activities and have embarked with some other investors on an engagement program on corporate approaches to climate change which we expect will involve filing shareholder resolutions in the 2015 AGM season. The initiative is linked to the rating system of CDP (formerly the Carbon Disclosure Project). CDP’s highest performance rating is an A rating, which is awarded to companies that take extensive action to promote climate change mitigation, adaptation and transparency. We have called the initiative ‘Aiming for A’ because we want the companies we are engaging to achieve an A rating. However, there will still be a British twist: we are hoping that the resolutions we file will be supported, not opposed, by company management.
How does the structure of the Church’s investments – i.e., whether assets are managed in a separate account or a pooled or co-mingled fund – influence how the Advisory Committee engages corporations on ESG issues?

The great majority of the assets of the national investing bodies are held directly. Pooled and co-mingled funds are generally avoided because the Church’s ethical investment policies cannot be applied. However, there are some assets and strategies that can only be accessed through pooled or co-mingled funds – things like venture capital and hedge funds. The EIAG has developed guidance for the investing bodies to help them determine which funds are suitable and which are not. These are tricky judgments, but it does mean we get to talk to asset managers about ethical issues associated with their investment practices in a way that they usually haven’t encountered before. Often we are able to agree side letters, changes in approach or separate share classes to accommodate ethical concerns.

Payday lending has grown to be a serious issue on both sides of the Atlantic. In the U.K. alone, it’s a £2bn industry – how is the Church addressing the problem and how do you see greater collaboration “across the pond” on this issue?

The Archbishop of Canterbury has spoken very publicly about his concern about the explosion of high cost credit such as payday lending in the U.K. The Church is trying to do something about it by launching a major effort to support and grow credit unions.

The national investing bodies avoid high interest rate lenders in their direct investments, but the Commissioners were criticized in the media last year for having a small exposure to the highest profile internet lender in the U.K., Wonga, in their venture capital portfolio. Because the exposure was in a pooled fund, the Commissioners had not been able to exclude the company. We’re now going to talk more about pooled funds – how they’re different from direct investments, and why they’re used.

The main difference between high cost credit in the U.K. and U.S. is that in the U.K. it is all offered by specialist providers, whereas in the U.S. you have some mainstream banks involved in payday lending. We strongly support ICCR’s efforts to stop mainstream banks from offering these products.

Given the global significance of climate change, how is the Church of England addressing climate change through its corporate engagements and do you see opportunities for greater collaboration on this issue by large communities of faith?

Climate change is a huge issue for us. It’s hard to see it being displaced any time soon as the biggest ethical investment challenge we face. We are doing corporate engagement on climate change. As well as Aiming for A, the Church Investors Group also runs another initiative that focuses on companies that do not respond to CDP or are laggards against their peers. This program has achieved tremendous success – in 2013 72% of the companies contacted improved their performance! We are talking to ICCR at the moment about working together to extend this program to take in U.S. as well as U.K. companies.

While engagement with companies is an important component of an ethical investment response to climate change, it is not sufficient. We believe that engagement with policy makers is even more important: only policy makers can put the price on carbon that is needed to disincentivise the use of fossil fuels. We do public policy work through the European Institutional Investors Group on Climate Change, which works with INCR in the U.S.

We are conscious that climate change really matters to our stakeholders. In February the Church’s General Synod overwhelmingly (274 in favor, one against) passed a motion calling on the national investing bodies to reflect the Church’s theological, moral and social priorities on climate change in their investments. The EIAG is considering whether there are further, impactful ways the investing bodies can do this. We have undertaken to publish a new policy early in 2015.

Can you tell us how the Church of England is working with corporations to help address human rights risks including trafficking, slavery and unethical labor practices in global supply chains?

Modern slavery is really rising up our agenda. In March the Archbishop of Canterbury and Pope Francis came together to give their backing to the Global Freedom Network, a major new initiative in the effort to eradicate modern slavery. As part of the agreement an action plan will be drawn up under which faith investors will work for the removal of slavery from their investments. We know that ICCR has been active on this issue for longer than us and we are keen to collaborate. It was great to have Laura Berry speak on bonded labor at the Church Investors Group conference here in March.

Given the global significance of climate change, how is the Church of England addressing climate change through its corporate engagements and do you see opportunities for greater collaboration on this issue by large communities of faith?
HOW CAN WE IMPROVE THE CORPORATE EXAMINER?

We want to ensure that the Corporate Examiner magazine continues to provide you with the coverage you expect regarding our work here at ICCR as well as the broader responsible investor and CSR communities. Please take a few moments to share your thoughts and ideas with us in a brief online survey you can find at this web address:

https://www.surveymonkey.com/s/corporate_examiner

For those with mobile devices, if you prefer, you can use the quick response code below to be taken directly to the survey.

We look forward to hearing from you!
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.

www.iccr.org