

CATALYZING CORPORATE CHANGE

ICCR MEMBERS SCORE OVER 100 WINS DURING 2018 PROXY SEASON

Members of the Interfaith Center on Corporate Responsibility are investors who believe a corporation's attention to its environmental, social and governance (ESG) practices helps to mitigate risks and safeguard long-term shareholder value.

For nearly 50 years, our members have engaged hundreds of corporations annually in an effort to foster improved performance on issues such as human rights, climate change, corporate water stewardship, sustainable food production, and health equity.

In the early spring, American corporations begin sending out proxy statements to their shareholders

listing all the shareholder resolutions scheduled for a vote at their annual meetings. Roughly one page in length, these resolutions often request reports or policy changes. These resolutions are then voted on by all shareholders.

2018 has been a year of accomplishments for ICCR members who used the proxy process to catalyze corporate change. What follows are some highlights of the progress shareholders achieved this season through the filing of shareholder resolutions.

Navigating New Rules

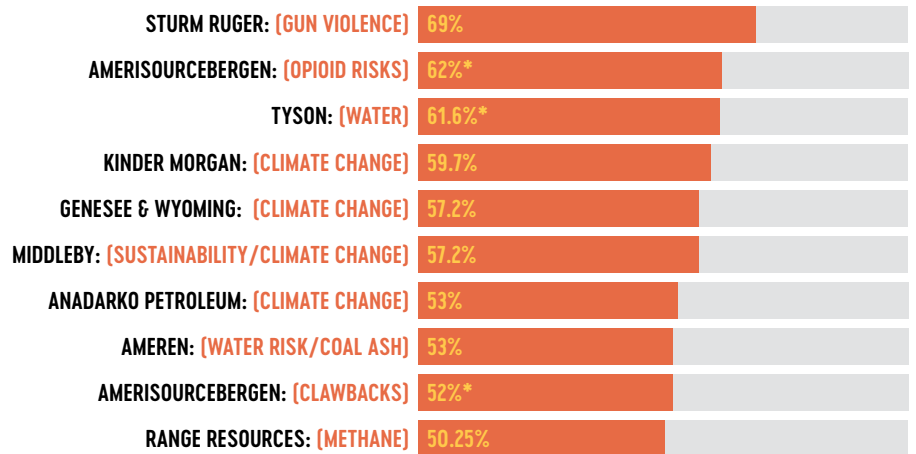
This proxy season ICCR members filed 281 resolutions at 188 companies on a host of ESG issues. In 2018 the



SEC issued new guidelines around the filing of resolutions. As a result, companies were more emboldened to challenge our resolutions, requesting that the SEC allow them to omit them from their proxies. Challenges in 2018 rose to 52, from 18 in 2017. Despite this increased pushback, our members cleared SEC hurdles for 21 of these proposals, which successfully went to votes.

2018 MAJORITY VOTES

Ten resolutions this season achieved majority votes in 2018 – a clear sign that our members' environmental and social concerns are shared by mainstream investors.



*majority of independent votes

Successful Withdrawals

Importantly, resolutions prompted a significant increase in corporate commitments on a wide range of topics. Our members withdrew 108 resolutions for substantive commitments at companies. Examples include:

- Bed, Bath & Beyond, Hershey's and McDonald's agreed to implement policies requiring employers to

pay the cost of recruitment instead of charging migrant workers, who often fall into debt and slavery.

- American Express, Costco Wholesale, Discover Financial, Hewlett-Packard, KeyCorp and Marriott made progress on closing the gender pay gap.
- CVS Health, Starbucks and Yum! Brands agreed to improve paid family leave benefits.

- US Steel, Minerals Technologies, Dominion Resources, Kinder Morgan, CMS Energy and WEC Energy all made progress on climate change goals and planning.

In addition, 56 of our resolutions achieved votes of 25% or greater demonstrating their strong appeal to a broad swath of shareholders. Below we highlight key wins by topic.



HUMAN RIGHTS

While all of ICCR's engagements are seen through a human rights lens, the current focus of members' work centers on the risks of forced labor, human trafficking and the scourge of gun violence.

Preventing Forced Labor through Ethical Labor Recruitment

ICCR's signature "No Fees" campaign seeks to end exploitation of migrant workers by halting worker-paid fees and confiscation of personal papers - practices that lead to debt bondage. The American Baptist Home Mission Society secured a commitment from Hershey to adopt ethical recruitment provisions as part of its Human Rights Policy in 2018. Mercy Investments (Mercy) made further progress on "No Fees" with McDonald's, Dean Foods, Bed, Bath & Beyond and Williams Sonoma.

Helping Truckers Identify and Address Human Trafficking

In collaboration with Truckers Against Trafficking, Mercy Investments convinced Marten Transport and Saia LTL Freight to develop policies to prevent human trafficking and training programs to help its drivers better spot trafficking incidents.

Investors Act to Promote Gun Safety

In an act of extraordinary foresight given recent gun-related events, several ICCR members purchased shares in gun makers and retailers two years ago with the intention of filing resolutions on

the issue of gun safety during the 2018 proxy season. Mercy Investments withdrew its resolution after a productive dialogue with Dick's Sporting Goods, whose CEO Edward Stack later agreed to stop selling assault-style weapons and restrict the sale of guns to purchasers 21 and over. As further affirmation, nearly 70% of Sturm Ruger shareholders voted in favor of an ICCR resolution that called on the company to report on its efforts to make its guns safer (Catholic Health Initiatives).



CLIMATE CHANGE

ICCR's climate change program focuses on reducing corporate GHG emissions and accelerating the just transition to renewable energy sources. Many of our members' climate change and sustainability engagements are supported by both ICCR and Ceres staff.

Shareholders Call on Companies to Curb Methane Leaks

In recognition of the serious climate risks posed by unchecked methane emissions, primarily caused by equipment leaks during oil and gas production, ICCR organized a campaign that led to meaningful progress at multiple energy companies. Miller/Howard Investments (M/H) negotiated commitments with Anadarko Petroleum, Devon Energy, Energen and EQT to improve disclosure around their methane mitigation measures. As You Sow (AYS) persuaded DTE and Exelon to disclose their methane leak detection and monitoring technologies. Along with

Arjuna Capital*, As You Sow convinced Dominion Resources to release methane intensity information. At Range Resources a majority of shareholders (50.25%) voted in favor of a resolution calling for greater transparency regarding Range's methane management practices (Unitarian Universalist Association). Similar proposals earned 45% of the vote at Chevron Corp (AYS), and 38% at Kinder Morgan (M/H).

Setting Science-Based Targets to Reduce Greenhouse Gases

Shareholder calls for GHG reduction continue to gain momentum as companies reckon with the business risks posed by climate change. Mercy Investments led US Steel to set quantitative, science-based GHG reduction goals and Trillium Asset Management (Trillium) persuaded Minerals Technologies to review its environmental impacts. Setting GHG reduction targets is expected to be one outcome of this process. Members' greenhouse gas reduction resolutions won 57.2% of the vote at Genesee & Wyoming (Calvert), 39.98% at Emerson (Walden), and 37.8% at C.H. Robinson (Sisters of the Presentation).

Business Planning for a 2 Degree C and Under Future

In 2018 investors targeted 15 high emitting companies with a road-tested resolution that saw majority support at several oil and gas majors last year requesting that companies develop business plans in alignment with the 2C warming scenario established by the Paris Climate Accord. Two Midwestern energy companies saw the light and complied with this request: WEC Energy Group (School Sisters of Notre Dame) and CMS Energy (Presentation) will publish preliminary 2-Degree assessments in their Corporate Responsibility Reports. Scenario-planning agreements were also reached with AES (Mercy), Ameren (Mercy), Entergy (AYS), First Energy (AYS), and Valero (Mercy). Majority votes reached at Kinder Morgan (Zevin) and Anadarko Petroleum (AYS) will compel them to publish assessments, and a strong vote of 45.7% at Noble Energy (Presbyterian Church) signals that a future commitment may be forthcoming.

Sustainability/GHG

Resolutions calling on companies to issue sustainability reports describing their ESG performance and improvement targets, including GHG emissions management strategies and quantitative metrics won 57.2% of the vote at Middleby (Trillium), and 49.8% of the vote at Acuity Brands (Trillium). Trillium convinced A.O. Smith to publish its first-ever sustainability report. Agreements were also reached at Discovery (Clean Yield), Dollar General (NYS*) and SunTrust (Friends Fiduciary).

Proxy Voting Policies – Climate Change

A relatively new but important strategy led by Walden Asset Management (Walden) last year which challenges large asset management firms' proxy voting policies on climate resolutions made headway at two companies this year. Cohen & Steers agreed to update its proxy voting guidelines and voiced an openness to supporting environmental and social resolutions; it also created a new process for voting review. After T Rowe Price confirmed it had hired a Director of Research for Responsible Investing and would be improving its ESG disclosures, Zevin Asset Management (Zevin) withdrew its resolution.

Increasing Board Oversight of Corporate Climate Policies

Mercy Investments persuaded Travelers to expand public disclosure of how its board is managing climate-related risks. A similar resolution at Old Republic International won 48.6% of the vote (Pax).

Four Companies Commit to Sustainability Reporting

Trillium, Pax World Mutual Funds (Pax) and Zevin convinced four companies - Alkermes, Cambrex, Kaiser Aluminum and Booking Holdings (formerly Priceline Group) to improve their ESG performance by tracking and reporting on issues of environmental and social sustainability.

*co-filed by ICCR members



HEALTH

ICCR's health program focuses on making health care more accessible and affordable with a focus on engaging the pharmaceutical sector to rein in the price of essential medicines.

Making Medicines More Affordable

As part of an ongoing campaign to rein in excessive price hikes that are making medicines unaffordable for most Americans, a new resolution seeking to understand the link between executive incentive structures and price increases achieved strong support – between 21% and 28% - at all five pharma companies where it was filed, opening the door to further dialogues with these companies. Results at each company were: AbbVie: 21% (United Church Funds), Amgen: 26% (Mercy), Biogen: 28% (Azad Asset Management), Bristol-Myers Squibb: 23% (Trinity), and Eli Lilly: 27% of independent shares (Mercy).

Zeroing in on the Opioid Crisis

After public outrage over aggressive price increases for naloxone, an opioid overdose antidote, a UAW resolution calling on Amerisource Bergen to “claw back” some of its executive incentive pay for misconduct in opioid oversight won the support of 52% of independent votes. Mercy Investment Services filed a first year resolution calling on Cardinal Health to disclose its opioid oversight practices to address risk, and the company complied by agreeing to disclose its compensation metrics for executives and sales staff in late July. After receiving a similar resolution Mallinckrodt decided to sell off its opioid business (Mercy). A third resolu-

tion won 62% of independent votes at Amerisource Bergen (SSF).



DIVERSITY & INCLUSIVENESS

Making Progress on the Gender Pay Gap

In the midst of the #MeToo movement, Zevin, Arjuna*, and Pax led a campaign with multiple companies to help close the gender pay gap. Costco Wholesale, Discover Financial, Hewlett-Packard and KeyCorp all agreed to enhance their pay equity disclosure and begin closing pay gaps. A race- and gender-based pay gap resolution filed by Zevin won 26.2% of the vote at TJX. Additional agreements were reached at American Express and Marriott.

Committing to Workplace Diversity

Trillium secured commitments from CVS, KeyCorp and Stifel Financial to expand workforce diversity reporting that includes annual workforce diversity charts. Working with Zevin, Trillium also persuaded Booking Holdings (Priceline) to report diversity and relevant metrics by the end of 2019. Workplace diversity resolutions won 48.3% of the vote at Home Depot (Congregation of Benedictine Sisters of Boerne). Resolutions filed by Trillium achieved 36.38% at Traveler's, 34.7% at Starbucks, and 28.7% at First Republic Bank. Additional agreements were reached by Walden at: CIGNA, PNC Financial, Discover Financial Services, Dollar General, Morningstar and SunTrust Banks.

Committing to Board Diversity

Trillium convinced ANSYS to disclose the steps it is taking to increase diversity and to strengthen its corporate

governance documents, and LogMeIn to adopt 'Rooney Rule' language (i.e., at least one candidate representing a diversity of gender/race/orientation must be in each new pool of Board candidates). A board diversity resolution filed by Nathan Cummings Foundation won 33.23% of the vote at Discovery. Investors reached additional agreements at: Amazon (SEIU), Anika Therapeutics (Walden), Sealed Air (Trillium), CACI (Domestic and Foreign Missionary Society, Episcopal Church) and US Foods Holding (Mercy).

Expanding LGBT Workplace Protections

Resolutions filed by Walden raised enough pressure to convince Chemed to add a reference to "gender identity" in its Equal Employment Opportunity (EEO) and Harassment policies and persuaded IPG Photonics to amend its Employee Handbook to explicitly include "gender identity" and "sexual orientation" within its Equal Opportunity Employer and anti-harassment sections. Trillium reached additional agreements at Acuity Brands and National Oilwell Varco.



SUSTAINABLE FOOD AND WATER

ICCR member engagements on food and water sustainability call corporate attention to the impacts operations and supply chains have on food systems and water resources.

The Social and Environmental Impacts of Meat Production

ICCR has led a multi-year campaign with meat producers and restaurant

chains around the overuse of antibiotics in meat production. A long-term engagement led by the Congregation of Benedictine Sisters of Boerne moved McDonald's to commit to going public with a policy on beef by the end of 2018. A second-year As You Sow proposal at poultry producer Sanderson Farms garnered a record high 43%. On the labor side, Oxfam secured commitments from Tyson to improve working conditions for poultry workers in meat processing.

Our members are engaging the meat sector to highlight water quality risks from meat processing, farming and feed production. The American Baptist Home Mission Society persuaded food giant Tyson to commit to support improvement of farming practices on two million acres of grain by 2020, including reducing agricultural runoff pollution from grains grown for animal feed. Calvert secured a commitment from Sanderson Farms to improve disclosure around its water use and treatment of waste water.

Responsible Water Use in Fracking Operations

Miller/Howard secured a commitment from Devon to examine its use of fresh water in its shale operations including quantitative data regarding water consumption, sourcing, storage, and recycling; and use of drilling fluids and associated toxicity.

Halting Deforestation

Deforestation accounts for over 10% of global GHG emissions and contributes to biodiversity loss, soil erosion, disrupted rainfall patterns, community land conflict and forced labor. Green Century Capital Management and the New York State Common Retirement Fund* worked with Bunge, a major commodity trader, to strengthen its no-deforestation policy to include legal deforestation and a public non-compliant supplier process to ensure that the company can achieve its goal to end deforestation in its supply chains by 2025.

Reducing Pesticide Use

As a result of its engagement with Green Century, Dr. Pepper Snapple released a sustainable agriculture policy that pro-

motes integrated pest management and pollinator protection within its supply chain. Clean Yield Asset Management and Trillium convinced Tractor Supply to publicly disclose the policies and practices it will implement to reach its goal of phasing out the use of neonicotinoids, known to harm pollinators, by 2019.

Food and Beverage Companies Get Serious about Recycling

As You Sow resolutions challenging food and beverage companies on the sustainability of their packaging gained traction at McDonald's, Mondelez and Starbucks.

Respecting the Human Right to Water

After being engaged by the Maryknoll Sisters, Campbell's has agreed to implement a human right to water policy and is undertaking a risk assessment of its facilities in water-stressed areas. Through a series of dialogues with GES International, ASICS, Alrosa, JSW Steel, Ingredion, Kering, and PVH provided more disclosure on the commitments they had made to maintain and improve their water risk management, including assessments and initiatives related to water stewardship.



Safeguarding Indigenous Rights

In the wake of the Dakota Access Pipeline (DAPL) controversy, SHARE pressed Enbridge to develop new systems for due diligence on Indigenous rights for new investments, mergers and acquisitions. Enbridge has almost a 30% stake in the Bakken pipeline system, which includes DAPL.



GOVERNANCE

Governance structures can either support or undercut corporate ESG performance and, for this reason, are often at the center of ICCR member engagements.

Most ICCR actions on governance themes are led by members Walden Asset Management, AFSCME and the Center for Political Accountability.

Splitting the Roles of Chair/CEO for Better Accountability

Resolutions calling on companies to separate their CEO and Chair roles to ensure a better system of checks & balances received votes of 46.19% at Emerson (Needmor Fund), 38% at Abbvie (Dana Investment Advisors) and 25.6% at Pfizer (SSF).

Disclosing Lobbying and Political Donation Expenditures to Enhance Accountability

This year, resolutions challenging companies to be more transparent about how they exert their influence over our legislative and regulatory processes via lobbying won votes ranging from 30-40% at Honeywell (Azzad), American Water Works (Trillium and Boston Common), Emerson (The Sustainability Group and Trillium), Disney (Zevin), Nucor (Domini Impact Investments), Verizon (Boston Common), Motorola (Mercy), AT&T (Walden), IBM (Walden), Chevron (Walden), and Vertex (Friends Fiduciary). After receiving a resolution from the Ursuline Sisters of Tildonk, Dick's Sporting Goods agreed to disclose its political spending and lobbying at the federal, state and local levels.

Clean Yield convinced Alphabet/Google to issue a report specifying its policies and procedures for making political contributions and expenditures. A resolution calling for disclosure of Wyndham Worldwide's political contributions won 42.7% of the vote (Mercy). Similar resolutions filed by Trillium won 39.8% at American Water Works, 39.4% at Emerson, and 39% at McKesson (UAW).

Virtual-Only AGMs

Online-only stockholder meetings allow companies to control which questions and concerns are heard and make open exchanges between management and shareholders more difficult. The Sisters of St. Francis of Philadelphia (SSF) convinced ConocoPhillips to step back from its virtual-only meeting, used last year, and return to in-person meetings combined with ability to attend via the internet.

Protecting Shareholders' Right to Call Special Meetings

Resolutions filed by Investor Voice seeking to improve shareholder communication and protect share value by giving holders of 10% of outstanding common stock the power to call a special shareowners meeting to address issues of concern won 37.96% of the vote at DowDuPont, and 33.9% at Chevron.

Preserving Access to the Proxy

Christian Brothers Investment Services convinced Sanderson Farms to implement a bylaw change which would allow investors holding stock for 3 years to nominate up to 20% of board members.



FINANCE

Engagements with the country's top banks seek to promote responsible lending and economic inclusion.

Helping Wells Fargo Course Correct

Shareholders led by the Sisters of St. Francis of Philadelphia are providing regular input to Wells Fargo as it develops its Business Standards Review, due to be published by the end of the year. The report, which will examine the root causes of the ongoing scandals that have plagued the company, is in response to multiple shareholder proposals and a long-standing engagement around the company's culture and ethics.

Protecting Consumer Financial Data

In the wake of a high profile data breach affecting millions of American consumers, the UAW Retiree Benefits Trust filed a resolution with credit reporting firm Equifax. In response, Equifax agreed to report on its data security improvements and key internal and long-term strategic changes.

ICCR is a coalition of over 300 institutional investors working together to promote more just and sustainable corporate practices. If you are interested in learning more about membership, contact contact **Kyle Cheseborough** at kcheseborough@iccr.org.

