

2014 Proxy Season Update



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 They have formally withdrawn 62 of those, the majority in exchange for reaching significant agreements with the companies.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.

LOBBYING 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.

PRIVACY

Recent disclosures detailing how major telecom companies have provided customers' call data to the NSA have provoked widespread concerns about privacy protections. AT&T published its first Transparency Report on how often the government demands data about its customers, while Verizon published the details of its information-sharing with government agencies.

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, frequently for conversion into plantations for commodity crops like palm oil and soy – affects small-scale farming communities in developing countries. Many of these

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.