Helping Foundations
and Endowments
Align Investment
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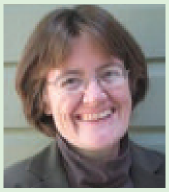
2011

ABOUT THE AUTHORS:



Heidi Welsh, the founding executive director of the Sustainable Investments Institute (Si2), has analyzed and written about corporate responsibility for more than 20 years. She oversees Si2's impartial, in-depth social and environmental research; Si2 was launched in 2010 and is supported by more than a dozen of the largest-endowed U. S. colleges and universities and a large pension fund. Welsh started her career at the Investor Responsibility Research Center in 1987. In addition to proxy season work, she monitored corporate compliance with the MacBride principles fair employment code in Northern Ireland for 16 years. She also co-authored the Carbon Disclosure Project's S&P 500 report in 2007, headed up sustainability research within a unit of RiskMetrics and served on the GRI's Electric Utility Sector Working Group in 2008-09. Welsh received her BA from Carleton College, cum laude, and holds an MS from the Institute for Conflict Analysis and Resolution at George Mason University.

Michael Passoff, CEO of Proxy Impact, has over 20 years of experience in corporate social responsibility, shareholder advocacy, philanthropy, and proxy research and education. For more than a decade Michael served as the Senior Program Director for As You Sow's Corporate Responsibility Program, and now serves as senior strategist on environmental health issues. From 2005 to 2010 Michael authored the annual *Proxy Preview* to alert foundations to upcoming shareholder resolutions that are relevant to their missions. The *Proxy Preview* is widely distributed and in 2008 the *Chicago Tribune* called the *Proxy Preview* the "bible for socially progressive foundations, religious groups, pension funds and other tax-exempt organizations." Michael has led and participated in more than 100 shareholder dialogues and resolutions and worked closely with shareholder advocates in the SRI, pension fund, labor, philanthropic, and faith-based communities. His shareholder advocacy work led him to be named as one of 2009's "100 Most Influential People in Business Ethics." He also received the 2009 Climate Change Business Journal award for a successful shareholder campaign to reduce greenhouse gas emissions. This included the first environmental resolution to receive a majority vote in more than 30 years of shareholder activism.

ACKNOWLEDGEMENTS:

Proxy Preview 2011 would be not possible without the generous cooperation from all of the following shareholder proponents: Adrian Dominican Sisters, AFL-CIO, As You Sow, AFSCME, Amalgamated Bank (LongView Funds), Boston Common Asset Management, Calvert Asset Management, Center for Political Accountability, CERES, Christian Brothers Investment Services, Christopher Reynolds Foundation, Christus Health, Clean Yield Asset Management, Community Reinvestment Association of North Carolina, Connecticut Retirement Plans, Domini Social Investments, General Board of Pensions United Methodist Church, Green Century Funds, Harrington Investments, Humane Society of the United States, Humanitarian China, Investors Environmental Health Network, Laborers International Union of North America, Miller/Howard Investments, Minnesota Board of Investment, Nathan Cummings Foundation, National Center for Public Policy Research, National Legal and Policy Center, New York City Comptroller's Office, New York State Common Retirement Fund, Newground Social Investment, NorthStar Asset Management, Open MIC, Pax World Funds, People for the Ethical Treatment of Animals, Physicians Committee for Responsible Medicine, Presbyterian Church USA, Pride Foundation, Service Employees Union, Sierra Club, Sinsinawa Dominicans, Sisters of Charity of St. Elizabeth, Sisters of Charity of the Blessed Virgin Mary, Sisters of Mercy, Sisters of St. Dominic (NJ), Sisters of St. Francis, Teamsters, Trillium Asset Management, Trinity Health, Unitarian Universalists, United for a Fair Economy/Responsible Wealth, and Walden Asset Management. Research and editorial support were provided by As You Sow staff members Andrew Behar, Kara Buchner, Larry Fahn, Amy Galland, Valentina Gurney, Melanie Hogan, Patricia Jurewicz, Steven Low, and Conrad MacKerron; board members Patricia Farrar-Rivas, Randy Hayes, and Tom Van Dyck; intern Rebecca Foges; and volunteer Kim Brewer as well as Si2 staff member Robin Young and board member Peter DeSimone.

In addition, the authors want to extend special thanks to those who contributed additional information or otherwise helped in the production including Laura Berry, David Schilling, and Julie Wokaty at the Interfaith Center on Corporate Responsibility; Keo Chao, Amberjae Freeman, Kelly Mackay, Kris Morrison, and Tom Van Dyck at RBC SRI Wealth Management Group; Richard Liroff at the Investor Environmental Health Network; John Opet at art270; Jonathan Polansky at Onbeyond; Corinne Bendersky and Katherine Kassing at As You Sow; and Shayna Samuels and Glenn Turner at Ripple Strategies.

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We hope that this publication will help foundations and endowments align their missions and investments by facilitating informed shareowner engagement. We also believe it will provide the broader investment community and the public at large with a publication of record about how and why shareholder advocates try to influence corporate behavior—and what happens when they do.

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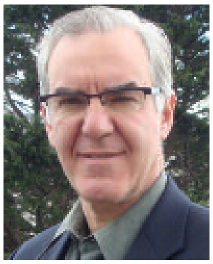
Letter from the Publisher



Welcome to *Proxy Preview 2011™*, a compendium of shareholder resolutions that will be voted on this year. Collectively, these proposals represent a snapshot of history, documenting the specific concerns of shareholders to influence corporate decision making. It is our hope that when we look back years from now, we will see that many of these ideas have been integrated into the DNA of not only individual companies, but entire industries.

We believe that it is the responsibility of all shareowners to vote their proxies in an informed way. This publication provides context to enhance understanding about why these resolutions are critically important to today's world. *Proxy Preview* is particularly focused on enabling those institutional investors with a social mission—such as foundations, educational institutions, and non-governmental organizations—to better align their missions and investments.

Yet the information here is equally valuable to any investor looking for a comprehensive preview of upcoming social and environmental shareholder proposals. Experience has shown that the more informed investors are, the more they support these issues. As you will read, there has been a decade-long increase in favor of these resolutions which has clearly sent the message to management that investors expect financial performance and responsible environmental, social, and governance performance.

If you are a past reader of the *Proxy Preview*, this year you will find a new format. The resolutions are presented side by side with advocacy positions written by a stellar team of issue experts. In addition, we have included several case studies of past successes. The 2011 *Preview* is the result of a collaboration between As You Sow™, an environmental and social advocacy organization that has published the *Proxy Preview* since 2005; the Sustainable Investments Institute (Si2), which conducts impartial research on social and environmental shareholder proposals, and is responsible for compiling the resolution analysis; and Proxy Impact, a new proxy voting service designed specifically to meet the needs of foundations and socially responsible investors, and is responsible for editorial support for the advocacy positions.

The issue experts that have joined with As You Sow in this effort represent: AFL-CIO, Center for Political Accountability, Calvert Investments, Ceres, Harrington Investments, Humane Society of the United States (HSUS), Interfaith Council on Corporate Responsibility (ICCR), New York City Comptroller's Office, Northstar Asset Management, Order of St. Francis, Proxy Impact, Trillium Asset Management, and Walden Asset Management. We worked collaboratively to provide advocacy positions on shareholder resolutions about the environment (climate change, coal, electronic waste, hydraulic fracturing [fracking], toxic exposure, and water) and a range of social issues (animal welfare, health care, human rights, mortgage foreclosures, political spending, sexual orientation discrimination, and worker safety).

I extend special thanks to co-authors Heidi Welsh and Michael Passoff, our issue advocates, our sponsors, and everyone who contributed to make *Proxy Preview 2011* as informative and useful as possible. To our readers, thank you for your efforts to use the power of your proxy votes to ensure a safe, just, and sustainable world.

Best wishes,

Andrew Behar

CEO, As You Sow

EXECUTIVE SUMMARY

Shareholder advocates once again are offering up a diverse bouquet of resolutions that includes most current public policy controversies. After a record-setting year in 2010, when nearly one-fifth of all investors supported calls for more disclosure and action on social and environmental issues at US companies, the stage is set for more of the same in spring 2011. Nearly 290 proposals are now pending, out of about 360 that have been filed to date.

More than one-third of all resolutions –131 of them—invoke the environment either by itself or in conjunction with broad sustainability report requests. They ask companies how they are working to mitigate climate change, to reduce their natural resources impacts, and to limit product toxicity risks; the sustainability subcategory also includes new proposals seeking linkages between performance on sustainability issues and executive bonuses. Nearly another quarter of the pie—84 resolutions, up from last year—ask for greater oversight and data on how and where stockholder money is spent in the political arena. Two more approximately equal slices—each with about 45 resolutions—press for diversity reforms in the workplace and on corporate boards, as well as labor and human rights actions. Three smaller categories fill up most of the rest of the plate—resolutions on health care (18), animal welfare (16), and the foreclosure crisis (15).

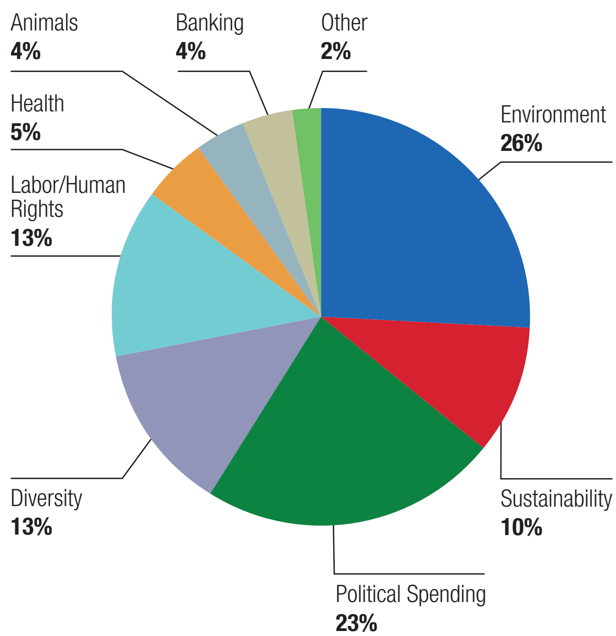
TYPES OF PROPOSALS

Experts who follow the ebb and flow of proxy season generally divide shareholder proposals into "governance" and "social" categories, with the latter including everything that is a non-traditional business issue.

Governance proposals focus on a range of issues related to how proponents think companies should be run. Alongside routine management proposals about the selection of directors and appointment of auditors, shareholder advocates present proposals about various types of executive compensation, separating the CEO from the board chair, repealing classified boards, takeover defenses such as poison pills, and supermajority provisions for voting—among many others. Corporate governance reform advocates file several hundred of these proposals each year and numerous sources of information on them exist, some of which are included in the Resources section of this report. The *Proxy Preview* only includes a small subset of governance proposals that overlap with social issues such as board diversity or linking executive compensation to social criteria.

Social proposals concern themselves with a company's societal obligations, relating to a range of public policy issues that often are highly contentious. These proposals relate most directly to the programmatic goals of foundations, and the issues debated by educational institutions contemplating proxy voting. Most foundations and many schools delegate proxy voting to investment managers who often automatically vote in accordance with company management recommendations. Given that management almost uniformly votes against social proposals, foundations can be supporting investment company actions contrary to their own missions.

Social and Environmental Shareholder Proposals Filed in 2011



Source: Sustainable Investments Institute (Si2) n=359. as of Feb. 11

Proposals listed in this publication are up to date as of February 14, 2011. About 360 proposals have been filed as of this writing and are discussed in this report. Some proposals described here will not appear on proxy statements because they will be withdrawn by the filers after agreements or because companies have changed their policies, and some will be left out of proxy statements, or *omitted*, because they do not conform to the Shareholder Proposal Rule (see box, p. 6, for more on company challenges to proposals.) The number of proposals *filed* indicates how broad a shareholder campaign is and/or a growing or waning shareholder interest in the different issue areas. *Pending* proposals are those that are still on the proxy but have yet to be voted on.

UNDERSTANDING SHAREHOLDER VOTES

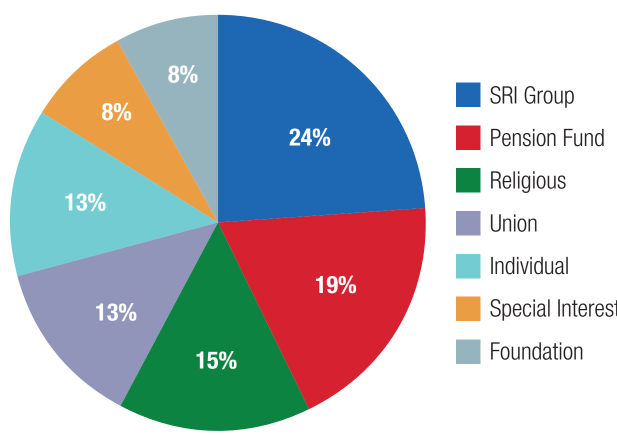
Almost no social or environmental resolutions receive support from a majority of shareholders, since most investors follow management recommendations to vote against them, and a few dozen large financial institutions (which often automatically vote with management) hold most of a company's shares. Recognizing this, the US Securities and Exchange Commission (SEC) requirement for a proposal to receive enough votes to be refiled for the following year is 3 percent for the first year, 6 percent the second year, and 10 percent thereafter. Even relatively modest votes can have a substantial influence on management. In most cases, an investor with 3 percent ownership of a company is one of the top shareholders and thus even single digit votes may gain considerable attention from a company. Social proposal votes ranging from 10 to 15 percent are hard to ignore and often result in some action by the company to address the shareholders area of concern. Overall support for social and environmental policy proposals has grown significantly in the last 10 years, and nearly half of the resolutions that went to votes in 2010 received more than 20 percent support—a sea change. (See the section on Shareholder Proposal Trends, p. 7).

MAJOR PLAYERS

Socially responsible investors (SRIs) evaluate a company's social, environmental, and governance performance as well as its financial returns when making investment decisions. Historically, these groups have done this through negative and positive investment screens, omitting or purchasing companies for their portfolios based on industry and/or company practices. Some firms also actively engage with companies on issues related to their screens. These groups have become much more likely to file proposals and in 2011 they were the primary filers for 24 percent of all the resolutions covered in this report. The most active are Calvert Investments (21 proposals), Trillium Asset Management (16 proposals) and Walden Asset Management (14 proposals), although others also are active.

Pension funds have been prominent shareholder advocates over the years both as proposal filers and in influencing companies behind the scenes. Pension funds are the primary filers for 19 percent of this year's proposals, or 68 resolutions. The New York State Common Retirement Fund this year has sponsored 33 proposals, followed by the New York City Pension funds – including public employees, firefighters, police, and teachers, represented by the New York City Comptroller, is the second most active, with 27 proposals. The California State Teachers Retirement System (CalSTRS) sponsored five and the Connecticut Retirement Funds three. The pension funds have led the fight against sexual orientation discrimination and also file proposals on board diversity, human and labor rights, political spending, sustainability, climate change, and hydraulic fracturing (fracking).

Primary Filer Distribution



Faith-based institutional investors, once the most prolific filers, remain an important category. Their work is coordinated by the Interfaith Center on Corporate Responsibility (ICCR), a membership organization comprised of over 275 religious organizations and non-faith-based associate members with combined assets of over $110 billion. ICCR was a pioneer of shareholder advocacy on social issues 30 years ago. Twenty-one of ICCR's faith-based members are the primary filers of 55 proposals this year, about 15 percent of the total. ICCR has been a leader on issues ranging from diversity to the environment, health, human rights, labor, violence, and militarization. The most active institutions are Mercy Investment, the Midwest Capuchins, the Sisters of Charity of St. Elizabeth, and the Unitarian Universalists. Religious groups are often co-filers on resolutions where other investors are the primary movers.

Labor unions were early adopters of shareholder advocacy and have frequently taken a leadership role in filing corporate governance proposals. They remain key players in the social advocacy space, as well. The AFL-CIO Office of Investment, the Laborer's International Union, the American Federation of State, County, and Municipal Employees (AFSCME), the Kansas City Firefighters, and Amalgamated Bank are the most active of the seven unions who are primary filers in 2011; in all, unions are the primary filers on 47 proposals. These groups account for 8 percent of the total.

Individual proponents are filing a growing number of proposals, although they often have difficulty navigating the shareholder resolution process and have their resolutions thrown out at the SEC. This year, 34 individuals have filed 45 proposals—13 percent of all those filed.

Special interest groups use shareholder advocacy to pursue their organizational goals. People for the Ethical Treatment of Animals, the animal rights advocacy group, is the most active in 2011, with 13 proposals. Conservative groups the National Center for Public Policy Research and the National Legal and Policy Center each have four proposals, followed by the Humane Society of the United States with three.

US foundations have more than $550 billion in investments. They are in a unique position to promote corporate responsibility both in their grantmaking activities and by leveraging their assets to further their missions. For more than a decade As You Sow has been a leader among foundations in utilizing proxy voting and shareholder advocacy. During that time As You Sow has filed more than 150 proposals, many in conjunction with the Educational Foundation of America. In 2011, five foundations are the primary filers on 29 resolutions. As You Sow has 15, the Nathan Cummings Foundation has 10, and other proposals are sponsored by the Needmore Fund, Tides Foundation, and the Christopher Reynolds Foundation. Additional foundations participate in the proxy voting process as co-filers and through proxy voting.

RECENT REGULATORY DEVELOPMENTS

Proxy plumbing: The 2011 proxy season gets underway as many of its key actors consider changes to the US proxy voting system. In July, the SEC issued a "concept release" on possible reforms to the system, the first in three decades. The deadline for comments on the release was October 20, 2010, and the SEC is now examining the 250 comment letters it received.

Possible reforms include the regulation of proxy advisory services, which can substantially affect the outcome of any vote with their recommendations that are used by many institutional investors. The proxy advisory industry is dominated by two players—the ISS division of MSCI (formerly RiskMetrics) and Glass Lewis; a third significant but substantially smaller player, Proxy Governance Inc., closed its doors at the end of 2010 and transferred its clients to Glass Lewis. Proxy Impact, a proxy voting service designed specifically to meet the needs of foundations and socially responsible investors, is a new entrant to the market in 2011.

The SEC also is looking at additional measures to 1) ensure that investors who receive benefit from the stock market can vote their shares—which they cannot do when investing in a variety of complex securities where they are not the registered owners of shares, 2) the ways in which companies communicate with their stockholders, and 3) how companies provide voting instructions to their investors. The SEC wants to encourage more voting by retail investors. (One way these individual shareholders can find out more about issues coming to votes is from newcomers such as Moxy Vote and ProxyDemocracy, which are experimenting with models where investors can emulate the decisions of well-known organizations they trust.)

Bloggers Gary Larkin of the Conference Board and Broc Romanek of TheCorporateCounsel.net and formerly an attorney in the SEC's Division of Corporation Finance both provide useful summations of the submitted comments. Another helpful review and commentary on the reform process, which is expected to be lengthy, appeared in the Harvard Law School's Forum on Corporate Governance and Financial Regulation in August.

New SEC disclosures: In December 2009, the SEC began requiring companies to disclose in their proxy statements more information about how they consider diversity when nominating candidates for the board of directors. Next, in January 2010, it issued interpretive guidance on what companies must disclose about the regulatory, commercial, and physical risks connected to climate change. These reforms hold the promise of giving investors more information with which to evaluate corporate performance in both areas.

Dodd-Frank: The new SEC requirements are being augmented by provisions of the massive financial reform package President Barack Obama signed into law in July 2010. The Dodd-Frank Wall Street Reform and Consumer Protection Act includes several disclosure requirements that shareholder advocates have sought for years. In addition to creating a Consumer Financial Protection Bureau to crack down on predatory lending and other consumer abuses in the marketplace, it also contains several corporate governance and sustainability disclosure reforms.

The SEC unveiled draft rules for a series of social impact disclosures on December 15, 2010 setting the stage for companies to begin reporting in the second quarter of 2011. Their pioneering nature is of considerable interest to investors and policy makers concerned with corporate sustainability reporting requirements and how social and environmental factors are being integrated into mainstream investment analysis. New requirements speak to issues raised in shareholder proposals and will cover:

- ***Pay disparity***—Section 953 of the Dodd-Frank Act requires companies to disclose the median annual total compensation of all employees, except the CEO; the CEO's total annual compensation; and the ratio of these two figures.

- ***Conflict minerals***—Section 1502 requires companies to vet their supply chains for links to the purchase of minerals from the Democratic Republic of the Congo (DRC) or surrounding countries and make efforts to ensure these purchasing activities are not funding groups fueling the conflict in this region.
- ***Mine safety***—Section 1503 mandates that mining firms disclose data surrounding health or safety standards that could significantly contribute to coal or other mine safety or health hazards, as well as information on work-related accidents, injuries, illnesses, and fatalities.
- ***Payments to governments by resource extraction companies***—Section 1504 requires companies to disclose payments to governments made for the commercial development of oil, natural gas, or minerals.

The SEC is poised to vote on final rules on these during the first half of 2011. See sidebar for more on transparency in supply chains.

US Environmental Protection Agency (EPA) greenhouse gas (GHG) emissions reporting: Companies also will be affected by new EPA regulations about their greenhouse gas emissions. The EPA issued a new Mandatory Reporting of Greenhouse Gases Rule in October 2009, requiring large emitters of greenhouse gases to submit annual reports to the agency about their emissions. But on December 17, 2010, the EPA announced it would postpone some of the requirements, "to further examine the likely business impact from the disclosure of certain data elements before those data elements are collected and potentially subject to public availability." Nonetheless, new plants and existing facilities that are being substantially upgraded still must report their emissions by the end of March 2011. Further regulations about GHG emissions are expected, with proposed standards for existing power plants planned for mid-2011 and for refineries at the end of the year.

The new regulations already are prompting intense battles between their supporters and skeptics, and cases are pending in the courts about whether the EPA has the authority to regulate GHG emissions under the Clean Air Act. A 2007 US Supreme Court ruling held that the EPA could do so if public health is threatened—which climate scientists and regulators believe is the case. Opposition to EPA regulation from Republican lawmakers and many businesses is strong, and the shape of the new regulations remains far from clear. Senator Jay Rockefeller (D-WV) proposed legislation in the last Congress to strip the EPA of its powers over regulating greenhouse gas emissions, and other legislators have voiced similar plans.

OVERVIEW AND NEW ISSUES IN 2011

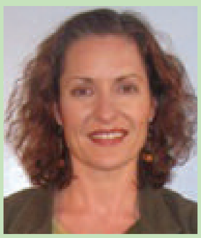
This section provides a brief overview of the upcoming proxy season, highlighting new issues and continuing campaigns. The main body of the report, starting on p. 12, gives a detailed analysis for each category listed here.

Animal Welfare: The total number of proposals concerned with animal welfare is down by half this year, with 16 resolutions split about evenly between those concerned with animals used in laboratories, mostly at big drug companies, and those consumed for food, mostly at restaurant firms.

Banking: A relatively small but notable group of 15 resolutions at the country's major banks address different aspects of the foreclosure crisis, with proponents from both the city and state pension funds in New York, labor unions, community groups, and religious investors. The SEC has yet to issue an opinion on whether it agrees with company contentions that the

advocacyposition

MANDATED TRANSPARENCY IN SUPPLY CHAINS



PATRICIA JUREWICZ
Responsible Sourcing Network

Section 1502, the conflict minerals provision of the 2010 Dodd-Frank Wall Street Reform Act requires that companies provide transparency on where the raw materials in their supply chains originate. By the middle of 2012 companies will have to start reporting this information to the SEC, and will be vulnerable to scrutiny for egregious human rights abuses that their purchases may be causing.

The four "conflict minerals" are tin, tungsten, tantalum, and gold. Since tin is in solder, it shows up in a vast array of products such as cars, airplanes, computers, cell phones, and medical devices. Once the rules go into effect, investors will be able to track which companies are providing the SEC with the needed due diligence procedures to manufacture responsible products. For one of the first times ever, this provision is providing investors with detailed information into a company's environmental, social, and governance practices throughout its entire supply chain.

The Responsible Sourcing Network, a project of As You Sow, is coordinating a group of investors, corporations, and non-governmental organizations, to write a consensus response to the SEC's draft rules. This diverse group of stakeholders has drafted recommendations that strike a balance between being implementable, providing adequate disclosure, and actually making a difference on the ground. Improved transparency will result in better conditions for workers, increase supply chain efficiency, and reduce costs for companies.

resolutions relate to ordinary business, and since there are so many duplicative proposals not all may go to votes. But the proposals serve as a barometer of investor concern about corporate risk-taking and lending practices. A few more new proposals that ask for the adoption of principles to combat money laundering will have to overcome SEC skepticism about the admissibility of this issue if they are to come to votes.

Diversity: The successful campaign to get companies to adopt sexual orientation non-discrimination policies continues, along with equally well-received proposals about board diversity—with a total of 46 filings, many of which are likely to be withdrawn after companies accede to the requests. New this year is a novel proposal from Northstar Asset Management about the strict anti-immigration law in Arizona at **First Solar**, based in Tempe. An effort from the New York City pension funds to encourage more minority ad placements looks set to fizzle at the SEC, given company challenges, but raises a key concern of the city's new comptroller, John C. Liu.

Environment: Environmental proposals this year fall into three major categories—climate change, natural resource management, and toxics. There is a separate section on sustainability since those proposals invoke issues beyond the environment.

Climate change—Forty-one climate change proposals reiterate ongoing investor views about what they see as a pressing need to disclose greenhouse gas emissions, to set goals to cut these emissions, and to reveal more about related risk and impact assessments. A handful of new proposals raise renewable energy issues at utilities, but may not go to votes given SEC challenges. Two palm oil proposals have been withdrawn after companies agreed to sourcing restrictions, in a victory for shareholders. All the resolutions come in the context of the new SEC climate risk disclosure requirements, noted in the sidebar, and as companies are starting to grapple with the new EPA emissions monitoring regulations. Oil and gas, construction and real estate, and utility companies remain the primary targets of these proposals.

Natural resource management—Coal and fracking dominate the group of 44 natural resource management proposals, with several new resolutions about the financial risks of relying on coal-based energy, coal pollution, and a reprise of 2010 concerns about coal combustion waste. The disclosure campaign about fracking continues, with nine proposals to companies including **Chevron**, which in November announced the $3 billion acquisition of Atlas Energy, one of the firms drilling in the Marcellus Shale region, which straddles parts of New York, Ohio, Pennsylvania, and West Virginia, where controversies about water contamination and other environmental issues abound. There are new proposals about water use by utilities and water risk in the supply chain, as well, along with another to **Chevron** on offshore oil well risks.

Toxics—In the toxics category, new proposals about Bisphenol A (BPA) are on tap at two companies, noting the chemical's use in dental sealants (at **Dentsply International**) and in cash register receipts (at **Yum! Brands**). A new proposal on electronic waste is pending at **Target**.

Health: As national health care reform continues to roil the national psyche, religious investors remain worried that insurance and drugs are too expensive for many Americans. They have filed a new proposal on insurance premiums at five companies that are being challenged at the SEC, along with a proposal about prescription affordability at five drug companies, a resolution they used 10 years ago during the first round of health care reform. Rounding out the mix is a pending proposal to **McDonald's** on fast food and childhood obesity.

Labor and human rights: Around 30 proposals, mostly to defense contractors, stress the risks companies face while operating in conflict ridden areas of the world; these have taken the place of previous religious group resolutions about military contracting and foreign military sales, which are absent for the first time in many years. New proposals raise concerns about the conduct of a prison management company, **Geo Group**, and the sourcing of cobalt from the Democratic Republic of Congo (DRC), at **OM Group**. These proposals have special relevance giving the pending requirements for publicly traded companies in the United States to disclose links to conflict minerals in the DRC and surrounding countries.

Contesting Proposals at the SEC

All shareholder proposals must conform to the Shareholder Proposal Rule of the Securities and Exchange Act of 1934, which sets procedural as well as substantive standards for admissibility. When a company believes a proposal does not meet these standards, it informs the SEC of its intention to omit the proposal and cites specific provisions of the rule. SEC staff attorneys in the Division of Corporate Finance consider company arguments and any countervailing responses from the proponents before issuing a "no-action" letter. These letters indicate the SEC will take no action if the company leaves the proposal out of the proxy statement, or say the staff does not agree with the company's arguments and thinks the proposal must be included. Decisions can be appealed to the full commission and also challenged in the courts, but generally the staff decision is not contested. (See p. 49 for a summary list of the grounds for omission.) Both challenges and decisions since 2007 are available on the SEC website; earlier correspondence is available only in paper form at the commission.

In addition, the human right to water is invoked by proposals at four companies, continuing a campaign from 2010. Proposals on net neutrality look likely to fall again to SEC challenges, however. Finally, inspired by the Gulf of Mexico oil spill last year, the AFL-CIO has a new proposal on process safety management that it has submitted, with support from the United Steelworkers, at seven oil refinery companies; the proponents and **Sunoco** have reached an agreement already, as noted on p. 41.

Political spending: Continued national attention on political campaign spending is reflected in the 84 proposals filed about corporate political spending. New angles abound as investor attention broadens to eight requests about advisory votes on spending and lobbying—which has been newly approved as a proxy issue by the SEC and is pending at nine companies. Another fresh twist is a campaign led by Walden Asset Management to target companies with representatives on the board of the Chamber of Commerce, firms that supported the failed effort to overturn California's climate change law, and those caught up in the indirect political spending controversy about an anti-gay Minnesota gubernatorial candidate last summer. Proposals for more oversight and disclosure in resolutions coordinated by the Center for Political Accountability are unabated, with about 50 filings. On the other side of the political fence, two Washington-based conservative groups are coordinating a handful of proposals that question companies' public support for gay rights and national climate change legislation.

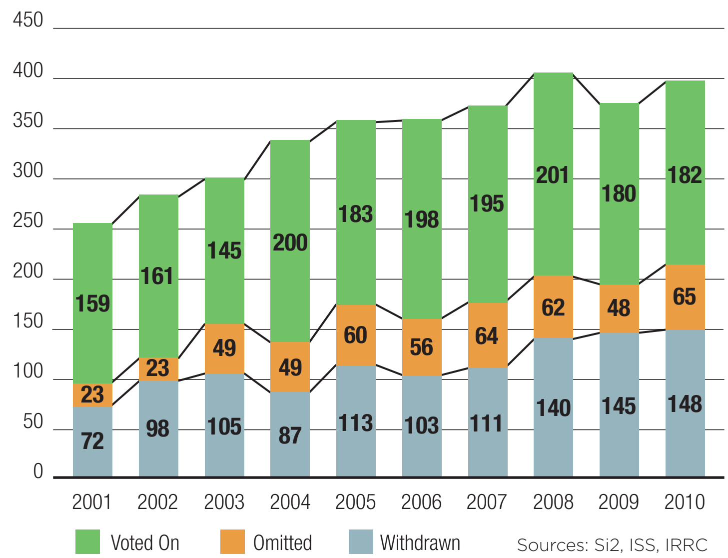
Sustainability: The total number of requests for corporate sustainability reports is down a little this year, with about two dozen filings; the vast majority of which ask for data on greenhouse gas emissions and their management, alongside other environmental and social information. A new proposal from the New York City pension funds wants **Walmart** to compel companies in its vast supply chain to issue sustainability reports, as well. In addition, two unions are asking a mix of eight companies to incorporate sustainability factors into incentive compensation for executives.

Shareholder Proposal Trends

Investors now file about 50 percent more shareholder proposals on social and environmental issues than they did a decade ago, with just over 400 in 2010. But investors have not seen as dramatic an increase in the number of proposals that they vote on because of a substantial increase in the number of withdrawn proposals. Withdrawals generally occur when the proponents and management reach an agreement. Since 2003, the proportion of proposals that get omitted because the SEC issues an opinion that a proposal does not conform to the Shareholder Proposal Rule has stayed about the same overall, although there have been important changes in the SEC's interpretation of the rule.

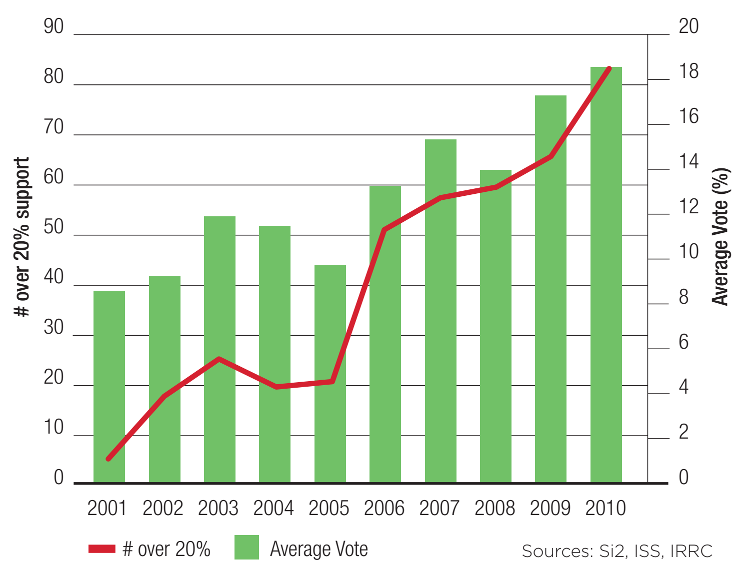
There has been a dramatic increase in the overall level of support investors give to social and environmental proposals. The overall average vote climbed to more than 18 percent in 2010, about double the support resolutions received in 2001. Of particular note is the number of resolutions that receive more than 20 percent of the vote; only five proposals in 2001 reached this threshold, while 82 did so in 2010—nearly half of all those that went to votes.

US Social and Environmental Shareholder Proposals Filed, 2001-2010



Sources: Si2, ISS, IRRC

Support Trends for US Shareholder Proposals, 2001-2010



Sources: Si2, ISS, IRRC

2010 Proxy Season Results

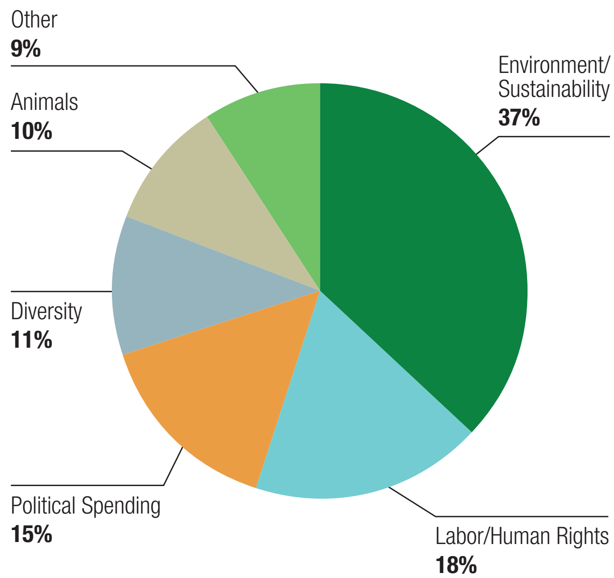
In an unprecedented show of support, investors in 2010 voted 'yes' more often than ever before on a wide range of social and environmental shareholder proposals. The season produced the highest votes ever recorded on these types of resolutions, with an overall average of more than 18 percent. Two proposals received majority support, at **Layne Christensen** and **Massey Energy**. Fifteen more received greater than 40 percent. The season was marked by record-breaking investor approval for corporate policies that protect lesbian, gay, bisexual, and transgendered (LGBT) rights, more reporting on sustainability in general and the environment in particular, and increased disclosure of political spending. A total of 404 proposals were filed on social and environmental issues; 182 went to votes.

Topics: Environmental concerns continued to be the biggest single issue category, accounting for 25 percent of the total proposals filed; when broader sustainability reporting proposals which mentioned environmental issues are included, this category accounted for 37 percent of the total. The resolutions asked for corporate policy changes or disclosure on climate change, natural resource impacts including fracking, or toxics. A broad swath of labor and human rights issues accounted for another 18 percent of the total filed, with subjects ranging widely from pay equity to human rights reporting and the internet. Corporate political activity resolutions, which in large part asked for political spending disclosure, made up another 15 percent of the total.

Other important topics addressed were equal employment and diversity (11 percent of the total) and industrial agriculture and other animal welfare issues (10 percent). Only a few proposals dealt with finance and banking issues, something that has changed significantly in the 2011 season. Conservative groups proffered about a dozen resolutions, just 4 percent of all proposals, and continued to fare poorly as they have in the past; they asked about political and charitable giving and questioned corporate policies on climate change and illegal immigrants.

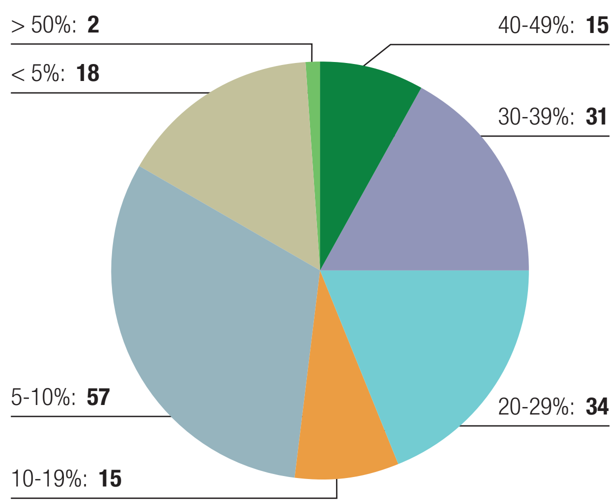
Unprecedented support: The 2010 spring proxy season was a watershed year, with the highest individual votes ever recorded and overall average support of more than 18 percent. Two proposals received majority support, at **Layne Christensen** and **Massey Energy**, with a total of 17 receiving more than 40 percent of the shares cast for and against. Nearly half—82 resolutions—earned more than 20 percent support, up from only 66 that did so in 2009.

Proposals Filed in 2010



Source: Sustainable Investments Institute (Si2) n=404

Support Distribution in 2010



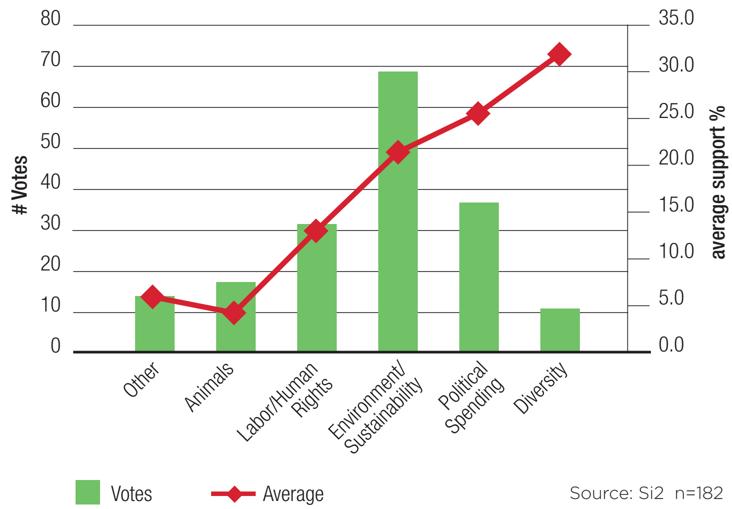
Source: Sustainable Investments Institute (Si2) n=182

Top scoring proposals: Mirroring the overall trends, half of the 17 top scorers dealt with the environment and sustainability reporting, while LGBT non-discrimination policy requests and political contributions each had three proposals. Only one resolution on human rights was in the highest scoring group—a Mercy Investment resolution to **KBR**, which continues to deal with the legacy of controversies about its operations in Iraq and elsewhere.

Withdrawals and omissions: Proposals that receive high levels of support are the most amenable to negotiated withdrawal agreements between shareholders and companies. Nearly three-quarters of the 45 resolutions filed on equal opportunity and board diversity were withdrawn, as were just under two-thirds of the 41 requests for sustainability reports.

Top scoring proposals also are much less likely to be omitted, while resolutions from neophytes tend to get thrown out more frequently at the SEC. Seven of the 16 proposals from conservatives did not make it past the SEC, and half of the sometimes eclectic collection of 20 other miscellaneous requests also failed to pass muster with the SEC staff. Animal welfare groups also were less successful at the SEC than most others, with about one-quarter of their proposals getting thrown out on substantive grounds.

2010 Votes and Category Averages



Source: Si2 n=182

2010 Resolutions With More Than 40 Percent Support

Company	Proposal	Proponent	Vote (%)
Layne Christensen	publish sustainability report (incl. climate change)	Walden Asset Mgt.	60.3
Massey Energy	report on climate change impact assessment	NYSCRF	53.1
Gardner Denver	adopt GLBT non-discrimination policy	Calvert	49.1
KBR	adopt GLBT non-discrimination policy	NYC pension funds	48.7
Coventry Health Care	report on political contributions	NYC pension funds	46.0
Federal Realty Investment Trust	publish sustainability report (incl. climate change)	LiUNA	44.6
Boston Properties	publish sustainability report (incl. climate change)	NYC pension funds	44.1
CMS Energy	report on coal combustion waste and risks	As You Sow	43.1
St. Jude Medical	publish sustainability report	Walden Asset Mgt.	42.8
KBR	report on human rights policy	Mercy Investment	42.2
Express Scripts	report on political contributions	Miami Firefighters	42.0
Williams Companies	report on hydraulic fracturing	Green Century	41.8
Kroger	report on climate change impact assessment	NYC pension funds	40.7
CVS Caremark	report on political contributions	Pax World Funds	41.4
Sprint Nextel	report on political contributions	NYC pension funds	41.2
MDU Resources Group	report on coal combustion waste and risks	As You Sow	40.5
Leggett & Platt	adopt GLBT non-discrimination policy	NYC pension funds	40.4

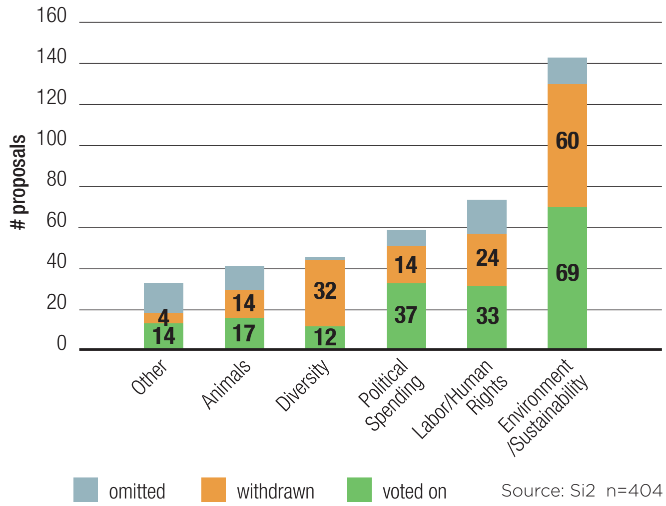
SEASON HIGHLIGHTS

Animal and agriculture: The treatment of animals in industrial agricultural production has been a longstanding concern of animal rights activists, but investors remain wary of proposals that ask firms to alter their slaughter and egg production practices both in-house and at suppliers. Shareholders are equally skeptical of proposals about laboratory animal welfare. In addition, three resolutions to **Tyson Foods** from religious investors connected with ICCR about its production practices got very low votes, although proposals at **Tyson** are never high because the company is very closely held. Each of the animal-related resolutions received much less than 10 percent support, with an average of less than 5 percent. No affiliates of ICCR have filed similar proposals for 2011.

Diversity: Investors gave the highest average level of support to 12 resolutions that asked companies to ensure their LGBT employees' rights are protected, giving these proposals 32 percent support on average, and nearly cracking the 50 percent mark with a resolution from Calvert Investments at **Gardner Denver**. NYC funds resolutions won 48.7 percent at **KBR** and 40.4 percent at **Leggett & Platt**. In related proposals, just one of the 16 resolutions asking companies to adopt board diversity policies went to a vote, at **Exco Resources**; the others were withdrawn, generally after accords between the proponents and companies.

Environment: Environmental proposals accounted for the largest share of proposals filed and voted on, addressing climate change, the politically incandescent topic of fracking, and a wide range of other concerns. The May 19 annual meeting of **Massey Energy** came just a few weeks after the Upper Big Branch mine disaster, which claimed the lives of more than two dozen miners; investors reacted by giving 53.1 percent support to a request for a climate change impact assessment. The resolution did not pass, however, because **Massey's** charter, written under Delaware law, provides for it to count abstentions as votes 'against' shareholder proposals; when figured this way, the proposal got just 36.8 percent. (Concerns about how companies tally their votes are being raised in several 2011 proposals, see p. 23.) Other high scorers were a resolution from As You Sow to **CMS Energy** requesting a report on disposal of coal combustion waste (43.1 percent), a Green Century Funds request for a report on fracking at the **Williams Companies** (41.8 percent) and another As You Sow proposal on disposal of coal waste to **MDU Resources Group** (40.5 percent).

Final Status of 2010 Proposals



Labor and human rights: A significant proportion of **KBR** investors remain concerned about the company's human rights record; shareholders gave a disclosure resolution on this subject from Mercy Investment 42.2 percent support. A similar resolution to **Halliburton**, which also raised concerns about incidents at the company's operations in Iraq, earned nearly 37 percent.

Other human and labor rights proposals addressed internet privacy and net neutrality (most of these were turned back at the SEC on the grounds that they raised "ordinary business" issues) and the ways in which companies can or should ensure human rights protection in the conflict ridden areas where they do business. A new proposal about payments to host governments from Oxfam America to **Chevron** earned just 7.1 percent support, and resolutions about the human right to water earned equally modest levels of support (just under 7 percent) at **Ecolab** and **ExxonMobil**. Only a few resolutions directly addressed supplier codes of conduct, in contrast to the recent past when sweatshop concerns prompted dozens of such proposals. Investors at **Reynolds American** gave moderate support to a resolution about child labor concerns in Malawi from Trinity Health—10.5 percent compared with 20.4 percent at **Altria** shareholders for the same proposal.

Half a dozen pay equity proposals from ICCR members came to votes at **Goldman Sachs**, **General Electric**, **State Street**, **Allstate**, and **Coventry Health Care**, but all earned less than 10 percent support. Half of these two-dozen new proposals were withdrawn after discussions with companies and there are almost no proposals on the subject for 2011, although investor concern about high levels of executive pay continues to run high. With the introduction of required advisory votes on pay, pay critics have time to take a breather and see how much traction they get at companies in general when investors vote, as is newly required, during the 2011 proxy season. (For more on Walden Asset Management's view on the say-on-pay campaign, see p. 11.)

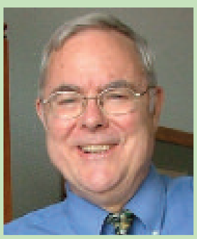
Political spending: More than one-quarter of investors, on average, voted in favor of resolutions that asked companies to disclose how and what they spend in the political arena. Three-quarters of the 60 resolutions in this category were coordinated by the Center for Political Accountability, but a range of additional proposals addressed corporate political activity from different angles. A few made it under the SEC radar to ask for more general lobbying disclosure, although requests about grassroots lobbying disclosure from Domini Social Investments did not pass muster at the SEC, which has long been skeptical about lobbying resolutions. Proponents raising lobbying concerns have managed to find a formulation that has made it past the SEC arbiters in 2011, however, as noted in this report. One other proposal to **American International Group** asked for shareholder approval of political spending, although this new proposal from the New York State Common Retirement Fund earned less than one percent at the company, whose stock is controlled by the US government. The "say-on-spending" issue is being raised again at a few companies in 2011.

The highest scoring political spending proposals were at health care and telecommunications companies—46 percent at **Coventry Health Care** (from the NYC pension funds), 42 percent at **Express Scripts** (from the Miami Firefighters), 41.4 percent at **CVS Caremark** (from Pax World Funds) and 41.2 percent at **Sprint Nextel** (from the NYC pension funds). These types of resolutions were less likely to be withdrawn than those in the other top-scoring categories, but about one-quarter of companies that received the proposals acceded to the requests, prompting withdrawals.

Sustainability: Affirming a longstanding trend, proposals that asked companies to publish sustainability reports averaged 31 percent support. The proposals often had specific requests for climate change information and greenhouse gas emissions data and came to votes at 14 companies. Walden Asset Management scored a major victory and the highest vote ever recorded on a shareholder proposal about social or environmental issues at **Layne Christensen**, which provides drilling and construction services, earning 60.3 percent support. The vote prompted no deal, however, and the resolution is pending again in 2011. Other high scoring proposals were at **Federal Realty Investment Trust**, where a proposal from the Laborers' International Union (LiUNA) received 44.6 percent; at **Boston Properties**, where an NYC pension fund resolution got 44.1 percent; and at **St. Jude Medical**, where a Walden proposal got 42.8 percent. Considerably more than half of the 39 sustainability reporting resolutions filed were withdrawn, mostly following agreements by companies to publish the requested reports.

advocacyposition

SAY-ON-PAY BECOMES LAW



TIMOTHY SMITH
Walden Asset Management

Unchecked CEO pay directly contributed to the financial crisis of 2008. On January 25th the SEC adopted new rules for the shareholder advisory vote on executive compensation, popularly known as say-on-pay, as required under the Dodd-Frank bill passed in 2010. This year, all companies must place an advisory vote on their proxy statements as a means to hold management more accountable to their shareowners regarding CEO and senior executive pay practices. (In the last two years only those companies receiving Troubled Asset Relief Program (TARP) funds and several dozen who responded positively to shareholder input provided a say-on-pay vote.)

This is a moment to celebrate, as investors led by Walden Asset Management, AFSCME, and the State of Connecticut, among others, worked tirelessly for say-on-pay. Early on, we convened successful roundtables of more than 100 business leaders, governance experts, and institutional investors to study the benefits and processes needed to implement say-on-pay.

There were investor sign-on letters, corporate dialogues, and shareholder proposals advocating for the reform, with many of the proposals garnering majority shareholder votes. Over 75 investors worked together filing shareholder proposals on this issue. Say-on-pay votes have already stimulated re-thinking by Board Compensation Committees on various perks and controversial pay formulas. Dozens of companies agreed to provide the advisory vote before they were required to do so.

The combination of relentless investor advocacy, the responsiveness of some leading companies to be early adopters, and public outrage about executive compensation led to having an annual investor vote on pay enshrined in the Dodd-Frank bill.

In addition, the controversy over how Wall Street pay formulas contributed to taking excessive risks leading to the financial crisis has built more pressure for checks and balances on executive pay.

This proxy season a new round of work begins. Every proxy statement asks investors to vote on the frequency of say-on-pay votes. Should it be every one, two, or three years? We strongly urge all investors to vote for annual say-on-pay, promoting maximum accountability by providing a platform for feedback each and every year. The discipline of an annual vote will encourage boards to be more responsive and accountable on executive compensation.

This is so important that on January 31st a group of investors with over $830 billion in assets under management issued a public call for companies to support annual votes on executive pay and for investors to vote in favor. The news is out—since early in the proxy season investors at half a dozen companies ignored management's appeal for a three-year vote and instead voted in the 51 percent to 72 percent range in favor of an annual vote, refusing to embrace "occasional accountability on pay" represented by the three-year plan.

The more weighty responsibility is voting on the pay packages themselves. Will we vote 'yes,' 'no,' or 'abstain' on Wall Street financial houses that are returning to pre-crisis pay packages, or for an oil executive whose pay increases not just because of smart business choices but because the price of oil went up? This will be a significant proxy season with executive compensation front and center on every proxy statement.

THE 2011 PROXY SEASON

This section of the report presents information on all the social and environmental proposals that shareholders have filed for the 2011 proxy season according to Si2 research—a total of 359 resolutions. A handful of additional proposals are likely to surface as the season progresses, and a few more are likely to be filed for meetings that occur in the second half of the year.

Information is presented alphabetically by topic area. Discussion of the proposals notes how many have been filed in all, which of these remain pending, how many have been withdrawn for tactical or substantive reasons after negotiated agreements with companies, and the disposition of challenges to the proposals at the SEC, which issues opinions on the admissibility of resolutions under the Shareholder Proposal Rule (14a-8). Discussion focuses on the resolved clause requests and how these are different or the same compared with previous proposals. The analysis notes the levels of support that can be expected based on previous trends, and how much support resubmitted proposals received in the past. New proposals and campaigns also are clearly highlighted.

Within each section, at-a-glance information is presented in tables that provide the name of each company, a short description of each resolution, the primary sponsor of the proposal, and the month in which the annual meeting will occur. Investors interested in voting on these proposals will need to refer to their proxy statements to determine the meeting dates and when they must cast their votes. Companies release proxy statements to their investors about six weeks before their annual meetings. To vote on proposals, investors must own the stock as of the "record date" set by the company, usually about eight weeks before the meeting. This date is noted in each proxy statement.

Animal Welfare and Industrial Agriculture

Animal welfare advocates have proposed a total of just 16 resolutions in 2011—down by more than half from the 37 filed in 2010—after proponents re-evaluated tactics and after some proposals simply did not receive enough support for resubmission. Animal welfare-related proposals tend to earn only modest support from investors and several recent campaigns about funding for animal research and product-specific complaints did not survive SEC challenges in 2010. Nonetheless, a spirited campaign to get food companies and restaurant chains to change methods of poultry slaughter continues, along with a smattering of other proposals about disclosure and alleged abuses in both laboratories and a pet store.

Testing and Ethics

Lab animal reports: People for the Ethical Treatment of Animals (PETA), a longtime shareholder proponent, has asked five drug and medical device makers—**Abbott Laboratories**, **Baxter International**, **General Electric**, **Merck**, and **Pfizer**—to report on their use of laboratory animals. The resolution asks for an annual report that discloses:

1) The number and species of all animals used in-house and at contract research laboratories for explicitly required tests; the number and species used in basic research and development; and the Company's plans to phase out animal testing wherever possible;

2) Procedures to ensure compliance with basic animal welfare considerations in-house and at contract research laboratories, including enrichment measures to improve living conditions for the animals used.

At **Covance**, one of the largest contract lab companies in the United States that conducts tests using laboratory animals, PETA wants the company to annually report on "(1) the measures that it is taking to resolve, correct, and prevent further US Department of Agriculture (USDA) citations for violations of the Animal Welfare Act (AWA), and (2) procedures to ensure compliance with basic animal welfare considerations, including enrichment measures to improve living conditions for the animals used." PETA has longstanding concerns about the treatment of animals at **Covance** facilities and cites violations of the AWA in its supporting statement for the proposal, detailing allegations of abuse of primates, dogs, and rabbits.

Withdrawal and SEC action—PETA withdrew its proposal at **Abbott Laboratories** after an SEC challenge by the company contending it duplicated an HSUS proposal, which it received first (see p. 13). **General Electric** unsuccessfully tried to knock out the proposal at the SEC on the grounds that it is misleading and cannot be implemented, arguments that also have not worked in the past. Back in 2006, PETA withdrew a proposal about animal use after discussions with **GE**. **Merck** also is arguing the resolution can be omitted on both procedural and/or substantive grounds, but the SEC has yet to issue any decision.

Animal phase-out requests: At **Abbott Laboratories**, another resolution on animal use has been filed by the HSUS. It asks the company to "to voluntarily phase out research on chimpanzees," disclose a phase-out schedule, and provide semi-annual progress updates. At **Johnson & Johnson**, PETA is asking the company to "1) Adopt available non-animal methods whenever possible and incorporate them consistently throughout all the Company's operations," and to "2) Eliminate the use of animals to train sales representatives." The company is contending at the SEC that the proposal is moot since it already limits the use of animals to the extent it deems possible.

Animal Welfare and Industrial Agriculture Proposals

Company	Proposal	Proponent	Meeting/ Status
Testing and Ethics			
Abbott Laboratories	phase out use of chimpanzees	HSUS	April
Abbott Laboratories	report on laboratory animals	PETA	withdrawn
Baxter International	report on laboratory animals	PETA	May
Covance	report on animal welfare problems	PETA	May
General Electric	report on laboratory animals	PETA	April
Johnson & Johnson	end animal use in sales training	PETA	April
Merck	report on laboratory animals	PETA	May
PetSmart	certify suppliers meet humane laws	PETA	June
Pfizer	report on laboratory animals	PETA	April
Industrial Agriculture			
BJ's Wholesale Club	phase in CAK slaughter method	PETA	May
Jack in the Box	phase in CAK slaughter method	PETA	omitted
McDonald's	phase in cage-free eggs	HSUS	May
McDonald's	phase in CAK slaughter method	PETA	May
O'Charleys	phase in CAK slaughter method	PETA	May
Tyson Foods	phase in CAK slaughter method	PETA	1%
Tyson Foods	phase out gestation crates	HSUS	omitted

Humane suppliers: At **PetsMart**, PETA is continuing to articulate its concerns about the humane treatment of animals in the company's pet supply chain. The group contends that some suppliers of animals sold at the company have violated humane laws, and it wants the company to "require that its suppliers certify that they have not violated the Animal Welfare Act, the Lacey Act, or any state law equivalents." The Lacey Act, part of the Food, Conservation, and Energy Act of 2008 (the Farm Bill), takes aim at illegal trafficking in wildlife, fish, and plants. A 2010 proposal to the company in a similar vein asked it to stop buying animals from vendors who violate the law but was omitted on the grounds that it was too imprecise; no challenge has surfaced yet this year at the SEC.

Industrial Agriculture

Poultry slaughter: Missing this year are proposals on animal slaughter from HSUS, but action on its campaign to encourage more companies to adopt more humane farming practices continues (see sidebar, p. 14). PETA is continuing its campaign on the subject, however, with three pending proposals—at **BJ's Wholesale Club**, **McDonald's**, and **O'Charley's**—that ask each firm "to advance the company's financial interests and the welfare of chickens and turkeys killed for its restaurants" and to "purchase 100 percent of turkey [and/or chickens] from suppliers that use controlled-atmosphere killing (CAK), a less cruel method of slaughter, by the end of 2012 and to require the company's chicken suppliers to switch to CAK within four years." Similarly, a proposal to **Tyson Foods** asked for phasing in CAK slaughter at its operations within five years; investors voted on this resolution at the company's February 4 annual meeting and gave it just one percent, making it ineligible for resubmission for three full calendar years. (**Tyson** family and management own the vast majority of the stock.)

SEC action—One of the CAK proposals, to **Jack in the Box**, has been omitted on procedural grounds. Another resolution that asked for phasing out hog gestation crates, which animal welfare advocates contend are inhumane, was omitted at **Tyson** since a previous proposal on the topic in 2009 did not get enough support for resubmission. At **McDonald's**, the company has challenged a resolution about cage-free eggs, saying it can be omitted because it is similar to a 2010 proposal that got about five percent support in 2010, also not enough for resubmission; an omission seems likely.

ANIMAL WELFARE

KRISTIE MIDDLETON
Humane Society of the United States

The Humane Society of the United States' (HSUS) shareholder advocacy on farm animal welfare started in 2006 with 12 companies. Today, the organization engages with dozens of corporations, including meat and egg producers, restaurants, food retailers, and manufacturers—holdings which have helped generate numerous tangible improvements in farm animal welfare policies at major companies.

Many of these improvements include helping companies begin switching to cage-free eggs in their supply chains. American egg factories cram hundreds of millions of laying hens into cages so small the birds can't even spread their wings. Each hen has less space than a sheet of paper on which to spend her entire life. Virtually unable to move, these animals can't engage in vital natural behaviors. The science is clear that these animals endure lives filled with suffering and that allowing them to live free from cages results in them having much better lives. Unlike their caged counterparts, cage-free hens are able to walk, spread their wings and lay their eggs in nesting areas—important natural behaviors denied to hens confined in cages.

The HSUS works privately and cooperatively with countless companies on this issue, including **Burger King**, **Subway**, **Compass Group** (the world's largest foodservice company), and **Kraft Foods** (the nation's largest food company). With these—and hundreds of other companies—the organization has formed strategic partnerships to develop strategies for fitting animal welfare into existing business frameworks and generating incremental reforms, like cage-free egg phase-ins.

Supporting animal welfare initiatives makes good business sense. Consumers want the companies they patronize to support good animal welfare practices. The issue is so prominent that **Citigroup** wrote that "concerns over animal cruelty" present a "headline risk" to restaurant chains.

For the vast majority of HSUS' corporate partners, shareholder advocacy isn't needed; animal welfare is such a prominent social issue today (the third most-important social issue to restaurant patrons, according to industry analysts at Technomic) that most companies are actively working in earnest to improve conditions in their supply chains. This is why the proxy statements of most companies HSUS holds stock in have never included—and may never include—an HSUS shareholder resolution. But on occasion, the organization has used its position as a stock holder togain leverage in discussions and access to influential decision-makers. As shareholders, HSUS also frequently attends companies' annual meetings for the express purpose of praising them for making reforms.

Just a few of the companies that have started switching to cage-free eggs since this effort began include **Burger King**, **Subway**, **Wendy's**, **Sara Lee**, **Kraft**, **Denny's**, **Quiznos**, **Carl's Jr.** , **Hardee's**, **TGI Friday's**, **Golden Corral**, **Sonic Drive-In**, **Cracker Barrel**, **Krispy Kreme Doughnuts**, **Otis Spunkmeyer**, **Au Bon Pain**, **PF Chang's China Bistro**, **IHOP**, **Whataburger**, **Virgin America**, and **AMTRAK**. Additionally, 100 percent of the private brand eggs at **Walmart** and **Costco** are cage-free, **Unilever's** Hellmann's mayonnaise has committed to sourcing 100 percent cage-free eggs and **Compass Group** uses 100 percent cage-free eggs for all of its whole eggs.

More progress is likely to come in 2011. As industry trends analyst Phil Lempert, "The Supermarket Guru," wrote in his predictions for this year, "Move over local. Move over organic. Humane is stepping in."

Banking

The 2011 proxy season is notable for more than a dozen new proposals at the four biggest US banks—**Bank of America**, **JPMorgan Chase**, **Citigroup**, and **Wells Fargo**— that try to address the foreclosure crisis and related problems. The proponents include leading pension funds, labor unions, community groups, and churches—which more than a decade ago were prescient in raising concerns about predatory lending at some of the same companies that ultimately became mired in the financial meltdown. All of the recipients have challenged the resolutions on various substantive grounds at the SEC—most commonly arguing they relate to ordinary business—and also note that the proposals are largely duplicative. It therefore remains unclear how many of the resolutions will actually go to votes. What is clear is that bank investors want more transparency about the substantial risks their companies face with lending practices. The SEC's view on the admissibility of the resolutions has yet to be revealed.

AUDIT BANK MORTGAGE PRACTICES

MICHAEL GARLAND

New York City Comptroller's Office

Reports in fall 2010 of widespread irregularities in the mortgage and foreclosure practices at the nation's largest banks, including missing or faulty documentation, have exposed compliance breakdowns throughout the mortgage pipeline. These problems not only have harmed homeowners—they have subjected the banks to legal and regulatory scrutiny from virtually every government agency with jurisdiction over them and from the investors who own troubled mortgages sold or serviced by the banks.

The question is whether the compliance problems are systemic. The bank executives responsible say they are not, citing internal reviews. The Congressional Oversight Panel (COP) calls this a best case scenario, however. In its worst case scenario, the COP said severe capital losses could destabilize exposed banks and threaten financial stability. Given these risks, neither shareholders nor the directors we elect can afford to rely on management's assurance that any irregularities are mere clerical errors that will be resolved quickly.

That is why in November 2010 New York City (NYC) Comptroller John C. Liu, on behalf of the $109 billion New York City Pension funds, filed shareholder proposals calling on the Audit Committees of the nation's four largest banks to conduct independents reviews of their internal controls related to loan modifications, foreclosures, and securitizations and to report their findings to shareholders. The banks are **Bank of America**, **Citigroup**, **JPMorgan Chase**, and **Wells Fargo**.

Two weeks after Comptroller Liu filed the proposals, Federal Reserve Governor Daniel Tarullo testified to the US Senate Banking Committee that examinations of banks' foreclosure and mortgage practices "suggest significant weaknesses in risk-management, quality control, audit, and compliance practices."

In response to mounting evidence of systemic problems, a $432 billion coalition of public pension funds urged the audit committee chairs of the four banks to initiate the audits sought by the New York City funds immediately, rather than wait until spring shareholder votes. "This will help to prevent future compliance failures and restore the confidence of shareholders, regulators, legislators, and mortgage market participants," the coalition said in its January 6 letter. Led by the NYC Comptroller and funds, the coalition includes public funds from Connecticut, Illinois (ISBI and IL SURS), New York, North Carolina, and Oregon.

Within days of the coalition's request, Massachusetts' highest court voided two foreclosures based on improper paperwork and returned the properties to the borrowers, setting a precedent other states could follow; **Bank of America** repurchased $2. 8 billion in flawed mortgages from **Fannie Mae** and **Freddie Mac**; and an internal **Freddie Mac** review found 15 percent of the performing loans it purchased from **Citigroup** from mid-2009 to mid-2010 were marred by missing documents or income calculations.

Despite all of this, the audit committees have resisted launching their own independent reviews. Instead, directors continue to rely on management assurances while awaiting the outcome of various government inquiries. As a result, the stage is set for votes on the New York City shareholder proposal at their spring 2011 annual meetings.

LENDING AND FORECLOSURES

NYC proposal: In one of the most expansive of the resolutions, the New York City pension funds are asking all four of the leading banks to "conduct an independent review of the Company's internal controls related to loan modifications, foreclosures, and securitizations" and report, covering "(a) the Company's compliance with (i) applicable laws and regulations and (ii) its own policies and procedures; (b) whether management has allocated a sufficient number of trained staff; and (c) policies and procedures to address potential financial incentives to foreclose when other options may be more consistent with the Company's long-term interests."

The proposal is currently slated to appear in **Wells Fargo's** proxy statement. The SEC is considering various challenges from the three other banks that variously contend the resolution relates to ordinary business, is moot, and/or is too vague. **JPMorgan** received the resolution after a different proposal on the subject from the Presbyterian Church, so an omission on duplicativeness grounds appears likely unless the NYC funds withdraw the resolution first. At **Bank of America** and **Citigroup**, the SEC has yet to issue an opinion. See sidebar for the New York City Comptroller's Office perspective on bank mortgage practices.

AFL-CIO proposal: A resolution from the AFL-CIO covers much of the same ground as the NYC proposal and asks for a report on the bank's "internal controls over its mortgage servicing operations," which it says should include "the Company's participation in mortgage modification programs to prevent residential foreclosures, the Company's servicing of securitized mortgages that the Company may be liable to repurchase, and the Company's procedures to prevent legal defects in the processing of affidavits related to foreclosure."

The union has withdrawn its proposal at **JPMorgan Chase** and **Wells Fargo**, but it remains pending at **Bank of America**, which contends it is both moot and related to ordinary business. AFL-CIO said in its withdrawal letter that it looks forward to "discussing our concerns regarding the foreclosure crisis" with **JPMorgan**.

Presbyterian Church resolution: A fourth proposal to **JPMorgan Chase** from the Presbyterian Church asks the bank to "oversee development and enforcement of policies to ensure that the same loan modification methods for similar loan types are applied uniformly to both loans owned by the corporation and those serviced for others, subject to valid constraints of pooling and servicing agreements, and report." The company contends the resolution is too vague and relates to ordinary business; the SEC has yet to issue a decision.

Impact on the poor and minorities: Another resolution focuses more specifically on the differential impact the lending crisis has had on poor and minority borrowers. Proponents include the Neighborhood Economic Development Advocacy Project, a New York City-based community advocacy group and Boston-based United for a Fair Economy (UFE), which works to combat economic inequality. The group's Responsible Wealth project, a network of wealthy individuals supportive of its work, periodically coordinates shareholder resolutions. The resolution asks for a report on:

1) [The Company's] residential mortgage loss mitigation policies and outcomes, including home preservation rates for 2008-2010, with data detailing loss mitigation outcomes for black, Latino, Asian, and white mortgage borrowers;

2) What policies and procedures [the Company] has put in place to ensure that it does not wrongly foreclose on any residential property in judicial or non-judicial foreclosure states, and that affidavits and other documents that [the Company] submits to the courts in foreclosure actions are accurate and legally sufficient.

It is not likely to come to a vote. The proponents withdrew at **JPMorgan Chase**, throwing their support to the NYC proposal. At the other two companies, it is vulnerable to exclusion on duplicativeness challenges, which are pending.

US Bancorp: Just one more proposal relating to the foreclosure crisis has been filed in 2011, but it will not go to a vote because it was filed too late. Sponsored by the Community Reinvestment Association of North Carolina, the resolution asked **US Bancorp** to report on the company's policies about loan servicing and improper foreclosures and evictions.

OTHER PROPOSALS

Money laundering: Harrington Investments (see sidebar) has taken the lead in asking companies to adopt a new set of principles that aim to combat corruption facilitated by money laundering. The resolutions are part of an effort by a new Washington, DC-based group,

advocacyposition

BY-LAW AMENDMENTS

DALE WANNEN

Harrington Investments

Under the usual state corporate law, shareholders do not have the power to require the board to take action. Though non-binding resolutions can prove very effective, Harrington Investments has pioneered a number of binding proposals related to social and environmental issues, including money laundering and sustainability (see p. 46-47). Our focus has been on by-law amendments calling for specific board oversight. We view these proposals as a firmer expression of our shareholder rights and of management's responsibilities.

These proposals have received modest votes so far, yet the idea of by-law amendments has struck a cord with some companies. In April of 2010, after introducing a proposal with **Intel** to authorize the creation of a board committee on sustainability, we were approached by executives and they agreed to amend the Charter of the Corporate Governance and Nominating Committee to include "corporate responsibility and sustainability performance" into the committee's overall policy responsibility. **Intel** also provided an outside legal opinion stating that under Delaware law, directors have a fiduciary duty to address corporate responsibility and sustainability performance as specified in the committee charter.

Along with **Intel**, **Monsanto** recently created a Sustainability and Corporate Responsibility Committee due to dialogue regarding the introduction of a binding by-law resolution requesting them to create a board committee on sustainability. Within this committee they are to review and monitor matters relating to sustainability, the environment, communities, customers, and other key stakeholders and will hold periodic meetings with stakeholders to understand external perspectives. Clearly, if companies such as **Intel** and **Monsanto** are showing commitment in lieu of having a binding by-law resolution placed on the ballot, then this form of shareholder action cannot be ignored.

Binding by-amendments are a unique approach to social and environmental issues that are almost exclusively addressed through non-binding proposals. It is important to note that they represent an underutilized tool. More importantly, these proposals have enormous potential for not only creating positive change in corporate boardrooms– but in requiring boards to do so.

the Task Force on Financial Integrity and Economic Development, which seeks to stem the flow of money from developing countries to Western economies and combat what it calls a "shadow financial system" that its says harms developing countries and also is "used by criminals and terrorist financiers." The resolution has a detailed resolved clause, asking **Bank of America**, **Citigroup**, and **JPMorgan Chase** to:

> …adopt principles for national and international reforms to prevent illicit financial flows, based upon the following four principles:
>
> 1) That there should be established by governments or other third parties an international, publicly administered database of politically exposed persons so that all financial institutions can access it, and be privy to the same information, to enable consistently rigorous due diligence across the industry.
>
> 2) That other actors in financial market transactions, such as realtors and escrow agents, attorneys and their client accounts, should be subject by public policy to strict anti-money laundering safeguards.
>
> 3) That all privately held corporations that seek access to US financial markets should be obligated by public policy to disclose the names of natural persons having a substantial economic interest in such entity or exercising de facto control over its policies or operations.
>
> 4) That the United States government should implement these principles through its policies, and by advocating for appropriate international mechanisms.

Religious groups concerned about the structure of international lending institutions and poverty alleviation proposed two resolutions back in 2009 that asked **Bank of America** and **Citigroup** to adopt a different set of principles set out by EURODAD, a group of 58 civil society groups from 19 European countries, but withdrew the proposals after the companies agreed to discuss their concerns. In 2011, the Harrington resolution has been challenged at the SEC by all three companies, which all contend the resolution relates to ordinary business and is too vague; **Citigroup** also says it cannot be implemented. The SEC has yet to issue any decision, but the commission in the past has viewed proposals about money-laundering with considerable jaundice.

Lending risks: A resolution at **Western Union** from Northstar Asset Management asks the company to "establish a risk committee" that will report on "the company's approach to monitoring and control of potentially material risk exposures, including those identified in the 10-K." The resolution is primarily concerned with the risks associated with the company's reliance on business with migrant workers and the urban poor.

Banking Proposals

Company	Proposal	Proponent	Meeting/ Status
Bank of America	report on mortgage servicing controls	AFL-CIO	April
	adopt principles on money laundering	Harrington Investments	April
	review home mortgage policies	NYC pension funds	April
	report on foreclosures and racial breakdowns	UFE/Responsible Wealth	April
Citigroup	adopt principles on money laundering	Harrington Investments	April
	review home mortgage policies	NYC pension funds	April
JPMorgan Chase	report on mortgage servicing controls	AFL-CIO	May
	adopt principles on money laundering	Harrington Investments	May
	report on foreclosures and racial breakdowns	NEDAP	withdrawn
	review home mortgage policies	NYC pension funds	May
	develop/report on loan modification policy	Presbyterian Church	May
US Bancorp	report on foreclosures	CRA-NC	omitted
Wells Fargo	report on mortgage servicing controls	AFL-CIO	withdrawn
	report on foreclosures and racial breakdowns	Louise R. Todd	May
	review home mortgage policies	NYC pension funds	May
Western Union	establish board risk committee	Northstar	May

Diversity

Investors have been campaigning for many years to get companies to adopt non-discrimination policies for lesbian, gay, bisexual, and transgendered (LGBT) employees. Working from the other end of the spectrum, proponents also are making the case that boards of directors should be more diverse. At least partly in response to these campaigns, and to the public policy positions companies take on equality issues, resolutions from gay rights opponents generally propose a few resolutions each year, as well, although they tend not to get very much investor support.

New in 2011 are some proposals on minority advertising from the NYC pension funds, although none are likely to go to votes. Also new is a resolution about Arizona's immigration law.

EMPLOYEE NON-DISCRIMINATION

Sponsored by a range of SRI funds and the Unitarian Universalists, the LGBT non-discrimination proposals often are withdrawn when companies agree to the requests; when they go to votes, they get more support than any other social policy

advocacyposition

SEXUAL ORIENTATION NON-DISCRIMINATION

SHELLEY ALPERN
Trillium Asset Management

The high-profile suicides of several lesbian, gay, bisexual, and transgender (LGBT) youths last year are a sober reminder that even in 2010, social equality and acceptance are missing for many Americans. For some, the pressures are unbearable. Given that the workplace is a primary–often *the* primary–social setting for most Americans, the LGBT movement from its very beginnings has made it a priority to eradicate discrimination in hiring, firing, compensation, and promotions. According to a June 2008 survey by Harris Interactive and Witeck-Combs, 65 percent of LGBT workers in the United States face some form of job discrimination related to their orientation.

The continual failure of Congress to pass legislation banning anti-LGBT workplace discrimination has not stopped progress in the states or at individual workplaces. Sixteen states, the District of Columbia, and more than 114 cities and counties have laws prohibiting employment discrimination based on sexual orientation and gender identity or expression; five more states protect on the basis of sexual orientation. The private sector is also way ahead of the law—over 89 percent of the Fortune 500 companies have adopted written non-discrimination policies prohibiting discrimination on the basis of sexual orientation, as have 95 percent of Fortune 100 companies. Nearly 70 percent of the Fortune 100 and 43 percent of the Fortune 500 now prohibit discrimination based on gender identity or expression.

Employers have adopted these positions because they recognize inclusive policies encourage and reward employee loyalty, advance productivity, reduce attrition, and improve companies' images in the marketplace and as recruiters.

Shareholder advocates can rightly claim credit for persuading many of the nation's most prominent corporations to adopt inclusive non-discrimination policies. Since 1993, when the New York City Employees Retirement System filed the first shareholder proposal addressing sexual orientation discrimination at **Cracker Barrel**, activists have filed well over 200 resolutions that have led to better policies at 150-plus corporations. Both anecdotal and documented evidence indicates that many additional companies have changed their policies simply in response to inquiries from shareholders.

Joining New York City in the mid-1990s were a handful of individual investors and socially responsible investment firms such as Trillium Asset Management, Calvert Asset Management, and Walden Asset Management. A new phase began in 2003 when New York City's pension funds ramped up the campaign by filing dozens of resolutions each year. In 2005, shareholders began to ask companies to adopt language protecting transgendered persons (by adding "gender identity or expression" to policies alongside "sexual orientation") and, with a few exceptions, companies have agreed to be fully inclusive.

Since 2003, the supporting votes have averaged about 31 percent. Societal support for equal workplace protections for the LGBT population has been consistently much higher, providing a sharp illustration of how institutional investors' voting patterns tend to lag behind public opinion.

In 2010, Northstar Asset Management broke new ground by leveraging a shareholder proposal to press **FedEx** into making domestic partnership benefits available. In 2011, shareholders again will have the opportunity to weigh in on proposals advocating for more inclusive non-discrimination policies.

Equal Employment and Diversity Proposals

Company	Proposal	Proponent	Meeting/ Status
Employee Non-Discrimination			
Ambassadors Group	adopt sexual orientation/gender ID non-discrimination policy	Needmor Fund	May
American Financial	adopt sexual orientation/gender ID non-discrimination policy	NYSCRF	May
Ameriprise Financial	adopt sexual orientation/gender ID non-discrimination policy	NYSCRF	April
Amphenol	adopt sexual orientation/gender ID non-discrimination policy	NYSCRF	May
Anadarko Petroleum	adopt sexual orientation/gender ID non-discrimination policy	NYC pension funds	May
Catalyst Hlth Solutions	adopt sexual orientation/gender ID non-discrimination policy	NYSCRF	withdrawn
CF Industries Holdings	adopt sexual orientation/gender ID non-discrimination policy	NYSCRF	May
Chesapeake Energy	adopt sexual orientation/gender ED non-discrimination policy	NYC pension funds	withdrawn
ConocoPhillips	add gender ID to non-discrimination policy	Unitarian Universalists	May
Crosstex Energy	adopt sexual orientation/gender ID non-discrimination policy	NYC pension funds	May
Danaher	adopt sexual orientation/gender ID non-discrimination policy	NYSCRF	withdrawn
Dr. Pepper Snapple	add gender ID to non-discrimination policy	Unitarian Universalists	May
eHealth	adopt sexual orientation/gender ID non-discrimination policy	Walden Asset Mgmt.	withdrawn
ExxonMobil	adopt sexual orientation/gender ID non-discrimination policy	NYSCRF	May
Gardner Denver	add gender ID to non-discrimination policy	Trillium	May
Itron	add gender ID to non-discrimination policy	Boston CAM	withdrawn
KBR	adopt sexual orientation/gender ID non-discrimination policy	NYC pension funds	May
Leggett & Platt	adopt sexual orientation/gender ID non-discrimination policy	NYC pension funds	May
LifePoint Hospitals	adopt sexual orientation/gender ID non-discrimination policy	NYSCRF	June
Lowe's	add gender ID to non-discrimination policy	Trillium	May
Noble Energy	adopt sexual orientation/gender ID non-discrimination policy	NYSCRF	April
Nutraceutical Int'l	adopt sexual orientation/gender ID non-discrimination policy	Walden Asset Mgmt.	withdrawn
Quanta Services	adopt sexual orientation/gender ID non-discrimination policy	NYSCRF	withdrawn
Roper Industries	adopt sexual orientation/gender ID non-discrimination policy	NYSCRF	June
Southside Bancshares	adopt sexual orientation/gender ID non-discrimination policy	Walden Asset Mgmt.	withdrawn
Steel Dynamics	adopt sexual orientation/gender ID non-discrimination policy	NYSCRF	May
TECO Energy	adopt sexual orientation/gender ID non-discrimination policy	NYC pension funds	May
Universal Health Svcs	adopt sexual orientation/gender ID non-discrimination policy	NYSCRF	May
Verizon	adopt sexual orientation/gender ID non-discrimination policy	Unitarian Universalists	May
Walmart	add gender ID to non-discrimination policy	Unitarian Universalists	June
Werner Enterprises	adopt sexual orientation/gender ID non-discrimination policy	NYSCRF	May
Board Diversity			
American Financial	report on board diversity commitment	Calvert	May
General Cable	report on board diversity commitment	Calvert	May
Hertz Global Holdings	report on board diversity commitment	UFE/Resp. Wealth	May
Jefferies Group	report on board diversity commitment	Calvert	May
National Oilwell Varco	report on board diversity commitment	United Meth. Ch. Fndn.	May
Urban Outfitters	report on board diversity commitment	Calvert	May
Minority Advertising			
AT&T	adopt minority advertising policy	NYC pension funds	April
Ford Motor	adopt minority advertising policy	NYC pension funds	May
Kraft Foods	adopt minority advertising policy	NYC pension funds	May
Sprint Nextel	adopt minority advertising policy	NYC pension funds	withdrawn
Other			
First Solar	report on state anti-immigration law impact	Northstar	June
Home Depot	do not support gay-friendly policies	Mike Bankston	May
Home Depot	report on EEO and affirmative action	Trillium	May
PG&E	remain neutral about the definition of marriage	Dennis W. Dubro	May
PG&E	study removing sex. orientation EEO policy references	Peter B. Kaiser	May

issue—averaging 32 percent in 2010. (For more on the campaign, see the perspective of one of the leading proponents, Trillium Asset Management, p. 18.)

The New York State Common Retirement Fund, the New York City pension funds, Walden Asset Management, the Unitarian Universalists, and Trillium Asset Management have filed most of the proposals in 2011.

There are two types of proposals. At 24 companies, the request is for each firm to "amend its written equal employment opportunity policy to explicitly prohibit discrimination based on sexual orientation and gender identity or expression." A smaller group of six companies is being asked to add gender identity to their policies, since they already include sexual orientation.

Withdrawals and SEC action: The resolution will not go to a vote at **Verizon** because of a successful procedural challenge and it has been withdrawn already at **Catalyst Health Solutions**, **Danaher**, **eHealth**, **Nutraceutical International**, **Quanta Services**, and **Southside Bancshares**. More withdrawals are likely.

BOARD DIVERSITY

A separate but related effort to get companies to diversify their boards of directors has similar broad support from investors, and all but one of the 16 resolutions on the subject were withdrawn in 2010 after agreements with the recipient firms. Resolutions have been filed at the seven companies listed on the accompanying table. The resolution asks each company to:

1) Take every reasonable step to ensure that women and minority candidates are in the pool from which Board nominees are chosen;

2) Publicly commit itself to a policy of Board inclusiveness to ensure that:

   A) Women and minority candidates are routinely sought as part of every Board search the company undertakes;

   B) The Board strives to obtain diverse candidates by expanding director searches to include nominees from both corporate positions beyond the executive suite and non-traditional environments such government, academia, and non-profit organizations; and

   C) Board composition is reviewed periodically to ensure that the Board reflects the knowledge, experience, skills, expertise, and diversity required for the Board to fulfill its duties.

3) To report to shareholders, at reasonable expense and omitting proprietary information, its efforts to encourage diversified representation on the Board.

MINORITY ADVERTISING

New York City Comptroller John Liu, the first Asian American elected to citywide office in the city, has launched an initiative to track the extent to which minority and women-owned businesses are doing business with the city with a website that tracks real-time spending by city agencies. In a related effort, the Comptroller's office has filed a proposal with four companies that asks them to take similar action with respect to advertising placements with minority broadcasters. The resolution asks that **AT&T**, **Kraft Foods**, **Ford Motor**, and **Sprint Nextel**:

> adopt and publicly disclose, a non-discriminatory/diversity policy regarding the placement of ads with minority broadcasters. The policy shall require the Company to conduct an annual assessment of and publicly disclose, at reasonable cost and omitting proprietary information, all of its ad placements at minority broadcasters compared to other media, including the total dollar amounts paid to minority broadcasters, and the total dollar amounts as a percentage of its total annual ad placement budget. If no ads were placed with minority broadcasters, the Company shall publicly disclose the reason(s) in the annual disclosure.

AT&T has already successfully challenged the proposal at the SEC, arguing it concerns ordinary business; the other proposals have all been challenged on the same ground and are likely to be omitted, as well. The NYC funds have withdrawn at **Sprint**, forestalling an adverse decision there.

OTHER PROPOSALS

Immigration policy: Northstar Asset Management has proposed a novel new resolution to Arizona-based **First Solar**, which makes thin film solar modules. It wants the company to report, "identifying potential risks and associated costs, both tangible and intangible, and assessing the total financial impact on our Company, its brand reputation, and shareholder value caused by the boycotts and public outrage caused by SB 1070." The proposal is referring to Arizona's strict immigration law, enacted in April 2010, that has prompted considerable controversy in the ongoing debate over US immigration policy.

Affirmative action report: For the ninth consecutive year, Trillium Asset Management and religious groups are asking Home Depot to report on its workforce, broken down by race and gender and various employment levels—information the company annually reports to the US Equal Employment Opportunity Commission every year; these reports are not publicly available without a Freedom of Information Act request. Home Depot has paid more than $100 million to settle discrimination lawsuits in the last dozen years, prompting the investors' scrutiny. Last year the vote was 26.7 percent.

Proposition 8: In response to **PG&E's** opposition to California Proposition 8, which in 2008 overturned the state's gay marriage law, individual investors have filed two proposals. One asks that the company "and all its entities remain neutral in any activity relating to the definition of marriage." Another says **PG&E** should "form a committee to implement ways to formulate an equal employment opportunity policy which complies with all federal, state, and local regulations but does not make reference to any matters related to sexual interests, activities or orientation." The company has challenged both proposals at the SEC, saying the first relates to ordinary business and that the second would be illegal in jurisdictions where it does business and therefore cannot be implemented.

Environment

Investors continue to file more shareholder proposals on environmental issues than any other topic, making up one-quarter of the total. Forty-one proposals deal specifically with climate change, a further 44 raise a wide variety of natural resource management issues, and nine more concern toxic substances in products (including tobacco). Another tranche of 37 proposals relates to sustainability in general, usually including social policy issues beyond the environment. A significant batch this year also request companies to take sustainability performance into account in executive compensation. When sustainability proposals are combined with the other environmental topics, the total makes up more than a third of all those filed.

Climate Change

The bulk of the 41climate proposals will be familiar to investors who follow proxy season. Significant campaigns continue to encourage companies to disclose more about their greenhouse gas (GHG) emissions, to set goals to cut these emissions, and to reveal more about their related risk and impact assessments. The Ceres and ICCR coalition coordinates nearly all these proposals, working with the Investor Network on Climate Risk and a broad coalition of institutional investors and some individuals. (See sidebar, p. 22, for Ceres' perspective.)

(Sections on Natural Resource Management, p. 25, and Sustainability Reporting, p. 47, contain information on proposals about these related topics that touch on both climate change and additional environmental matters.)

New context: Important recent changes in the regulatory environment affect the context for climate change proposals. Following new interpretive guidance on risk disclosures issued by the SEC in January 2010, companies have started to release some information. At the same time, new federal regulations promulgated by the EPA that affect large emitters of greenhouse gases are starting to come online, despite the delays noted earlier. Given the demise of federal cap-and-trade legislation in 2010 that would have set new limits on carbon emissions, companies may feel less pressure to take action, while investors pushing for reform may feel a renewed sense of urgency because of these political setbacks.

REQUESTS FOR ACTION: GOALS, PRINCIPLES, PALM OIL, AND RENEWABLES

Setting GHG reduction goals: The biggest group of climate proposals asks companies to adopt goals to cut GHG emissions. Thirteen companies in three high-impact sectors have received these resolutions—two in the oil and gas sector (**ConocoPhillips** and **ExxonMobil**), five in construction and real estate (**AMB Property**, **D. R. Horton**, **Lennar**, **Standard Pacific**, and **Ryland Group**), and six utilities (**Berkshire Hathaway**, **CMS Energy**, **Dynegy**, **FirstEnergy**, **Portland General Electric**, and **Southern**). The resolved clause of the proposal varies only slightly, asking each company to "adopt quantitative goals, based on available technologies, for reducing total greenhouse gas emissions from the Company's products and operations" and to report to shareholders by the last quarter of 2011 on how it will achieve the goals. Three of the resolutions—to utilities **FirstEnergy** and **Portland General** and to utility owner **Berkshire Hathaway**—also request information on plans for retrofitting or retiring existing coal-burning power plants.

Support for these goal-setting resolutions runs high—averaging about 25 percent last year—and companies in the past have been relatively open to taking action that precipitated withdrawal agreements. Since it is well-ploughed ground, no challenges at the SEC have been lodged and any would be unlikely to succeed.

Climate principles: A group of eight proposals continues to promote a set of principles articulated by the Business for Innovative Climate and Energy Policy initiative (BICEP), a Ceres coalition project that includes 20 leading companies that support climate legislation. In 2010, shareholder proponents were very successful in reaching agreements with companies and withdrew the resolution at eight firms. Whether companies feel compelled to reach agreements this year since federal climate legislation no longer is on the immediate legislative horizon remains to be seen.

The resolution asks that companies "adopt public policy principles on climate change, and issue a report on how the principles are to be implemented" within six months of the 2011 annual meeting. Calvert Social Investments, which is sponsoring all but one of the resolutions, already has withdrawn it at Limited Brands, and it remains pending at **CB Richard Ellis Group**, **CVS Caremark**, **J. C. Penney**, **Marriott International**, **Sears Holdings**, **Staples**, and **TJX**.

A 2010 argument from Safeway to the SEC that the proposal was too vague for inclusion in the proxy statement fell flat and no company has lodged a challenge this year so far.

FINANCIAL IMPLICATIONS OF CLIMATE CHANGE

ROB BERRIDGE
Ceres

Climate change is arguably the greatest market failure of all time. As businesses emit carbon pollution for free, our climate and biosphere are profoundly changing—with severe droughts, heat waves, forest fires, and once-in-a-century floods occurring with record-breaking frequency.

These ecological impacts have material implications for companies. The recent flooding in Australia, for example, disrupted coal exports and contributed to a 25 percent increase in coal prices. Similar flooding in Pakistan caused cotton prices worldwide to spike.

At the same time, governments are moving to limit the carbon emissions that cause climate change. India, for example, last year became the first nation to levy a carbon tax on coal producers. The United States has begun to regulate greenhouse gas emissions through the EPA, as have states in the Northeast and the West, including California.

Climate change, then, creates wide-reaching regulatory, physical, competitive, and legal risks for companies and their shareholders. But it also creates opportunities, including low-carbon solutions such as: energy efficiency, smart-grid, improved transportation infrastructure, and renewable energy.

The SEC recognized these risks and opportunities when it issued interpretive guidance in January 2010 encouraging companies to disclose risks related to climate change in their financial statements.

Ceres and the Interfaith Center on Corporate Responsibility have coordinated shareholder engagement on climate risks for well over a decade. During this time, investor interest in the topic has exploded. The number of resolutions tracked by Ceres filed on climate-related issues grew from three in 1997 to 101 in 2010. During the same period, the average vote increased from 5 percent to 24 percent; and the number of successfully negotiated withdrawals of resolutions leapt from two to 53.

Shareholders are engaging with more than 90 companies thus far during the 2011 proxy season on these issues.

Over the years, shareholders have helped move companies to take critical actions to reduce climate risk:

- As You Sow was the first to garner a majority vote on a climate resolution with a 51 percent vote at **IDACORP** in 2009. Shortly after the vote, the company committed to reduce greenhouse gas emissions 10 to 15 percent by 2013, and began a solar generation feasibility study and a smart-grid project.
- The New York City Comptroller's Office achieved a 53 percent vote on a climate resolution at **Massey Energy** during the 2010 proxy season, part of a groundswell of investor discontent expressed at the company's annual meeting just a few weeks after the Upper Big Branch mining disaster.
- The Nathan Cummings Foundation encouraged homebuilders **Pulte/Centex** (now merged) to agree to build more energy efficient homes.
- **NV Energy** abandoned plans to build a 1,500-megawatt coal plant and increased its renewable energy generation after engagement lead by the Connecticut Treasurer's Office.

Companies that don't get ahead of the very real risks related to climate change are not only going to let down their shareowners, they're going to pay a heavy price in terms of their competitiveness and even viability compared to those that seize the opportunity to lead now.

advocacyposition

Palm oil: The Nathan Cummings Foundation and Adrian Dominican Sisters have continued a push begun in 2010 on palm oil, which is produced on plantations located mostly in Indonesia and Malaysia on cleared rainforest land. The plantations and associated deforestation have contributed to Indonesia's status as the world's third largest emitter of greenhouse gases, prompting the formation of a multi-stakeholder group, the Roundtable on Sustainable Palm Oil, which now certifies oil as sustainable and is supported by the likes of **Mars**, **Nestle Waters North America**, and **Unilever**. The shareholder proposal asked **Avon Products** and **Hershey** "to adopt and implement a comprehensive procurement policy for sourcing 100 percent certified sustainable palm oil." It will not go to a vote as both companies agreed to take action that satisfied the proponents and they withdrew the proposals. **Avon** has agreed to purchase certificates that are equivalent to all its palm oil use and to report on its progress, for instance.

Renewable energy: A handful of new requests from individuals, some of whom are working with the Ceres campaign, seek to convince **Dominion Resources** and **Pepco Holdings**—two Mid-Atlantic utilities that depend heavily on coal-fired electricity generation—to more aggressively promote renewable energy. At **Dominion**, one asked the company "to provide financing to home and small business owners for installation of rooftop solar or wind power renewable generation by 2013," while another requests that it "set and pursue a company goal to achieve 20 percent renewable electricity energy generation by 2024" and a third wants the company to offer its Virginia customers "the option of directly purchasing electricity generated from 100 percent renewable energy by 2012." The company lodged a successful challenge to the rooftop solar proposal, arguing it concerned ordinary business, but to date it has not contested the other two resolutions.

The proposal to **Pepco** includes a double-barreled request, asking that it "…aggressively study, implement and pursue the solar market as means of increasing earnings and profits, to the extent it does not create an economic hardship, including the following initiatives: marketing solar providers on their **Pepco** website, developing a finance plan to allow customers to install solar systems and make payments on their **Pepco** bills and buying SREC's directly from customers." (SRECs are Solar Renewable Energy Credits traded on new energy markets; they connect producers—including small producers such as homeowners—with utilities that buy the credits to meet renewable portfolio standard requirements set by the states.) Further, it requests a report within six months on implementation of the "the market opportunities for non-commercial renewable solar power." **Pepco** is contending the resolution relates to ordinary business operations; the SEC has yet to issue an opinion.

Locomotive fuel cells: A resubmitted proposal that failed to pass muster last year at the SEC asked **CSX** to convert its locomotives to fuel cell power by 2025 was again omitted on ordinary business grounds.

RISK AND IMPACT ASSESSMENTS: SECTOR CAMPAIGNS

The remaining eight resolutions that narrowly focus on climate change relate to the potential risks companies face and ask for assessments of the impacts of climate change mitigation initiatives.

Proposal on Vote Counting

Newground Social Investment has filed two proposals that seek to change the way companies report on the results of shareholder proposal votes. The resolutions ask **Massey Energy** and **Plum Creek Timber** to "to provide that all matters presented to shareholders shall be decided by a majority of the shares voted FOR and AGAINST the item (or 'withheld' in the case of board elections). This policy shall apply to all matters unless shareholders expressly approve a higher threshold for specific types of items." The **Massey** proposal will not go to a vote given itspending merger.

Companies set passage requirements for management and shareholder proposals in their governance documents, defined under state law, and no federal standard exists about how they must count and report votes. Experts who track shareholder resolution results use the standard set out by the Shareholder Proposal Rule (14a-8) that governs resubmission thresholds, however. The rule states that a resolution must receive 3 percent of shares cast for and against in the first year it is submitted to be eligible for resubmission, 6 percent the second year it is voted on, and 10 percent thereafter.

Coal companies: The New York City pension funds refiled at two coal companies—**International Coal Group** and **Massey Energy**—asking how each is "responding to rising regulatory and public pressure to significantly reduce greenhouse gas emissions from the company's operations and from the use of its primary products." The former proposal received 17.7 percent in 2010, while the **Massey** resolution was one of the few to receive a majority of votes cast for and against, earning 53.1 percent. **Massey's** by-laws required it to get a majority of votes cast including abstentions, however, and when figured this way it earned just shy of 37 percent. (The company's calculations prompted a new resolution this year from Newground Social Investment on vote counting standards; see box) But investors will not get another chance to vote at **Massey**; the proponents withdrew given the $8.5 billion merger with **Alpha Natural Resources**, announced on January 28.

Climate Change Proposals

Company	Proposal	Proponent	Meeting/ Status
Requests for Action			
Amazon.com	report on climate change assessment	Calvert	May
AMB Property	adopt goals to cut GHG emissions	Amalgamated Bank	May
Avon Products	adopt policy on palm oil	Nathan Cummings Fndn	withdrawn
Berkshire Hathaway	adopt goals to cut GHG emissions	Newground Social Investment	May
CB Richard Ellis Group	adopt climate change action principles	Calvert	June
CMS Energy	adopt goals to cut GHG emissions	NYC pension funds	May
ConocoPhillips	adopt goals to cut GHG emissions	Presbyterian Church	May
CSX	develop fuel cells for locomotives	William R. Miller	May
CVS Caremark	adopt climate change action principles	AFL-CIO	May
D.R. Horton	adopt goals to cut GHG emissions	Nathan Cummings Fndn	Jan. 20
Dominion Resources	offer renewal energy purchasing	Robert Vanderhye	May
Dominion Resources	provide financing for solar/wind power	Pamela Morgan	omitted
Dominion Resources	set renewable energy goal	Ruth Amundsen	May
Dynegy	adopt goals to cut GHG emissions	NYC pension funds	May
ExxonMobil	adopt goals to cut GHG emissions	Srs. St. Dominic of Caldwell	May
FirstEnergy	adopt goals to cut GHG emissions	NYSCRF	May
Hershey	adopt policy on palm oil	Adrian Dominicans	withdrawn
International Coal Group	report on climate change assessment	NYC pension funds	May
J. C. Penney	adopt climate change action principles	Calvert	May
Lennar	adopt goals to cut GHG emissions	Nathan Cummings Fndn	April
Limited Brands	adopt climate change action principles	Calvert	withdrawn
Marriott International	adopt climate change action principles	Calvert	May
Massey Energy	report on climate change assessment	NYC pension funds	withdrawn
Pepco Holdings	pursue and report on solar power options	John Capozzi	May
Portland General Electric	adopt goals to cut GHG emissions	As You Sow	May
Ryland Group	adopt goals to cut GHG emissions	Nathan Cummings Fndn	April
Sears Holdings	adopt climate change action principles	Calvert	May
Southern Company	adopt goals to cut GHG emissions	NYSCRF	May
Standard Pacific	adopt goals to cut GHG emissions	Nathan Cummings Fndn	May
Staples	adopt climate change action principles	Calvert	June
TJX	adopt climate change action principles	Calvert	June
Risk and Impact Assessments			
Chevron	report on climate change risks	Christopher Reynolds Fndn	May
ConocoPhillips	report on climate change risks	Needmor Fund	May
Dr. Pepper Snapple	report on climate change risks	Calvert	withdrawn
Duke Energy	report on climate change lobbying	Shelton Ehrlich (NCPPR)	May
ExxonMobil	report on energy leadership options	Midwest Capuchins	May
ExxonMobil	report on government oil & gas subsidies	Srs. of St. Francis	May
General Electric	report on climate change science, risks	NCPPR	April
Goldman Sachs	report on climate change science	NLPC	May
Goldman Sachs	report on climate change science, risks	NCPPR	May
Walmart	report on climate change science, risks	NLPC	June
Yum! Brands	report on climate change risks	Calvert	May

Oil companies: The Christopher Reynolds Foundation and the Needmor Fund again are asking **Chevron** and **ConocoPhillips** for a report on "the financial risks resulting from climate change and its impacts on shareowner value over time, as well as actions the Board deems necessary to provide long-term protection of our business interests and shareowner value." The resolution gained only modest traction with investors in 2010, with 8.6 percent support at **Chevron** and 7.5 percent at **ConocoPhillips**.

ExxonMobil—Two more proposals that are not repeated elsewhere are pending at **ExxonMobil**, which always attracts a flurry of resolutions questioning its policies. The first is a resubmission from the Midwest Capuchins that asks the company to set up an expert committee "to make recommendations and report to shareholders" on how the company "can become the recognized industry leader in developing and making available the necessary technology and products to become an environmentally sustainable energy company at every level of its operations." The proposal earned 6.7 percent last year, with a variation on it getting 9.4 percent in 2009. The other resolution, new from the Sisters of St. Francis, asks the company to contemplate what would happen to its bottom line if government subsidies to the oil and gas industry were to be removed. The detailed report request is being challenged by the company on ordinary business grounds.

Food companies: Calvert has already withdrawn its new resolution to **Dr. Pepper Snapple Group** that asked for a report on how it will "assess and manage the impacts of climate change on the corporation, with specific regard to its operations and supply chain," but it remains pending at **Yum! Brands**.

Climate skeptics: **General Electric** and **Goldman Sachs** have tried unsuccessfully to knock out resolutions from groups skeptical of climate change science. The National Center for Public Policy Research (NCPPR) wants both to report "disclosing the business risk related to developments in the political, legislative, regulatory, and scientific landscape regarding climate change." The National Legal and Policy Center (NLPC) also resubmitted its request to Goldman for "a global warming report" that "may discuss:1) Specific scientific data and studies relied on to formulate Goldman Sachs' original climate policy in 2005, as well as data and studies relied on since that time, 2) [the] extent to which Goldman Sachs now believes human activity will significantly alter global climate, and 3) [an] estimate of costs and benefits to Goldman Sachs of its climate policy." The NLPC proposal received 3.4 percent in 2010 and this year seems likely to be omitted since the competing NCPPR proposal arrived first at Goldman and the company says they are duplicative.

A proposal from NLPC to **Walmart** echoes the NCPPR resolution, asking for a report "disclosing the business risks related to climate change, which may include: 1) Impact of Legislation and Regulation, 2) Impact of International Accords, 3) Indirect Consequences of Regulation or Business, [and] 4) Physical Impacts of Climate Change." The company has challenged it at the SEC, arguing it is both moot and relates to ordinary business; the first argument seems more likely to succeed, since **Walmart** convinced the SEC staff in 2010 that it already had taken action to address climate change sufficient to make moot a request from the AFL-CIO on climate change principles.

Natural Resource Management

Controversies relating to coal and fracking will continue to be the main story for natural resource management issues in the 2011 proxy season, with 24 resolutions filed at energy and utility companies. Another six proposals relate to water use risks, leaving a grab-bag of 14 more. Investors have been particularly supportive of more disclosure about coal and fracking, with votes in 2010 ranging between 21 and 43 percent. Oil sands proposals have also earned support from about one-quarter of investors voting on report requests, but other environmental resolutions have for the most part garnered more modest vote levels.

COAL

Coal reliance financial risks: As You Sow has filed the same new proposal with seven utilities—**CMS Energy**, **Duke Energy**, **Entergy**, **FirstEnergy**, **NRG Energy**, **Public Service Enterprise Group**, and **Xcel Energy**. Trillium Asset Management filed the same resolution at **Dominion Resources**. It asks for a report "on the financial risks of continued reliance on coal contrasted with increased investments in efficiency and cleaner energy, including assessment of the cumulative costs of environmental compliance for coal plants compared to alternative generating sources." None of the companies has lodged a substantive challenge to the resolution so far, and none of the proposals has been withdrawn. (See sidebar, p. 26, for more on As You Sow's view on the risks associated with coal.)

Coal pollution: The New York State Common Retirement Fund (NYSCRF) and the Unitarian Universalists have modified a proposal formulation commonly used for climate change resolutions. They are asking three coal companies to report on how each "is responding to increasing regulatory, public, and competitive pressure to significantly reduce pollution from the company's operations and use of its primary products." **Arch Coal** argued at the SEC that the proposal could be omitted on ordinary business grounds and was not relevant to its operations, but NYSCRF withdrew the resolution before the SEC issued an opinion, on the basis of "commitments" the company made in response to the proposal. No challenges have been lodged so far by **Alpha Natural Resources** or **Peabody Energy**, the other two recipients.

Coal combustion waste: Three similar proposals ask utilities to disclose more on their coal combustion waste risk management practices. The School Sisters of Notre Dame, St. Louis, want **Ameren** to "report on the company's efforts, above and beyond current compliance, to identify and reduce environmental and health hazards associated with past and present handling of coal combustion waste, and how those efforts may reduce legal, reputational, and other risks to the company's finances and operations."

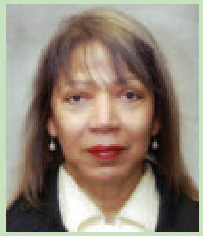
In a similar vein, with a particular emphasis on water, a proposal filed by Adrian Dominicans at **FirstEnergy** and one from Green Century at **Southern** asks them to report on efforts "beyond current compliance, to reduce environmental and health hazards associated with coal combustion waste contaminating water (including the implementation of caps, liners, groundwater monitoring, and/or leachate collection systems), and how those efforts may reduce legal, reputational and other risks to the company's finances and operations." Proponents withdrew a similar proposal to **FirstEnergy** last year after discussions with the company, but the Adrian Dominicans report that negotiations broke down shortly after the company took over **Allegheny Energy** this year, prompting a refiling. Discussions with the company continue, however. At **Southern** the resolution earned 21 percent in 2010.

Mountain-top removal mining: An individual proponent working with the Sierra Club and the Ceres coalition is requesting that **Dominion Energy** publish a report "assessing 1) The impact of Dominion's use of coal obtained through mountaintop removal coal mining, and 2) The impact and optimum timing of a future policy ending use of coal obtained through mountaintop removal coal mining in Dominion's energy-related operations and services." Proposals on mountain-top removal coal financing were thrown out on ordinary business grounds in 2010, and this is a new resolution.

HYDRAULIC FRACTURING

The nine resolutions filed on hydraulic fracturing, all of which are coordinated by Green Century Capital Management and the Investors' Environmental Health Network (IEHN), are nearly identical and reprise requests from 2010 that earned substantial investor support. As You Sow is one of the main proponents of these proposals (see sidebar, p. 27, for more on As You Sow's view on hydraulic fracturing). Several different sponsors ask for reports on "1) Known and potential

FINANCIAL RISK OF COAL



LESLIE LOWE

UCI Environmental Accountability & Senior Strategist to As You Sow

The coal industry is at a crossroads, facing unprecedented regulatory and financial challenges as well as price competition from cleaner energy sources. As You Sow has filed proposals with seven coal-fired utility companies asking them to report on the financial risk of continued reliance on coal.

Coal combustion for electricity is a major contributor to acid rain, smog, and climate change, accounting for most of the sulfur dioxide (SO_2), one-third of the nitrous oxides (NOx), 50 percent of the mercury, and over 36 percent of the carbon dioxide (CO_2) emitted in the US. Mercury, a powerful neurotoxin, is regulated as a hazardous air pollutant under the Clean Air Act.

Electric utility companies that rely on coal-fired generation are confronting a series of mandates from the US EPA that will force a decision whether to invest enormous sums to bring aging coal plants into compliance, replace or repower them with natural gas, or invest in energy efficiency and renewable energy. Industry analysts have concluded that the cost of environmental controls, particularly for mercury, will lead to retirement of over 24 percent of US coal-fired generation and companies have already announced retirements of 40 US coal plants.

Commodity risk also challenges coal-dependent companies as coal prices increase and reserves of Appalachian coal decrease. Meanwhile, natural gas prices decline and supplies increase, and wind energy becomes competitive in some regions. Many coal plants failed to recover their costs in 2009 and some major utility companies such as **Duke Energy** and **FirstEnergy** have seen their credit ratings downgraded or their earnings outlook lowered.

The average bond rating for the industry is now 'BBB', slightly above 'junk' status, and further downgrades could push some utilities below investment grade at a time when capital investment needs loom large. Taken together, these factors indicate that electric utilities with significant exposure to coal may face material financial risks.

Another risk facing coal-dependent utilities that was first raised by shareholders in 2010 is coal combustion waste management. Coal ash, a byproduct of burning coal, contains arsenic, mercury, lead, and other toxins. The ash, which is stored in enormous ponds, landfills, or mines, is responsible for groundwater contamination in 24 states according to the EPA. In 2008, a dam burst at a Tennessee Valley Authority (TVA) coal ash impoundment, burying local communities in toxic sludge. TVA has estimated the spill-related costs at $1.2 billion. EPA has responded with proposed regulation of coal combustion waste to mitigate this threat. These regulations will create further financial risk as they will increase both capital and operating costs for coal-fired utilities.

Last year, the coal ash resolutions filed by As You Sow at **CMS Energy** and **MDU Resources Group** received votes of 43 percent and 40 percent, respectively, ranking these as two of the three highest-supported first-year environmental resolutions in proxy voting history. Coal ash resolutions are being filed in 2011 by Green Century, the School Sisters Notre Dame, and Adrian Dominicans with **Southern Company**, **Ameren**, and **FirstEnergy**.

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IMPACTS OF HYDRAULIC FRACTURING

MICHAEL PASSOFF

Proxy Impact & Senior Strategist to As You Sow

Will cleaner energy come at the cost of dirty water? That is the dilemma facing the booming US natural gas industry that is often touted as a better alternative to oil and coal. Hydraulic fracturing (fracking) is a process of injecting a mixture of water, chemicals, and particles into the ground in order to fracture shale and release trapped natural gas.

A small portion of fracking fluids are toxic, but given that fracking is enormously water intensive—each well requiring one to three million gallons of water, 60 to 80 percent of which returns to the surface—it produces vast quantities of contaminated waste water that must be stored, transported, treated, and disposed of.

Negative media about fracking prompted shareowners to approach 20 companies in 2009. Congress introduced the Fracturing Responsibility and Awareness of Chemicals Act and requested the EPA to study fracking's impact on water quality and public health. Many of the largest operators in the Marcellus shale received violations for spills or leaks that reached waterways, drinking water, or farmers' fields. Yet, in dialogues with senior management, most companies simply dismissed the idea of environmental or health impacts.

Only two companies, **Range Resources** and **Williams Companies**, agreed to post details on how they are managing fracturing life-cycle hazards. As for the other companies, 10 proposals went to a vote in 2010 with support ranging from 21 percent to 42 percent. These were exceptionally high votes for a proposal on a new issue and represented strong shareowner disapproval of these companies' failure to address significant regulatory, legal, and reputational risks.

The industry's inability or unwillingness to address public concerns has had a noticeable financial impact. Many companies lost a potential market when the New York State Senate approved a moratorium on new drilling permits. Pittsburgh, which sits atop gas deposits, banned fracking in the city limits. **Chesapeake Energy**, in the face of public opposition, agreed to voluntarily refrain from drilling within the New York City watershed. Pennsylvania ordered **EOG Resources** to suspend drilling in the state after a blowout at a company well. **Cabot Oil & Gas** has twice been ordered to halt all fracturing operations in Susquehanna County, PA after three spills and contamination of local wells.

The industry is realizing that its lack of transparency is hindering its ability to operate. Recent shareowner dialogues have been more forthcoming. **Anadarko** described several new practices regarding wastewater recycling and treatment. **Halliburton** announced the development of less toxic fracking fluids. **Apache** has contributed to shareholders' draft Key Performance Indicators. **ExxonMobil** and fourteen other companies have launched a website that provides extensive information on individual drilling sites.

However, this may be one step forward but two steps back. Increased data is good, but it fails to provide full disclosure on fracking fluids, a key concern of the public and investors. Meanwhile, the industry still aggressively opposes fracking regulations. It is still difficult for shareholders to assess if these will be safe investments going forward. In 2011, nine proposals have been filed, including repeat resolutions at **Cabot Oil & Gas**, **El Paso Corp.**, **ExxonMobil**, and **Ultra Petroleum**.

environmental impacts of [the Company's] fracturing operations; and, 2) Policy options for our company to adopt, above and beyond regulatory requirements and our company's existing efforts, to reduce or eliminate hazards to air, water, and soil quality from fracturing operations."

First-time recipients are **Anadarko Petroleum**, **Carrizo Oil & Gas**, **Chevron**—which announced in November the $3 billion acquisition of **Atlas Energy**, a company active in the Marcellus Shale region—and **Southwestern Energy**. Three are resubmissions from last year—at **ExxonMobil** (where it earned 26.3 percent), **Ultra Petroleum** (21.3 percent), and **Cabot Oil & Gas** (35.9 percent). The proposal also has been refiled after 2010 withdrawals at **Energen** and **El Paso**. At **El Paso**, the resolution also asks for "management's evaluation of the potential magnitude of material risks, short and long term, that this issue may pose to the company's finances or operations."

WATER

Six proposals address investor concerns about different aspects of water use and contamination, continuing an emerging interest in the subject that has cropped up in the last few years. All but the resolution to Massey Energy are new proposals. This report covers another three resolutions about water in the section on Human Rights (see p. 38).

Utilities: Proponents are asking three utilities to report on water used in electricity generation. The resolutions articulate concerns about both coal combustion waste and growing freshwater shortages exacerbated by climate change but do not mention these issues specifically in their resolved clauses. The Connecticut Retirement Funds want **Southern** to report on water risk, including "a survey of water usage in electric generation and in the fuel supply chain, identification of risks to the company from water scarcity and other water risks, and steps the company is taking to develop a plan to address those risks." In a similar tenor, two other proponents want **PPL** and **Dominion Resources** to disclose

Natural Resource Management Proposals

Company	Proposal	Proponent	Meeting/ Status
Coal			
Alpha Natural Resources	report on coal pollution	Unitarian Universalists	May
Ameren	report on coal combustion waste	School Srs. Notre Dame	May
Arch Coal	report on coal pollution	NYSCRF	withdrawn
CMS Energy	report on coal reliance risks	As You Sow	May
Dominion Resources	report on coal reliance risks	Trillium	May
Dominion Resources	report on mountaintop removal coal	Bernice Schoenbaum	May
Duke Energy	report on coal reliance risks	As You Sow	May
Entergy	report on coal reliance risks	As You Sow	May
FirstEnergy	report on coal combustion waste	Adrian Dominicans	May
FirstEnergy	report on coal reliance risks	As You Sow	May
NRG Energy	report on coal reliance risks	As You Sow	July
Peabody Energy	report on coal pollution	NYSCRF	May
Public Svc Enterp. Grp	report on coal reliance risks	As You Sow	April
Southern Company	report on coal combustion waste	Green Century	May
Xcel Energy	report on coal reliance risks	As You Sow	May
Hydraulic Fracturing			
Anadarko Petroleum	report on hydraulic fracturing	Trillium	May
Cabot Oil & Gas	report on hydraulic fracturing	NYSCRF	April
Carrizo Oil & Gas	report on hydraulic fracturing	NYSCRF	May
Chevron	report on hydraulic fracturing	Srs. of St. Francis	May
El Paso	report on hydraulic fracturing	Miller/Howards Inv.	May
Energen	report on hydraulic fracturing	Miller/Howards Inv.	April
ExxonMobil	report on hydraulic fracturing	As You Sow	May
Southwestern Energy	report on hydraulic fracturing	Domini Social Inv.	May
Ultra Petroleum	report on hydraulic fracturing	As You Sow	June
Water			
Dominion Resources	report on water use risks	Ann Amundsen	withdrawn
Lowe's	establish policy/report on stormwater	David Brook	May
Massey Energy	report on water policy implementation	Srs. of St. Joseph	May
Nordstrom	report on supply chain water use/pollution	Newground Social Investment	May
PPL Corporation	report on water use risks	Miller/Howards Inv.	May
Southern Company	report on water use risks	CT Retirement Plans	May
Other			
Chevron	nominate independent env. expert to board	NYSCRF	May
Chevron	report on offshore oil well risks	James and Marjorie Hoy	May
ConocoPhillips	report on oil sands operations	CALSTRS	May
Dominion Resources	stop development of nuclear power	Faye S. Rosenthal	May
Du Pont	report on GMO risks	Srs. Charity of St. Eliz.	April
ExxonMobil	report on oil sands risks	Green Century	May
Freeport-McMoRan Copper & Gold	nominate independent env. expert to board	NYSCRF	June
Great Plains Energy	study energy production site	Oliver C. Gebhart	May
McDonald's	adopt recycling strategy with goals	As You Sow	May
Occidental Petroleum	nominate independent env. expert to board	NYSCRF	May
PPG Industries	report on community environmental impacts	Trillium	Apr
R. R. Donnelley & Sons	develop sustainable paper sourcing policy	Domini Social Inv.	May
Starbucks	adopt recycling strategy with goals	As You Sow	March
Waste Management	review and report on waste facilities	Midwest Capuchins	May

plans to "mitigate risks" about their water use and impacts "including low flows, thermal impacts, and emerging regulations as they relate to the company's operations and generation assets." The proponent at Dominion has withdrawn the resolution after discussions, but the other two remain pending.

Massey Energy: The West Virginia-based Sisters of St. Joseph have refiled their high-scoring 2010 proposal at Massey, asking it to report "on the company's progress in implementing the reforms required under the EPA settlement and the commitments stated in its CSR Report, including: the key performance indicators established; actual performance data; all CWA violations; progress in reducing water usage; and the status of the real-time testing systems at all its water outlets." Although the resolution earned just shy of 34 percent in 2010, it is not likely to go to a vote given the pending merger—although it will remain a legacy issue for the new parent, Alpha Natural Resources.

Supply chain: Newground Social Investment has a new resolution at retailer **Nordstrom**. It asks for a report "describing the company's vendor standards as they relate to reducing supply chain environmental impacts—particularly water use and related pollution." The proposal commends the company's participation in Business for Social Responsibility's Sustainable Water Working Group, but notes that the company has yet to provide a report on its own water use. Newground notes water supply chain risks relevant to retailers include substantial use for cotton growing, which occurs in areas that in 2010 experienced both flooding and drought that pushed the price cotton up by 50 percent. In addition, water concerns exist in the textile processing sector, where most manufacturing "takes place in water-scarce countries (including China and India) where local communities lack access to reliable and safe drinking water. "

Stormwater: At **Lowe's**, a detailed proposal asks the company to establish a comprehensive stormwater management policy for all the company's stores and warehouses. The individual proponent wants the company to identify all the sources of potential contamination, report on its findings and implement best practices to prevent contamination. The company is contending at the SEC that it can omit the resolution on ordinary business grounds and the challenge seems likely to succeed.

OTHER PROPOSALS

Governance: The New York State Common Retirement Fund has filed three proposals asking companies to add an environmental expert to the board of directors. The resolution asks for recommendations for "at least one board candidate" who "has a high level of expertise and experience in environmental matters relevant to hydrocarbon exploration and production and is widely recognized in the business and environmental communities as an authority in such field" and who also will qualify as an independent director under New York Stock Exchange criteria. **Occidental Petroleum** is a new recipient of the proposal; it is contending at the SEC that the request is moot since it already has an environmental expert on its board. The proposal is pending at two companies—at **Chevron**, where it got 26.8 percent in 2010, and at **Freeport-McMoRan Copper & Gold**, where it earned 34 percent last year and 33 percent in 2009.

Recycling and paper: As You Sow is continuing its campaign to encourage more recycling, with proposals to **McDonald's** and refiling at **Starbucks**. At **McDonald's**, the request is for a report on "a comprehensive container recycling strategy, including recycled content goals and container recovery goals, and considering relative environmental impacts of different types of beverage containers." At **Starbucks**, the language is slightly different but the focus is the same; investors gave the resolution 11.2 percent in 2010. Discussions are underway with both firms. (Another proposal on e-waste recycling is covered in this report in the section on toxics, p. 32.)

Domini Social Investments is continuing its longstanding effort on sustainable forestry, and has resubmitted a proposal to **R. R. Donnelley & Sons** that asks for "a sustainable paper purchasing report." The resolution earned just under 10 percent in 2010.

Oil sands: The California State Teachers Retirement System (CalSTRS) and Green Century Fund have refiled resolutions to **ConocoPhillips** and **ExxonMobil**, asking for a report "discussing possible long term risks to the company's finances and operations posed by the environmental, social, and economic challenges associated with the oil sands." The resolution earned 27.1 percent at Conoco and 26.4 percent at Exxon in 2010. Exxon has challenged the proposal at the SEC, arguing it is moot.

Environmental justice: Trillium Asset Management and the Midwest Capuchins have filed two proposals concerned with environmental impacts in poor communities. At **PPG Industries**, a refiled request that earned 7 percent last year again asks for a report "on how the corporation ensures that it responsibly discloses its environmental impacts in all of the communities where it operates." It says the report should cover:

1) How the corporation makes available reports regarding its emissions and environmental impacts on land, water, and soil—both within its permits and emergency emissions—to members of the communities where it operates;

2) How the corporation integrates community environmental accountability into its current code of conduct and business practices; and

3) The extent to which the corporation's activities have negative health effects on individuals living in economically poor communities.

At **Waste Management**, the Capuchins want "an independent review of Waste Management's treatment, storage, and disposal facilities (TSDFs) vis-a-vis their proximity to communities of economically depressed and racial minority peoples as well as any significant negative impact these sites may have on such peoples' health." They also want to see "recommendations that would eliminate such health problems in ways that these residents might be assured of a quality of life unhindered by environmental impacts."

Genetically modified organisms: The Sisters of Charity of St. Elizabeth are continuing their focus on genetically modified seed at **Du Pont**, given the company's status as one the world's largest producers of seeds. In 2010, the Sisters asked the company to adopt a seed saving human rights policy, also addressing the global food system. This year they want the company to report on its internal controls related to potential adverse impacts associated with genetically engineered organisms, including:

1) Adequacy of current post-marketing monitoring systems;

2) Adequacy of plans for providing alternatives to GE seed should circumstances so require;

3) Possible impact on all **Du Pont** seed product integrity;

4) Effectiveness of established risk management processes for different environments and agricultural systems.

Offshore oil well risks: Two individual proponents are asking **Chevron** to report on how many offshore oil wells it has in and out of production, which it owns or has a partnership in, the "[c]urrent and projected expenditures for remedial maintenance and inspection of out-of-production wells," and the "[c]ost of research to find effective containment and reclamation following marine oil spills." The company has challenged a proposal on a similar topic that was submitted after this one by the AFL-CIO, arguing that proposal can be omitted

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OIL INDUSTRY SAFETY

ROB MCGARRAH

AFL-CIO

President Obama and most Americans saw nothing amiss on March 31, 2010, when—in an attempt to revive the stalled Senate debate on cap and trade—the President proposed the first expansion of offshore drilling since the 1989 **Exxon** Valdez disaster. Three weeks later, **BP's** Deepwater Horizon rig exploded in the Gulf of Mexico, killing 11 workers and injuring 17 others, creating the worst environmental disaster in US history. On May 30, the President, standing amidst the unemployed fishermen of the Gulf Coast, with tar balls dotting the beaches, declared the first moratorium on offshore drilling in the Gulf of Mexico.

The worst environmental disaster came as no surprise to **BP's** refinery workers. Fifteen **BP** workers had died and more than 170 others were injured on March 23, 2005, when the company's Texas City refinery exploded. A US Chemical Safety Board investigation and OSHA enforcement resulted in the largest fines ever levied against a company, but that did nothing to prevent the **BP** Gulf oil disaster. **BP's** then-CEO, Tony Hayward, told investors at the company's April 2009 Annual Meeting that **BP** had "created a culture of safety" throughout the company and had learned the lessons of Texas City.

Standing shoulder to shoulder before House Energy and Commerce Committee Chairman Henry Waxman at a June 2010 hearing to investigate industry safety practices, the CEOs of **ExxonMobil**, **Chevron**, **ConocoPhillips**, and **Shell Oil** testified under oath that each of their companies was different than **BP**. Minutes later, however, each CEO admitted to Chairman Waxman that his company employed the same firm to certify offshore drilling safety (including the protection of Arctic dwelling walruses), in the Gulf of Mexico.

Taking a new approach for investors, the AFL-CIO Reserve Fund filed a new shareholder proposal in 2011, asking major oil companies to report on its Board of Directors' oversight of safety, with special focus on process safety management, staffing levels, inspection and maintenance of refineries and other equipment.

Sunoco, the first company to receive the Proposal, began a dialogue that resulted in an agreement to disclose previously unreported Tier 1 and Tier 2 safety defects, known as "Process Safety Management events." **Sunoco** also agreed to work with the United Steelworkers (USW), the labor union representing its oil refinery workers, to report on new metrics for worker fatigue and unfilled positions at its refineries.

These resolutions go beyond worker safety and environmental protection – they help safeguard long term shareholder value and the company's bottom line. The significant loss to **BP** and its investors highlights the inherent risks in this industry and the material impact from inadequate safety procedures. A report on Board oversight on safety issues will help shareholders assess if management is doing all it can to reduce financial, legal, and reputational risk, and ensure that oil operations are working at full efficiency.

The AFL-CIO and the United Steelworkers will continue their fight to protect investors, workers, the environment, and all Americans at each oil company.

BISPHENOL A (BPA) RISKS FROM EVERYDAY CONSUMER PRODUCTS

MICHAEL PASSOFF

Proxy Impact & Senior Strategist to As You Sow

Bisphenol A (BPA) is a chemical used in many consumer products such as the epoxy lining of canned food and beverages, polycarbonate plastics, and dental sealants. BPA is an endocrine-disrupting chemical that mimics estrogen in the body. Numerous studies link BPA to changes in brain structure, immune system, and reproductive systems, as well as links to cardiovascular disease and diabetes.

Canada declared BPA toxic in 2010. The EU bans it in baby bottles, Japan bans it from food contact, and more than 20 US states have introduced legislation banning or limiting BPA.

Alternatives exist for many plastic products and for some can linings. Shareowners approached individual companies in 2007 but recognizing BPA as a sector wide problem, they decided to conduct an industry-wide survey. *Seeking Safer Packaging* – a joint publication ofAs You Sow and Green Century Capital Management – contacted 26 companiesand developed scorecards to enable investors to identify industry leaders and laggards.

Many companies have responded to consumer concern and potential regulatory action by going BPA-free in selected products. **Heinz**, **Walmart**, and **Whole Foods** were among the first to transition to BPA free baby bottles. **Nalgene** and **Whole Foods** eliminated BPA from their water bottles, and all of **Eden Foods** products (except tomatoes) are in BPA-free cans. **Hain Celestial**, **ConAgra**, and **Heinz** have all started using BPA-free can linings for certain products and are committed to removing the BPA from all of its packaging products and have timelines to do so.

Domini Social Investment, As You Sow, and Trillium Asset Management filed a BPA safety resolution at **Coca-Cola** in 2010 which gained 22 percent of the vote. That resolution was refilled this year given that **Coke** has received consecutive failing grades of 'F' in *Seeking Safer Packaging*.

The use of BPA in another ubiquitous consumer product led As You Sow to file a proposal with **Yum! Brands**, owner of **Pizza Hut**, **KFC**, and **Long John Silver**. BPA is used in thermal print register paper—the kind commonly used for cash receipts at restaurants, supermarkets, and ATMs.

Studies have found BPA in cash receipts at magnitudes measured significantly higher than BPA levels found in bottles and cans, and that between 46 to 65 percent of BPA passes through the skin. Cashiers were found to have the highest BPA levels—double that of school teachers. People with greasy hands had ten times the amount of BPA transfer to their fingers when touching a receipt than those with dry fingers. **KFC's** famous "Finger Licking Good" slogan may turn into a reputational risk if customers connect it to BPA from cash receipts now on their fingers. Legal action from cashiers or unions is another obvious financial risk.

BPA-free paper is available but it remains to be seen which companies will proactively switch to alternatives and which will risk years of growing consumer, political, legal, and media opposition as this issue becomes better know. **Yum!** has failed to respond to shareowner requests to dialogue on this issue.

since it is duplicative of this one. **Chevron** says it intends to include the offshore oil well risk in its proxy statement. (See Labor Rights section, p. 39, for more on the AFL-CIO operational safety proposals, and sidebar on the previous page for the unions' perspective on those resolutions.)

Nuclear power: An individual proponent wants **Dominion Resources** to stop its nuclear power development. The resolution says the company should "be open and honest with us about the enormous costs and risks of new nuclear construction; invest in demand control and new renewable generation sources for the safest and quickest returns to shareholders, stakeholders, community and country; and therefore, stop wasting shareholder money by pursuing the increasingly costly and unnecessary risky venture of a new nuclear unit." The company is contending at the SEC that the resolution is too vague and concerns ordinary business, but the SEC has yet to issue an opinion.

Toxics

BISPHENOL A (BPA)

Three proposals—none of which has been challenged so far at the SEC—ask companies to report on products containing the chemical BisphenolA (BPA), an endocrine disruptor that has prompted concern among some regulators and scientists. (See sidebar from As You Sow). A resubmitted proposal to **Coca-Cola** that received 21.9 percent in 2010 asks for a report

> updating investors on how the company is responding to the public policy challenges associated with BPA, including summarizing what the company is doing to maintain its position of leadership and public trust on this issue, the company's role in adopting or encouraging development of alternatives to BPA in can linings, and any material risks to the company's market share or reputation in staying the course with continued use of BPA.

Two new resolutions on BPA also are pending. At **Dentsply International**, which has received proposals in the past from social investment groups concerned about mercury in dental products, the Domini Social Investments resolution asks for a report similar to the one requested at **Coca-Cola**, substituting "dental products" for "can linings." The proponents point out BPA is "used in the production of dental sealants and composites."

At **Yum! Brands**, the As You Sow proposal takes a more broadly worded approach, asking the company to "adopt principles for chemical policy reform, supporting public policies that protect retailers by ensuring that manufacturers: 1) Know and disclose product chemistry, 2) Assess and avoid hazards, and 3) Commit to continuous improvement." The principles come from a new multi-stakeholder group, the Business-NGO Working Group. At **Yum!**, the proposal quotes news articles indicating BPA used in cash register receipts may rub off and expose consumers to small doses of the substance.

ELECTRONIC WASTE RECYCLING

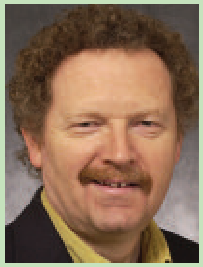
As part of its campaign to encourage more electronics recycling, As You Sow is asking **Target** for the first time to report on its electronics recycling program. The resolution requests a report "on policy options, above and beyond legal compliance, to minimize the environmental impacts of its electronics recycling activities by promoting reuse of working equipment and preventing export to non-OECD countries of hazardous e-waste and untested or non-working equipment or components." (For more on the As You Sow perspective on its e-waste campaign, see sidebar.)

TOBACCO

Once responsible for a slew of proposals, resolutions to tobacco companies and firms with which they do business have largely dried up. Part of the reason may be because many investors concerned about tobacco companies and their products have elected to divest of tobacco stocks rather than engage with the companies. A new proposal this year from the Midwest Capuchins—a religious order that long has been involved in efforts to reform tobacco firms and reduce tobacco use—requests **Altria**

advocacyposition

RECYCLING EVOLVES TO EXTENDED PRODUCER RESPONSIBILITY



CONRAD MACKERRON

As You Sow

As You Sow is building on our success over the past eight years in reducing the amount of electronic waste and the number of beverage containers sent to landfill, and evolving this practice into a broader program on Extended Producer Responsibility (EPR).

This process began by engaging **HP**, **Dell**, and **Apple** with proposals to offer take-back recycling for their electronics. Through dialogue over many years, these manufacturers integrated the programs into their core practices. Once the manufacturing sector embraced the benefits of recycling, the program expanded with a proposal filed with **Best Buy** to take back electronic waste. The company agreed, and in 2010 over two million units weighing 85 million pounds were collected; this is an increase of 25 percent over the program's first year in 2009. In 2011 we are expanding to other retailers, including a proposal filed with **Target**, which currently takes back small electronics, but not large devices like computers, and has not committed to bar improper export of collected products.

As You Sow has a similar success story on beverage containers. The US beverage bottle/can recycling rate is a paltry 35 percent, meaning most bottles and cans are landfilled. In the last three years, As You Sow obtained unprecedented commitments using shareholder resolutions and intensive dialogue from the top US beverage companies. **Coca-Cola** and **PepsiCo** agreed to recycle 50 percent and **Nestle Waters North America** agreed to recycle 60 percent of their bottles and cans within six to eight years.

For 2011, we are pressing beverage retailers **Starbucks** and **McDonald's** to recycle their hot and cold beverage cups. **Starbucks** uses three billion paper cups to serve coffee annually and currently most end up in landfills. After our 2010 shareholder filing, the company strengthened a committment to recycle both paper and plastic cups from company owned US and Canadian stores by 2015. However, we filed a proposal again for 2011 because of several critical missing elements from their recycling policy. We have also filed a new proposal with **McDonald's** asking it to set recycled content and container recovery goals for beverage cups and to explain why it is still using polystyrene cups more than a decade after phasing out such packaging for food due to environmental concerns.

These recycling programs have also evolved into the broader scope of EPR. Our work pressing the major electronics and beverage companies to recycle has led to increased momentum to engage consumer goods giants like **General Mills**, **Kraft Foods**, **Procter & Gamble**, and **Unilever** to take responsibility for all post-consumer packaging. Companies will be asked to endorse EPR policies, which make them financially responsible for collection and recycling of packaging. This is intended to inspire companies to redesign their packaging to reduce waste and thus reduce their own cost at end of life. There is extensive precedent for this as parts of Western Europe and Canada have succesful EPR policies in place.

and **Reynolds American** to stop making flavored tobacco products. The resolution says, "because youth initiation of tobacco products is influenced by their flavoring, shareholders request… that [the Company] stops the production of any of its tobacco products with characterizing flavoring added, as well as their distribution and their marketing, unless and until it can be proven by independent and evidence-based research that such added characterizing flavors do not contribute significantly to youth initiation of tobacco use."

Another proposal, a refiling from 2010, asks **Phillip Morris International** to study and report on how its marketing affects "the purchasing practices of poor people and what might be done to mitigate the harm to innocent children, such as food insecurity, of such poor people who smoke, including reducing the nicotine in cigarettes to non-addictive levels." It also asks that the report "include recommendations as to whether our Company should continue marketing its products in any nation having over 50 perent of its citizens living in poverty." The proposal received 4.3 percent in 2010.

A resolution from a family trust that asked **Walt Disney** to ban children from smoking areas in the company's amusement parks was omitted on ordinary business grounds. In addition, another resolution to **Reynolds American** addresses human and labor rights issues in the tobacco supply chain; it is covered in the section on Human Rights (see p. 38).

PESTICIDES

An individual proponent wants **FMC** to set up a "legitimate product stewardship program" for its Furadan pesticide and other similar products "where there is documented misuse of products harming wildlife or humans, until FMC effectively corrects such misuse." The proposal asks for information on misuse of its products, requests that the company work with government to prevent such misuse, and ensure that livestock and wildlife are not harmed. It further requests that the company add a statement to its Corporate Responsibility Principles, "stating that FMC will treat third world people no differently than Americans as it relates to US pesticide exposure limits." Problems with Furadan's use in Africa were highlighted in a March 2009 "60 Minutes" segment. The resolution is unlikely to go to a vote given a company challenge at the SEC, which argues it can be omitted either because it is false and misleading and/or because it relates to ordinary business. The latter argument is likely to succeed.

Toxics Proposals

Company	Proposal	Proponent	Meeting/ Status
Altria	stop production of flavored tobacco products	Midwest Capuchins	May
Coca-Cola	report on BPA	Domini Social Investments	April
Dentsply International	report on BPA in dental sealants	Domini Social Investments	May
FMC	establish pesticide stewardship program	David Brook	April
Philip Morris Int'l	report on tobacco marketing and food insecurity	Trinity Health	May
Reynolds American	stop production of flavored tobacco products	Midwest Capuchins	May
Target	report on electronics recycling	As You Sow	June
Walt Disney	ban children from smoking areas	June A. Wright Family Trust	omitted
Yum! Brands	adopt product chemistry disclosure principles	As You Sow	May

Health

PRICE CONTAINMENT

Religious groups affiliated with ICCR have revived a drug pricing shareholder campaign from nearly a decade ago; they also want insurance companies to report on how they might contain the rising cost of health insurance premiums. (See sidebar, p. 34, for a view from the Order of St. Francis on the insurance proposals.) The insurance premium proposals may fall afoul of the SEC's ordinary business rule.

Prescription pricing: The ICCR affiliates are asking four drug companies—**Abbott Laboratories**, **Bristol-Myers Squibb**, **Johnson & Johnson**, and **Pfizer**—to "create and implement a policy of price restraint on branded pharmaceuticals, utilizing a combination of approaches to keep drug prices at reasonable levels, such as, an increase that would not exceed the previous year's Consumer Price Index, and report to shareholders by September 2011 on changes in policies and pricing procedures for pharmaceutical products…" Sister Barbara Aires of the Sisters of Charity of St. Elizabeth told Si2 that while each of the recipient companies has "decided to try to give more information on pricing," the cost of drugs "is still escalating" and affordability problems continue. The proponents note the November 2010 report from Deloitte, *Showdown Over Drug Pricing*, which concludes:

> the 2010 health care reform legislation did not address the core drug pricing issues the nation has been struggling with for the past decade…. Instead, the pricing provisions in the legislation focused on the near-term transfer of value from manufacturers to payers and patients through the expansion of government-mandated discount programs. These provisions are already looking to be largely ineffective at containing drug prices due to the rising growth rate of list prices in recent years. Market trends suggest the issue will intensify, and that current pricing practices are not sustainable.

The Midwest Capuchins have a different formulation, asking **Merck** to "initiate and report [on] an independent study of how Merck's practice of setting prices for its drugs may be more aligned with the recommendations of the 2010 Deloitte Study," noted above.

Insurance premiums: ICCR affiliates are asking **Aetna**, **CIGNA**, **Health Net**, **United Health Group**, and **Wellpoint**—five of the six biggest US health insurance firms—to report on "how our company is responding to regulatory, legislative and public pressures to ensure affordable health care coverage and the measures our company is taking to contain the price increases of health insurance premiums. "

SEC outlook: The SEC's stance on health care cost proposals over the years has varied. It allowed proposals from a coalition of labor and religious groups in 2008 that asked companies to adopt a set of principles about health care reform, part of an effort to line up corporate support for national legislation. But in 2007 it said companies could omit a proposal that asked for a report on they how dealt with rising health care expenses, reasoning this related to employee benefits, an ordinary business issue. The SEC had allowed proposals in 2005 and earlier on drug pricing and marketing, which used almost the same language as the resolution proposed this year, but after a few years they did not receive enough support for resubmission, never surpassing an average of about 6 percent.

None of the drug companies has challenged the 2011 drug pricing proposal, but all of the insurance companies except **Health Net** are contending at the SEC that the insurance premium resolution relates to ordinary business and/or is moot. The SEC has yet to issue an opinion.

advocacyposition

HEALTH INSURANCE PREMIUMS

TOM McCANEY

Sisters of St. Francis of Philadelphia

In response to skyrocketing health insurance premiums, members of the Interfaith Center on Corporate Responsibility's (ICCR) domestic health group have initiated a campaign to engage industry-leading companies on their efforts to hold back increases. This effort follows ICCR's multi-year campaign pushing large employers in every sector to adopt principles for health care reform. After the Patient Protection and Affordable Care Act was signed into law in March 2010, the health care industry has spent millions of dollars lobbying Congress in attempts to weaken or even repeal a statute that seeks to increase health care access and affordability.

According to America's Health Insurance Plans (AHIP), the industry's trade group, the increase in premiums is largely due to rising costs of medical care: hospital stays, physician fees, and pharmaceutical costs. Although these cost increases cannot be contested, insurance companies also have played a big part in pushing up overall health spending by consumers. The Kaiser Family Foundation reported that between 2000 and 2008, premiums for employer-sponsored group health plans increased 97 percent for families and 90 percent for individuals, while insurance payments to providers grew by only 72 percent. Meanwhile, in 2009, during the worst economic downturn since the Great Depression, the five largest for-profit health insurers set records with combined profits of $12.2 billion.

Resolutions have been filed for 2011 at **Aetna**, **Health Net**, **UnitedHealth Group**, and **Wellpoint**, while dialogues are being pursued with **Cigna**, **Coventry Health Care**, and **Humana**. Among these companies are the five largest commercial health insurers, a group that controls 39 percent of the commercial, Medicare, and Medicaid markets.

In recent dialogues with **UnitedHealth Group** and **Cigna**, a common thread ran through the discussions: that premiums are based on complicated formulas that are specific to the age and general health of the group being insured, as well as the local population, and the presence or lack of competition in the market. Both companies downplayed any relationship between their record profits or excessive compensation to executives and higher premiums. They also did not address how the industry could spend approximately 95 cents of every premium dollar on medical care (known as the Medical Loss Ratio) in 1993, but averaged about 83 cents in 2009.

A more efficient health care system of providers and insurers, along with engaged and informed consumers, will lower costs throughout the continuum. Insurers would benefit by working with legislators and providers to streamline the newly implemented health care law. ICCR members will continue to engage these companies, identified as leaders in the health care field, on their efforts to restrain prices and ask whether their stated support for the principles of an affordable, accessible, and just health care system is reflected in their corporate and lobbying actions.

Health Proposals

Company	Proposal	Proponent	Meeting/ Status
Price Containment			
Abbott Laboratories	implement and report on Rx price restraint	Srs. Charity of St. Elizabeth	April
Aetna	report on health insurance price containment	Srs. Charity of St. Elizabeth	May
Bristol-Myers Squibb	implement and report on Rx price restraint	Trinity Health	May
CIGNA	report on health insurance price containment	Srs., Humility of Mary	April
Health Net	report on health insurance price containment	NW Women Religious	May
Johnson & Johnson	implement and report on Rx price restraint	Srs. Charity of St. Elizabeth	April
Merck	report on Rx pricing reform	Midwest Capuchins	May
Pfizer	implement and report on Rx price restraint	Srs. Charity of St. Elizabeth	April
United Health Group	report on health insurance price containment	Srs. of St. Francis	May
Wellpoint	report on health insurance price containment	Missionary Oblates – Mary Immac.	May
Other			
AFLAC	review and report on Rx drug benefits	Lawrence L. Bryan	omitted
AT&T	review and report on Rx drug benefits	Norman W. Davis	omitted
General Electric	label products made with human stem cells	Dan Farcasiu	April
Johnson & Johnson	add product warning label	Paul W. Cahan	April
McDonald's	report on fast food and childhood obesity	Midwest Capuchins	May
Southern Company	review and report on Rx drug benefits	Lawrence L. Bryan	omitted
Synovus Financial	review and report on Rx drug benefits	Lawrence L. Bryan	omitted
Total System Services	review and report on Rx drug benefits	Norman W. Davis	omitted

OTHER PROPOSALS

Prescription drug benefits: Two individual shareholders who also are retail druggists failed in their attempt to ask five large companies to take a closer look at how they provide prescription drug benefits to their employees. The resolution asked for specific pricing experience data on mail order prescriptions compared with a "community based prescription drug benefit." But the SEC agreed with the companies' contention that the resolution related to ordinary business and allowed the omission of others on procedural grounds.

Childhood obesity: The Midwest Capuchins have resubmitted a resolution they withdrew in 2010, asking **McDonald's** to report "assessing the Company's policy responses to public concerns regarding linkages of fast food to childhood obesity, diet-related diseases and other impacts on children's health. Such a report should include an assessment of the potential impacts of public concerns and evolving public policy on the company's finances and operations." In 2010, the proponents were satisfied with the progress of their discussions with the company, but this year **McDonald's** says it plans to put the proposal on its proxy statement.

Labeling: Two proposals with different requests about product labeling seem likely to fall at the SEC, since it routinely considers such matters to be ordinary business issues. An individual wants all **General Electric** products made with human stem cells to be labeled as such, while a stockholder at **Johnson & Johnson** wants a stronger warning label on Levaquin, one of the company's antibiotics that can have serious side effects.

Labor and Human Rights

Human Rights

Most of the human rights proposals make requests for companies to adopt or strengthen their human rights policies, highlighting the potential risks companies face when they do business in or with conflict-ridden parts of the world. Another set of resolutions addresses the recently defined human right to water. The final group tries to address human rights issues connected with the Internet—concerning both the free flow of information and privacy issues; the SEC has affirmed its view that these resolutions are ordinary business matters, however, and few if any will come to votes.

UN HUMAN RIGHTS FRAMEWORK

DAVID SCHILLING
Interfaith Center on Corporate Responsibility

For more than a decade, members of the Interfaith Center on Corporate Responsibility (ICCR), along with other active investors and non-governmental organizations, have made substantial progress in placing human rights on the agenda of many global companies. Through proposal filing and active engagement with top management, investors have worked to get human rights policies adopted and implemented throughout companies' operations and areas of impact. More than 270 companies have now adopted human rights policy statements, and implemented them to varying degrees (http://www.business-humanrights.org/Documents/Policies). Many of the shareholder proposals filed for 2011 call on companies to adopt or amend their human rights policies, assess where there are gaps, and implement risk assessments to determine the potential for human rights abuses in the countries where they operate.

The campaign to get more companies to adopt and implement comprehensive, transparent, and verifiable human rights policies is about to get a big boost. Professor John Ruggie, the Special Representative of the United Nations Secretary-General for Business and Human Rights, was appointed by Kofi Annan in 2005 to identify and clarify standards of corporate responsibility and accountability for transnational corporations and other businesses with regard to human rights. In 2008, Professor Ruggie's *Protect, Respect and Remedy* framework was unanimously endorsed by the UN Human Rights Council. This framework establishes the state's duty to protect against human rights abuses by third parties, including companies; companies' responsibility to respect human rights; and access to effective remedies for victims of human rights abuses. The UN Human Rights Council gave Professor Ruggie three more years to provide concrete guidance to business and other stakeholders. His final draft report, *Guiding Principles for the Implementation of the UN 'Protect, Respect and Remedy' Framework* has just gone through a public online consultation forum; the final report will be presented to the UN Human Rights Council in June 2011 (http://www.reports-and-materials.org/Ruggie-UN-draft-Guiding-Principles-22-Nov-2010.pdf).

Why is this important for investors? First, the framework establishes an emerging global norm, a standard of expected conduct for all companies. Respect for human rights is spelled out for companies of all sizes, and for all geographical regions. Second, the centerpiece of the "Corporate Responsibility to Respect" is the requirement to put in place a "human rights due diligence process" (Principle 15). This process includes adopting a policy, assessing its actual and potential human rights impacts, integrating and acting upon the findings, and tracking and communicating the policy's performance. The framework focuses on preventing and mitigating adverse human rights impacts and being accountable for performance. This includes both risks to the company itself and the "risks a company's activities and associated relationships may pose to the rights of affected individuals and communities."

Based on the UN Framework on Business and Human Rights, in upcoming years, expect to see an increase in shareholder proposals and active engagements with companies on their policies and practices to respect human rights in their operations and areas of impact.

POLICY AND OVERSIGHT

Adopt policies: The biggest single group of proposals is a set of nine from ICCR affiliates that all ask companies to "review policies related to human rights to assess areas where the company needs to adopt and implement additional policies and to report." While the resolved clause is the same, the proposals raise a mix of specific concerns at each company, and they make clear whether the proponents want companies to adopt new policies or expand existing ones. Each of the resolutions also suggests that reports should include a risk assessment, cover policy implementation both at the company's own operations and at its contractors and suppliers, and information on stakeholder engagement. (See sidebar for a perspective from the Interfaith Center on human rights proposals.)

The resolution is pending at **Halliburton** (a resubmission that received 36.9 percent in 2010) and at defense contractors **KBR** (where it got 42.2 percent last year and expresses concern about alleged human trafficking), **Lockheed Martin**, and **General Dynamics**. The proponents assert the companies do not include human rights considerations in their various codes of conduct, and contend they should base their policies on standards articulated by the United Nations and the International Labor Organization. It also has been filed at **Raytheon**.

Prisoners and conflict minerals—At **GEO Group**, using the same resolved clause, the proponents note potential problems at the company's prisons and in its transport of prisoners, including illegal US immigrants. A similar concern is directed at **Corrections Corporation of America**, the nation's largest private prison company. At **OM Group**, a specialty chemicals and industrial materials manufacturer, the controversy relates to the company's cobalt sourcing in the Democratic Republic of Congo—a matter that also made it into the required new securities filings disclosures under the Dodd-Frank Act.

Child exploitation: One resolution is still pending at **Delta Airlines** that asks it to "adopt a human rights policy including prohibition of sexual exploitation of minors and to report." It has been withdrawn at cruise company **Carnival**. Religious group proponents previously have raised this issue at hotel and resort companies, as well, attempt to guard against child prostitution.

Expand policies: Additional proposals ask firms to expand existing human rights policies, with some variations. At defense contractor **Boeing** the request is to "adopt and implement additional policies" and notes concerns about alleged involvement by a company subsidiary in "torture and renditioning." At **United Technologies**, the proponents have withdrawn their request to "develop and implement key performance indicators to demonstrate commitment to UTC's human rights policy" and report, after the company agreed to further dialogue on the subject.

At three more companies, the issue put to investors is whether companies should work to ensure their *products* are not used to violate human rights. With telecommunications companies **ITT** and **Motorola**, Mercy Investment and the Evangelical Lutheran Church in America contend the companies' present policies are "limited in scope," and propose that they be amended "to conform more fully with international human rights and humanitarian standards." (A similar proposal to Motorola on human rights in 2010 got 11.8 percent.) At **Caterpillar**, a resubmitted resolution from Jewish Voice for Peace that received 24.7 percent in 2010 again asks the company to extend its policies with respect to human rights "to include franchisees, licensees and agents that market, distribute or sell its products, to conform more fully with international human rights and humanitarian standards."While it is not stated in the proposal, the proposal comes in the context of an ongoing civil lawsuit filed by the family of slain US human rights activist Rachel Corrie, who was killed in a 2003 incident in the Gaza Strip involving a Caterpillar bulldozer used by the Israeli Defense Force.

THE HUMAN RIGHT TO WATER

MARI SCHWARTZER
and **JULIE GOODRIDGE**
NorthStar Asset Management

In 2007, the *New York Times Magazine* published an article on the Colorado River and the impact on those US states that rely on the river's water for personal and agricultural use in their communities. That river, like many bodies of water around the globe, is drying up. Only a few years before, the UN had issued its first document discussing water from a human rights perspective, General Comment 15. We began discussions at NorthStar regarding our concern about overuse of water, and the impact of corporate water use on water supply and pricing. UN General Comment 15 made clear the gravity of the world's water situation, stating that over a billion people lack access to an improved water supply and that an estimated 2.4 billion people are without water sanitation. It also articulated the human right to water as "sufficient, safe, acceptable, physically accessible, and affordable water for personal and domestic uses."

Our discussions led to us crafting a shareholder proposal in 2007 asking companies to adopt an official human right to water (HRW) policy. We started by targeting three companies: **AIG** (which owned a water utility at the time), **PepsiCo**, and **Connecticut Water** (a small regional water utility). While many companies had already begun taking water conservation into consideration, our goal was (and remains) to have companies create an ethical framework through which they will make all water-related business decisions.

Connecticut Water became our first official success story when, after talks with us, they created their Corporate Responsibility Charter upholding the human right to water. In 2008, we refiled at **PepsiCo** and they became the first publicly traded, multinational corporation to create a corporate policy specifically articulating the company's respect for the human right to water. Since then, we've also negotiated policies at **Intel**, **Procter & Gamble**, and **Green Mountain Coffee Roasters**, and we expect success at a sixth company within weeks.

At NorthStar, our tactic for negotiating with these corporations has always been based upon the same grounding principle: corporations need to recognize their moral obligations to the communities in which they operate and state their commitment publically and concretely. Corporations are accustomed to quantifying reductions in water use, primarily because it is cheaper and affects their bottom line, but they don't always consider their human rights impact or the bottom line implications associated with these issues. An effective human rights policy on water can improve community relations, help avoid local governmental opposition, reduce litigation and reputational risk, and ensure a sufficient water supply.

While we acknowledge and appreciate the steps some of these corporations have made in water conservation, we believe that if they intend to pull water from community water supplies or make water-intensive products, they need to have in place a holistic policy focused on individuals' and communities' right to water and a commitment to interact with community members with dignity and respect in action, not just words.

Supply chains: Three different resolutions address the ways in which companies ensure their policies are implemented in supply chains. At **Boeing**, the Midwest Capuchins want the company to "implement independent third-party monitoring of its supply chain to verify compliance" with its current policy. At **Time Warner**, the Presbyterian Church is concerned about how the company's licensed merchandise is made, saying that **Time Warner** should "conduct a thorough review and assessment" of sourcing guidelines it established in 2007, "and its implementation and compliance program," to ensure more transparency about whether and how the guidelines are working.

Trinity Health has resubmitted its resolution about tobacco supply chain labor at **Reynolds American**, where the request is "to create effective procedures to implement protocols ensuring basic worker rights consistent with internationally agreed-upon human rights conventions in the countries which supply its tobacco and to find ways to ensure, through truly independent monitoring, that its varied suppliers are enforcing these protocols as well as all other pertinent laws of the nations in which its suppliers operate." The proposed earned 10.5 percent in 2010. (Another proposal to tobacco company **Philip Morris International**, covered in the section below on labor rights, p. 40, has been withdrawn.)

Burma and China: The Teamsters union has resubmitted a proposal to **Chevron** that asks the company to report on its "criteria for (i) investment in; (ii) continue operations in; and, (iii) withdrawal from specific high-risk countries, including Burma." The resolution received 24 percent support in 2010. Chevron also is involved in a fraught legacy of environmental contamination from the former operations of **Texaco** in Ecuador.

A proposal from individual activist Jing Zhao already has been omitted on procedural grounds at **Hewlett-Packard**. It asked that the company's Public Policy Committee consult with human rights experts to ensure the firm "does not contribute to human rights abuses by the Chinese government." Jing Zhao has filed three other proposals asking for human rights committees, with a particular emphasis on China, at **Intel**, **Yahoo!**, and **Yum! Brands**. Similar proposals from this proponent were omitted on vagueness grounds in 2010 and a challenge to this effect is pending at Intel.

Board committee: Harrington Investments, continuing its efforts to get companies to adopt binding by-law amendments, wants **Chevron** to set up a board level human rights committee. The company has challenged the proposal at the SEC on several substantive grounds and it may not go to a vote as a result. (See sidebar, p. 16, for Harrington Investments' perspective on by-law amendments.)

WATER

Northstar Asset Management is continuing a recent campaign to get companies to look more closely at water issues. It is asking four companies—**ExxonMobil**, **Johnson & Johnson**, **Ecolab**, and **Green Mountain Coffee Roasters**—to "create a comprehensive policy articulating our company's respect for and commitment to the human right to water." **Exxon** is contending at the SEC that the proposal is moot; it received 6.7 percent last year. Northstar withdrew at **Green Mountain Coffee** after the company agreed to adopt a new policy on the issue. (See sidebar on the Northstar campaign, p. 37.)

(Additional proposals concerning water are covered in the section on Natural Resource Management, p. 27.)

INTERNET ISSUES: NET NEUTRALITY AND PRIVACY

Efforts by SRI firms to convince the SEC that investors should be able to vote about companies' policies concerning net neutrality again appear to be stymied by ordinary business challenges, as they have since the start of this campaign. Trillium Asset Management's resolution to **AT&T** has been omitted on these grounds and a similar challenge seems likely to succeed at **Verizon**. Trillium proposed that each company "commit to operate its wireless broadband network consistent with Internet network neutrality principles—i.e., operate a neutral network with neutral routing along the company's wireless infrastructure such that the company does not privilege, degrade or prioritize any packet transmitted over its wireless infrastructure based on its source, ownership or destination." At **Comcast**, the resolution is very similar but asks the company to "commit to market and sell only wireless broadband products" that are network neutral; an ordinary business challenge is pending there, as well, and seems likely to succeed.

At **CenturyLink**, the focus is on privacy. Trillium wants a report "examining the effects of the company's Internet network management practices in the context of the significant public policy concerns regarding the public's expectations of privacy and freedom of expression on the Internet." Investors gave the proposal 28.4 percent in 2010 after considering whether the company's previous controversial business relationship with a behavioral advertising company raised red flags that warranted the requested report, or if the company's cancellation of this relationship had set any concerns to rest.

Human Rights Proposals

Company	Proposal	Proponent	Meeting/ Status
Policy and Oversight			
Boeing	expand human rights policy	School Srs. of Notre Dame	April
Boeing	implement human rights policy in supply chain	Midwest Capuchins	April
Carnival	adopt human rights policy	Presbyterian Church	withdrawn
Caterpillar	expand human rights policy	Jewish Voice for Peace	April
Chevron	establish board committee on human rights	Harrington Investments	May
Chevron	report on host country selection criteria	Teamsters	May
Corrections Corp. of America	adopt and report on human rights policy	Srs. Charity of the BVM	May
Delta Air Lines	adopt human rights policy	Mercy Investment	June
General Dynamics	adopt and report on human rights policy	Srs. of Loretto	May
GEO Group	adopt and report on human rights policy	Mercy Investment	May
Halliburton	adopt and report on human rights policy	Srs. Charity of the BVM	May
Hewlett-Packard	adopt human rights policy	Jing Zhao	omitted
Intel	establish human rights committee	Jing Zhao	May
ITT	expand human rights policy	Mercy Investment	May
KBR	adopt and report on human rights policy	Mercy Investment	May
Lockheed Martin	adopt and report on human rights policy	Mercy Investment	April
Motorola	expand human rights policy	ELCA	May
OM Group	adopt and report on human rights policy	Society of Jesus, Wisconsin	May
Raytheon	adopt and report on human rights policy	Mercy Investment	May
Reynolds American	adopt and enforce supplier human rights policy	Trinity Health	May
Time Warner	implement human rights policy in supply chain	Presbyterian Church	May
United Technologies	expand human rights policy	Srs. Charity of St. Elizabeth	withdrawn
Yahoo!	adopt human rights principles, committee	Jing Zhao	June
Water			
Ecolab	adopt policy on human right to water	Northstar	May
ExxonMobil	adopt policy on human right to water	Northstar	May
Green Mountain Coffee Roasters	adopt policy on human right to water	Northstar	withdrawn
Johnson & Johnson	adopt policy on human right to water	Northstar	April
Internet			
AT&T	commit to network neutrality	Trillium	omitted
CenturyLink	report on internet privacy	Trillium	May
Comcast	sell only network neutral wireless products	Trillium	May
Verizon	commit to network neutrality	Trillium	May

Labor Rights and Worker Safety

Although proposals specifically focused on labor rights in corporate supply chains remain, articulating concerns about sweatshop labor in manufacturing, for the most part these types of resolutions are no longer filed as proponents either put labor issues within the frame of human rights, as noted above, or raise worker issues alongside environmental ones in sustainability reporting proposals. Proponents have filed 13 resolutions narrowly focused on labor rights and worker safety issues so far for 2011.

WORKER SAFETY

The biggest new development on labor rights, prompted by environmental concerns as well as worker safety, is a campaign at oil refinery companies organized by the AFL-CIO, working with members of the United Steelworkers. (See sidebar, p. 30, on the unions' viewpoint.) The resolution asks **Chevron**, **ConocoPhillips**, **ExxonMobil**, **Marathon Oil**, **Sunoco**, **Tesoro**, and **Valero Energy** to report "on the steps the Company has taken to reduce the risk of accidents. The report should describe the Board's oversight of process safety management, information, staffing levels, inspection and maintenance of refineries and other equipment."

SEC action and a withdrawal: The union withdrew the proposal at **Sunoco** after reaching agreement on the substance of the request, but other companies have challenged at the SEC, mostly arguing it is moot. But the SEC did not buy the argument **ConocoPhillips** made, saying "it does not appear that **ConocoPhillips'** public disclosures compare favorably with the guidelines of the proposal." A mootness challenge from **Chevron** and **ExxonMobil** is still pending; **Chevron** also is arguing that the proposal is duplicative of another resolution it received first on oil well process safety, which is narrowly focused on marine oil spills (see p. 30 for more on this proposal.)

OTHER PROPOSALS

Pay disparity: Missing this year is the big campaign on pay equity from 2010 from religious investors; those proposals earned modest support but prompted 13 withdrawals after companies agreed to discuss the matter with ICCR affiliates. There is a resubmitted resolution from the Nathan Cummings Foundation that asks for a report on pay disparities between top management and lower level employees at **Goldman Sachs**. The foundation received 5.5 percent last year; it asks for a report on executive pay to include:

1) An evaluation of whether our senior executive compensation packages (including, but not limited to, options, benefits, perks, loans and retirement agreements) are "excessive" and should be modified.
2) An exploration of how sizable layoffs and the level of pay of our lowest paid workers impact senior executive pay.
3) An analysis of the way in which fluctuations in revenues impact: a) the Company's compensation pool; b) the compensation of the Company's top 25 senior executives; and c) the Company's shareholders.

Child labor and tobacco: The Midwest Capuchins have withdrawn a resolution to **Philip Morris International** that focused on child labor, particularly in Malawi, that last year earned 6.4 percent support. The action came after the company agreed to work with the labor monitoring firm Verité to develop a global agricultural labor practices program.

ILO standards: Another withdrawal has come at **Mohawk Industries**, where the New York State Common Retirement Fund asked the company to adopt ILO standards and set up independent monitoring. NYSCRF withdrew after the company made new commitments about its supplier labor standards and practices.

Domestic sourcing: Two more resolutions from an individual proponent that asked that **Duke Energy** and **Southern Company** only purchase domestically-made goods and services have been omitted on ordinary business grounds; similar proposals from the same proponent also were omitted in 2010.

Labor Rights Proposals

Company	Proposal	Proponent	Meeting/ Status
Worker Safety			
Chevron	report on accident prevention efforts	AFL-CIO	May
ConocoPhillips	report on accident prevention efforts	AFL-CIO	May
ExxonMobil	report on accident prevention efforts	AFL-CIO	May
Marathon Oil	report on accident prevention efforts	AFL-CIO	April
Sunoco	report on accident prevention efforts	AFL-CIO	withdrawn
Tesoro	report on accident prevention efforts	AFL-CIO	June
Valero Energy	report on accident prevention efforts	AFL-CIO	April
Other			
American Express	implement employee code of conduct	Peter W. Lindner	omitted
Duke Energy	purchase "made in USA" goods & services	Douglas S. Doremus	omitted
Goldman Sachs	report on pay disparity	Nathan Cummings Fndn	May
Mohawk Industries	implement ILO standards & monitoring	NYSCRF	withdrawn
Philip Morris International	adopt supplier child labor policy	Midwest Capuchins	withdrawn
Southern Company	purchase "made in USA" goods & services	Douglas S. Doremus	omitted

advocacyposition

CORPORATE POLITICAL SPENDING

BRUCE FREED
Center for Political Accountability

The Center for Political Accountability and its shareholder partners will engage nearly 60 companies on political disclosure in the 2011 proxy season, the same number as in recent years. The effort is even more critical following the US Supreme Court's sweeping *Citizens United* decision and the surge in secret spending in the 2010 midterm elections. Outside groups spent $293 million, nearly half of which originated from entities not required to disclose their donors, and are likely to spend even more in the 2012 presidential election.

With legislative and regulatory responses to *Citizens United* uncertain, the CPA-pioneered corporate governance strategy offers an approach that is not vulnerable to political obstruction or legal challenge. Since 2003, the non-partisan, nonprofit Center has coordinated a shareholder campaign of resolutions and dialogues. As a result of the effort, 80 companies in the S&P 500, including more than half of the S&P 100, have committed to detailed disclosure and robust oversight of their political spending.

Most of these companies adhere to best practices standards, which include:

- Implementation of policies and procedures to oversee political spending, including board oversight;
- A transparent decision making process for political spending; and
- Disclosure of all corporate political spending, including contributions at the state and local level and to 527 groups; independent expenditures; and payments to trade associations and other tax-exempt groups used for political spending.

As of early February, 45 companies have received resolutions and another 14 are in dialogue. CPA's shareholder coalition includes foundations, public pension, SRI, union, and religious funds.

Marking an important milestone, the average vote in support of the proposal topped 30 percent in 2010. That represented a threefold increase over 2004, the first year the resolution was voted on. More than half of the 29 resolutions that came to a vote in 2010 garnered support of 30 percent or more, with the highest at **Coventry Health**–46 percent. Support for the resolution has come from the proxy advisory services as well as large institutional investors such as mutual funds. Last year, more than half of the largest fund families either supported the resolution or abstained from voting. In 2004, nearly all had voted against it.

Complementing the shareholder campaign, CPA is working within the corporate community to highlight the risks inherent in corporate political spending. These risks and emerging best practices to manage them are detailed in the *Handbook on Corporate Political Activity*, published in November 2010 by The Conference Board. The Center was the lead author. CPA will release this summer the first index rating and ranking companies on their political disclosure and accountability policies and practices. The index initially will cover the S&P 100 and be expanded in 2012 to include the full S&P 500.

Political Spending

The US Supreme Court *Citizens United* decision in January 2010 boosted already substantial investor and public interest in more oversight and disclosure of corporate political spending. But the decision came after most of the resolutions were filed for 2010. Shareholders since have had time to craft proposals that speak directly to the political spending possibilities opened up by the decision, resulting in a more diverse array of items for consideration in 2011. The vast majority of the 83 proposals on political spending continue to be coordinated by the Center for Political Accountability (CPA). Since 2003 the CPA has worked with an array of investor partners including the New York State and City pension funds, unions, Trillium Asset Management, Walden Asset Management, the Nathan Cummings Foundation, and others to coordinate a broad campaign. Mainstream investors tend to look kindly on political spending proposals and in 2010 gave the CPA resolutions an average of 30.4 percent, the second highest of any category. (See sidebar on the CPA perspective.) In addition, Si2's October 2010 report, How Companies Influence Elections: Political Campaign Spending Patterns and Oversight at America's Largest Companies, provides comparative data about the S&P 500.)

Notable this year, however, are a new round of lobbying proposals from unions, a campaign by SRI firms that takes issue with company contributions to politically active trade groups such as the Chamber of Commerce and other tax-exempt political organizations, and a few new proposals calling for advisory votes on political spending. There are a handful of proposals from groups that question what they see as a liberal public policy bias by some companies, as well, along with a few requests for charitable spending disclosure on politically controversial topics. The overall tally for political spending proposals is a little higher than last year.

SPENDING DISCLOSURE

Standard CPA proposal: The main CPA proposal has been filed with 45 companies so far this year (see table for a complete list) although a few more filings are likely before the year is out. The resolution has been reformulated and streamlined slightly and now asks only for the title, not the name, of company officials involved in political spending decisions. It also removes a former specific legal reference. The resolution requests semi-annual reports on:

1) Policies and procedures for political contrbutions and expenditures (both direct and indirect) made with corporate funds.

2) Monetary and non-monetary contributions and expenditures (direct and indirect) used to participate or intervene in any political campaign on behalf of (or in opposition to) any candidate for public office, and used in any attempt to influence the general public, or segments thereof, with respect to elections or referenda. The report shall include:

   A) An accounting through an itemized report that includes the identity of the recipient as well as the amount paid to each recipient of the Company's funds that are used for political contributions or expenditures as described above; and

   B) The title(s) of the person(s) in the Company who participated in making the decisions to make the political contribution or expenditure.

Five of the proposals are resubmissions from 2010 that got substantial support—at **Charles Schwab** (33.2 percent), **Regions Financial** (33.4 percent), **Sprint Nextel** (41.2 percent), **DTE Energy** (31.6 percent), **Coventry Health Care** (46 percent), and **WellCare Health Plans** (23.3 percent).

Withdrawals—So far proponents have withdrawn the main CPA resolution at just two companies—**Marriott International** and **Molson Coors**. NYSCRF reached agreements on the model oversight and disclosure practices CPA promotes. More agreements and deals are likely as the season progresses; last year 12 of 44 CPA proposals were withdrawn.

SEC action—Several challenges are pending at the SEC. **Boeing** contends the proposal is moot given 2010 changes it made to its policies and procedures; it also says it cannot disclose indirect spending by trade groups it supports, as requested, since it may not know how such money is spent, making it impossible to implement the proposal. **JPMorgan Chase** and **Goldman Sachs** also are arguing that the proposal is too vague with respect to its definitions about intervening in political campaigns and trying to influence the public during elections. The SEC has yet to issue a decision. Further, **Ford Motor** says the CPA proposal is duplicative of another resolution on political spending it received from long-time shareholder activist Evelyn Y. Davis—an argument that may succeed. One of the standard CPA proposals has been omitted on procedural grounds, at **Comcast**.

Focus on trade groups: Investor campaign finance reformers remain particularly concerned about the nature and extent of indirect corporate political spending—money from corporate treasuries that companies provide to politically active trade groups and tax-exempt organizations, since for the most part this money remains invisible to shareholders. Spending by "social welfare organizations," known by their 501(c)4 tax-exempt designation, ballooned in the 2010 election cycle and spending by "527" political committees continued apace, as well. Available evidence suggests that the source of these groups' funding was by and large not from corporate treasuries, although more research on the topic clearly is warranted.

The standard CPA shareholder resolution asks for more transparency about both direct and indirect political spending, as noted above. But several proposals make the concern about indirect flows of money into the political arena even more explicit. Walden Asset Management is leading a campaign, working with Trillium Asset Management, the Tides Foundation, Nathan Cummings Foundation, and Green Century Funds, to target companies that sit on the board of the US Chamber of Commerce, in addition to companies that have been involved in the political arena in other ways. All the proposals use the same resolved clause, asking for a "comprehensive review of all political contributions and spending processes" that includes:

1) The criteria used for such contributions and the broader impact contributions may have on the company's reputation, public image with consumers and business sales and profitability, including how hoped-for benefits are balanced with the broader costs of endorsing a candidate whose policies may conflict with [the Company's] publicly expressed values;

2) Direct or indirect contributions to candidates and issue ads aimed at affecting political races;

3) Support for ballot initiatives at the state level;

4) Contributions through trade associations such as the US Chamber of Commerce, and tax-exempt organizations (e.g. 501(c)4s and 527s) which can redistribute contributions for political purposes without having to disclose such transactions; and

5) Oversight processes by management and the Board.

At **3M**, **Best Buy**, **Pentair**, and **Target**, where the proposal remains pending, the proponents note the controversy about the firms' payments to the political committee Minnesota Forward that supported 2010 Minnesota gubernatorial candidate Tom Emmer. In addition to supporting business friendly initiatives, Emmer also is firmly opposed to gay rights. At three other companies—**Occidental**, **Tesoro**, and **Valero**, the proponents are unhappy with the firms' contributions to support California Proposition 23 last fall; the ballot measure would have postponed implementation of the state's landmark climate change law but failed to pass. The resolution also remains pending at **Pepsi**.

Using a slightly different formulation at **IBM**, Walden is asking for a "comprehensive review" of the company's direct and indirect political spending policies and oversight processes, which will include "direct and indirect expenditures supporting or opposing candidates, or for issue ads designed to affect political races, including dues and special payments made to trade associations, such as the US Chamber of Commerce, or political and other organizations that can hide any contributions." It also wants the company to delineate "Risks and responsibilities associated with serving on boards of and paying dues to trade organizations when positions of the trade association contradict the company's own positions." **IBM** initially challenged the proposal at the SEC, arguing it could be omitted on ordinary business grounds, but later withdrew its challenge and said it would put the resolution in its proxy statement in exchange for the proponents' withdrawal of a separate proposal about the separation of the CEO and board chairman.

Withdrawals—Walden withdrew at **Tesoro** after the company agreed to more detailed reporting and board oversight and at **UPS** after that company explained that it does not make any campaign contributions. A similar withdrawal occurred at **Pfizer**, after the company agreed to a new policy prohibiting corporate independent expenditures in support of political candidates, and at **JPMorgan Chase**. The proposal also has been withdrawn by Walden at **AT&T**. At some companies, the proponents still plan to raise concerns about support for the Chamber of Commerce from the floor, as allowed under Rule 14a-4 of the Shareholder Proposal Rule.

SEC action—**Target** has challenged the proposal at the SEC, arguing it is now moot given changes the company has made to its policies in the last six months. The SEC has yet to rule, but a withdrawal agreement could be in the offing.

Lobbying: The AFL-CIO and AFSCME are taking up the other side of the electoral coin and want reports on lobbying. They have hit on a formulation that is acceptable to the SEC, which appears to have changed its previous opinion about lobbying resolutions. Until now, the SEC either considered lobbying proposals to be ordinary business matters, or turned back proposals that mentioned "grassroots lobbying"—also commonly referred to as "astro-turfing"—as too imprecise. The new resolution, pending at **Bank of America**, **ConocoPhillips**, **IBM**, **Lockheed Martin**, **Prudential Financial**, and **Raytheon**, asks for semi-annual reports that disclose:

1) Policies and procedures for lobbying contributions and expenditures (both direct and indirect) made with corporate funds and payments (both direct and indirect, including payments to trade associations) used for direct lobbying and grassroots lobbying communications, including internal guidelines or policies, if any, for engaging in direct and grassroots lobbying communications.
2) Payments (both direct and indirect, including payments to trade associations) used for direct lobbying and grassroots lobbying communications, including the amount of the payment and the recipient.
3) The report shall also include the following for each payment, as relevant:
   A) Identification of the person or persons in the Company who participated in making the decision to make the direct lobbying contribution or expenditure; and
   B) Identification of the person or persons in the Company who participated in making the decision to make the payment for grassroots lobbying expenditures.

For purposes of this proposal, a "grassroots lobbying communication" is a communication directed to the general public that A) refers to specific legislation, B) reflects a view on the legislation and C) encourages the recipient of the communication to take action with respect to the legislation.

Both "direct lobbying" and "grassroots lobbying communications" include efforts at the local, state, and federal levels.

A hybrid proposal from the Laborers International Union (LiUNA) to **ExxonMobil** combines the language of the CPA proposal with that of the other union lobbying resolutions.

SEC action and a withdrawal—The SEC has rejected **IBM's** argument that the resolution concerns ordinary business, suggesting it also will scuttle a similar challenge mounted by **Bank of America**. **Citigroup** already has successfully contended at the SEC that the proposal can be omitted since it received the CPA proposal first and the subject is duplicative; a similar challenge is likely to succeed at **Occidental**. At **CIGNA**, which contended at the SEC that the proposal was too vague, the union withdrew before any decision.

ADVISORY VOTES ON SPENDING

Following the model of the successful "say-on-pay" campaign, investors have filed seven proposals that request shareholder input on political spending. Only three seem likely to go to votes: a resolution to **Home Depot** from Northstar Asset Management and a very detailed proposal from the Connecticut Retirement Plans to **United Health Group** and **Wellpoint**. At **Home Depot**, the request is for an annual management proposal that would present for shareholder approval "the company's policies on electioneering contributions,any specific expenditures for electioneering communications known to be anticipated during the forthcoming fiscal year, the total amount of such anticipated expenditures, [and] a list of electioneering expenditures made in the prior fiscal year…" The Connecticut proposal is for an annual advisory vote that would "ratify [the company's] political spending program for the previous fiscal year," including all the information requested in the CPA resolutions but spelled out in more detail, and all the lobbying information requested in the union proposals.

No votes appear likely on a proposal filed by an individual proponent to four companies—**Becton Dickenson**, **Dominion Resources**, **ExxonMobil**, and **General Electric**. The proposal says companies should "make no political contributions without the approval of the holders of at least 75 percent of its shares outstanding."

The resolutions are being submitted amid the backdrop of legislation being discussed on Capitol Hill on a mandatory advisory vote on corporate campaign contributions, submitted in the last Congress by Representative Michael E. Capuano (D-Mass.). A similar bill is under discussion in the present Congress.

SEC action: **Home Depot** is suggesting at the SEC that the proposal is moot, deals with ordinary business, and is too vague, but the SEC has yet to issue an opinion.The proposal to **Wellpoint** may get knocked out on procedural grounds.

PUBLIC POLICY ADVOCACY

The final set of political spending proposals comes from the National Center for Public Policy Research (NCPPR) and the National Legal and Policy Center (NLPC). The two organizations, conservative Washington-based think tanks, believe that companies are straying too far from their business interests by advocating in the public policy arena. The NLPC wants **PepsiCo** and **Pfizer** to annually report "on the Company's process for identifying and prioritizing legislative and regulatory public policy advocacy activities." It says the report should:

1) Describe the process by which the Company identifies, evaluates and prioritizes public policy issues of interest to the Company;
2) Identify and describe public policy issues of interest to the Company;
3) Prioritize the issues by importance to creating shareholder value; and
4) Explain the business rationale for prioritization.

Using the same language, NCPPR is asking **Exelon**, **Pfizer** (in a second proposal on the subject), and **General Electric** for much of the same information, reiterating items one, two and three on the list above. It adds the additional points:

1) Describe the process by which the Company enters into alliances, associations, coalitions and trade associations for the purpose of affecting public policy;
2) Describe the process by which the Company evaluates the reputational impact ofits public policy advocacy positions….

SEC action: The SEC already has rejected **GE's** assertion that the proposal concerns ordinary business, but agreed with **Pfizer's** contention that the NCPPR proposal duplicated the one from NLPC. Omissions are far less likely at **Exelon**, which says the proposal is moot, and at **Pepsi**, which also is trying an ordinary business argument that never has prevailed with these types of proposals in the past.

Climate change lobbying: An individual proponent affiliated with the NCPPR has resubmitted a resolution to **Duke Energy** that asks the company to disclose "the Company's global warming-related lobbying activities," including:

1) Disclose the business associations, coalitions and non-profit organizations the company uses to advance its legislative goals relative to global warming.
2) Disclose the policies and procedures that oversee the company's membership in business associations and coalitions and its interaction with non-profit organizations, including financial support, relative to global warming.
3) Describe the benefit to shareholders from the Company's lobbying activities related to global warming.

Political Spending Proposals

Company	Proposal	Proponent	Meeting/ Status
Spending Disclosure			
3M Co	report on political spending/potential impact	Trillium	May
Allstate	report on political spending	Kansas City Firefighters	May
Amazon.com	report on political spending	Newground Social Investment	May
Ameriprise Financial	report on political spending	LiUNA	April
Anadarko Petroleum	report on political spending	NYSCRF	May
AT&T	report on political spending	Domini Social Investments	April
AT&T	report on political spending/potential impact	Walden Asset Management	Withdrawn
Bank of America	report on lobbying	AFSCME	April
BB&T	report on political spending	LiUNA	April
Best Buy	report on political spending/potential impact	Trillium	June
Boeing	report on political spending	Newground Social Investment	April
Caterpillar	report on political spending	NYSCRF	April
CenturyLink	report on political spending	Communication Workers	May
Charles Schwab	report on political spending	NYC pension funds	May
CIGNA	report on lobbying	AFL-CIO	withdrawn
Citigroup	report on lobbying	AFSCME	omitted
Citigroup	report on political spending	Kansas City Firefighters	April
Comcast	report on political spending	Joseph F. Granata	omitted
ConocoPhillips	report on lobbying	AFSCME	May
ConocoPhillips	report on political spending	Nathan Cummings Foundation	May
Coventry Health Care	report on political spending	NYC pension funds	May
CVS Caremark	report on political spending	Green Century	May
DTE Energy	report on political spending	NYC pension funds	May
Eastman Kodak	report on political spending	Green Century	May
EOG Resources	report on political spending	Mercy Investment	April
Express Scripts	report on political spending	Kansas City Firefighters	May
ExxonMobil	report on political spending and lobbying	LiUNA	May
Ford Motor	disclose political contributions in newspapers	E. Davis	May
Ford Motor	report on political spending	Trillium	May
Goldman Sachs	report on political spending	Domini Social Investments	May
Halliburton	report on political spending	Trillium	May
Int'l Business Machines	report on lobbying	AFSCME	May
Int'l Business Machines	report on political spending& trade groups	Walden Asset Mgt.	April
JPMorgan Chase	report on political spending	Domini Social Investments	May
JPMorgan Chase	report on political spending/potential impact	Tides Foundation	withdrawn
Limited Brands	report on political spending	NYSCRF	May
Lockheed Martin	report on lobbying	AFSCME	April
Lorillard	report on political spending	NYSCRF	May
Lowe's	report on political spending	Kansas City Firefighters	May
Marriott International	report on political spending	NYSCRF	withdrawn
Massey Energy	report on political spending	LiUNA	May
Molson Coors Brewing	report on political spending	NYSCRF	withdrawn
National Oilwell Varco	report on political spending	Nathan Cummings Foundation	May
Northrop Grumman	report on political spending	Mercy Investment	May
Occidental Petroleum	report on lobbying	AFSCME	May
Occidental Petroleum	report on political spending/potential impact	Green Century	May
Pentair	report on political spending/potential impact	Trillium	April
PepsiCo	report on political spending/potential impact	Walden Asset Management	May
Pfizer	report on political spending/potential impact	Walden Asset Management	withdrawn
Prudential Financial	report on lobbying	AFSCME	May
R. R. Donnelley & Sons	report on political spending	NYSCRF	May
Raytheon	report on lobbying	AFSCME	May
Regions Financial	report on political spending	NYC pension funds	May
Sears Holdings	report on political spending	NYSCRF	May
Southwestern Energy	report on political spending	Kansas City Firefighters	May
Sprint Nextel	report on political spending	NYC pension funds	May

Continued on next page

Political Spending Proposals (continued) Company	Proposal	Proponent	Meeting /Status
State Street	report on political spending	Trillium	May
Target	report on political spending/potential impact	Walden Asset Mgt.	June
Tesoro	report on political spending/potential impact	Nathan Cummings Fndn	withdrawn
United Parcel Service	report on political spending/potential impact	Walden Asset Mgt.	withdrawn
Valero Energy	report on political spending	Nathan Cummings Fndn	April
Valero Energy	report on political spending/potential impact	Unitarian Universalists	April
Walmart	report on political spending	Kansas City Firefighters	June
WellCare Health Plans	report on political spending	Amalgamated Bank	June
Wells Fargo	report on political spending	Kansas City Firefighters	May
Windstream	report on political spending	Communication Workers	May
Yum! Brands	report on political spending	NYSCRF	May
Advisory Votes on Spending			
Becton Dickinson	require shareholder approval of political spending	James W. Mackie	Omitted
Dominion Resources	require shareholder approval of political spending	James W. Mackie	Withdrawn
ExxonMobil	require shareholder approval of political spending	James W. Mackie	Withdrawn
General Electric	require shareholder approval of political spending	James W. Mackie	April
Home Depot	allow advisory vote on political spending	Northstar	May
United Health Group	allow advisory vote on political spending	CT Retirement Plans	May
Wellpoint	allow advisory vote on political spending	CT Retirement Plans	May
Public Policy Advocacy			
Duke Energy	report on climate change lobbying	Shelton Ehrlich (NCPPR)	April
Exelon	report on public policy advocacy	NCPPR	May
General Electric	report on public policy advocacy	David Ridenour	April
PepsiCo	report on public policy advocacy	NLPC	May
Pfizer	report on public policy advocacy	NLPC	April
Pfizer	report on public policy advocacy	NCPPR	Omitted
Charitable Giving			
Home Depot	report on charitable contributions	John Malaspina	May
Principal Financial Group	report on charitable contributions	T. Strobhar	Omitted

The **Duke** proposal earned 9.3 percent support in 2010. (Two proposals from NCPPR and NLPC that are critical of **Goldman Sachs's** position on climate change science and risks are noted in this report in the section on Climate Change, p. 26.)

CHARITABLE GIVING

A proposal to **Principal Financial Group**, from a critic of the companies' gay-friendly policies and of contributions to Planned Parenthood will not be on the ballot because of procedural problems with the filing; a similar proposal to **Home Depot** is likely to meet the same fate. A few more proposals targeting charitable giving may surface during the course of the season.

Sustainability

Proposals that ask companies for sustainability reports have burgeoned, although the total is down some this year, with just two dozen filings so far. These proposals typically earn some of the highest levels of support from investors and also tend to be some of the most likely to be withdrawn after the proponents and corporate officials reach agreements about more detailed reporting. In 2010, proponents withdrew fully 24 of the 39 resolutions they filed; average support for the 14 that went to votes was 30.8, which obscures the extremely high vote of 60.3 percent at **Layne Christensen**, where the resolution is pending again. This year there are 37 filings about sustainability. (See sidebar on the following page for Calvert Investments' perspective on its sustainability reporting proposals.)

New this year is a group of eight resolutions from unions—the Laborers and Amalgamated Bank—that seek to link executive compensation to sustainability performance. Another new wrinkle is a proposal from the New York City pension funds that asks **Walmart** to require its suppliers to issue sustainability reports. One additional proposal to **Monsanto** from Harrington

advocacyposition

GRI SUSTAINABILITY REPORTING

STU DALHEIM
Calvert Investments

The global economy of the 21st century must find ways to encourage new approaches to wealth creation that raise living standards while preserving and protecting fragile ecosystems and vital resources that did not factor into previous economic models. Investors increasingly see financial materiality in environmental, social, and governance issues.

Producing a sustainability or corporate responsibility report helps company leadership understand and begin to manage key sustainability business risks and opportunities. Such reports also demonstrate to stakeholders that management is aware of and is handling environmental and social matters. Sustainability reports are often platforms for engagement. The iterative reporting process sets up a cycle of dialogue as companies and stakeholders identify the most material issues. Calvert Investments has called on companies to produce Global Reporting Initiative (GRI)-based sustainability reports since 2004, and in recent years the campaign has been focused on high impact sectors.

In 2008, Calvert Investments engaged the airline sector, filing resolutions with five companies. **Continental**, **UAL**, and **Southwest** have made significant progress, with each producing a corporate responsibility or sustainability report. **Southwest** interestingly now produces a "One Report," combining its financial and corporate responsibility reporting, using the GRI guidelines. **Jet Blue** and **US Airways** lag behind their peers.

In 2009, we filed with companies that provide water management solutions. Our engagement with **Aqua America**, **Flowserve**, **Itron**, and **Valmont** has helped to move each of these companies forward. **Aqua America** and **Itron** are further along, producing more substantive reports in which they recognize sustainability as a core business driver for their firms.

In 2010 Calvert focused on the apparel sector, filing proposals with four companies including **Ann Taylor Stores**, **J. Crew**, and **Chico's**. Through dialogue we secured commitments to begin or improve upon existing reporting and while there has already been progress (**Ann Taylor** has made notable strides forward and **Chico's** is taking its first baby steps), the dialogues are ongoing.

Our focus this current proxy season has been smaller oil and gas companies, **Northwest Natural Gas**, **Southern Union Co.**, **Southwest Gas**, and **Energen**, which face a range of challenges including climate change, resource extraction, and employee safety. As these firms grow, it is important that they manage these risks and operate in ways that meet stakeholder expectations.

Since we began a sector-based approach in 2008, we have filed or co-filed 34 proposals and have been able to withdraw 22 of them, when the companies agreed to begin reporting or improve existing reports. The quality and depth of reporting varies significantly company by company. Hence, a common theme through all of these engagements is the concept of continuous improvement—moving from disclosure of policy and management systems to reporting data and key performance indicators, setting goals and targets, and ultimately meeting GRI guidelines. This process is the primary source of the benefit of reporting because it requires that companies understand impacts to society and the risks they face—prerequisites to more sustainable management. The shareholder proposal is often the trigger that gets this process underway.

Investments, which asks for a binding by-law amendment for a board-level sustainability committee, has been withdrawn following an agreement. (See sidebar, p. 16, for Harrington Investments' perspective on by-law amendments.)

The proposals are being submitted amid a global debate on reporting standards and "integrated reporting"—the integration of discussions and information on sustainability risks with more traditional financial reporting. US regulators are watching as countries across Europe and elsewhere are adopting mandatory environmental, social and governance (ESG) requirements; exchanges on their own, in some cases, are implementing similar requirements. At the same time, the Prince of Wales' Accounting for Sustainability project is collaborating with the mostly widely used sustainability reporting standard, the Global Reporting Initiative (GRI), major accounting firms, and key stakeholders in what is dubbed the International Integrated Reporting Committee on a framework for integrated ESG and financial reporting.

REPORTING

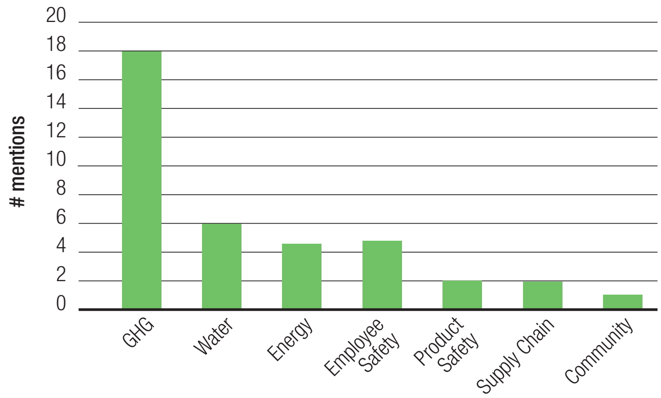
Most of the resolved clauses of the resolutions are very similar, requesting information on corporate strategies to address "sustainability" or "ESG performance" in general. Eighteen of the 24 proposals ask for data on greenhouse gas emissions and their management, while half a dozen want more disclosure on water issues, energy and employee safety each get five mentions, while just a few also specifically mention product safety, the supply chain and general community impacts (see chart).

The first vote of the season came at **Emerson Electric**, where the proposal that asked for a sustainability report and information on GHG emissions got 33.7 percent. Eighteen other proposals are pending (see table for a list).

Withdrawals: The proposal has been withdrawn at six companies—**Consol Energy**, **Covanta Holding**, **National Oilwell Varco**, **Northwest Natural Gas**, **Revlon**, and **Varian Medical Systems**—following agreements.

SEC action: There are just a few challenges to the sustainability proposals, with most still pending. **Boston Properties** unsuccessfully argued that the New York City

Sustainability Proposal Issues



Source: Si2 total=24 resolutions

Sustainability Proposals

Company	Proposal	Proponent	Meeting /Status
Monsanto	establish board committee on sustainability	Harrington Investments	withdrawn
Reporting			
Boston Properties	publish sustainability report	NYC pension funds	May
C. R. Bard	publish sustainability report	Walden Asset Management	April
Consol Energy	publish sustainability report	CALSTRS	withdrawn
Covanta Holding	publish sustainability report	Teamsters	withdrawn
Dollar Tree	publish sustainability report	Calvert	June
Emerson Electric	publish sustainability report	Walden Asset Management	33.7%
Energen	publish sustainability report	Calvert	April
ExxonMobil	publish sustainability report	Bartlett Naylor	May
Gentex	publish sustainability report	Walden Asset Management	May
Macerich	publish sustainability report	Amalgamated Bank	May
MGM Resorts Int'l	publish sustainability report	NYC pension funds	Aug
Layne Christensen	publish sustainability report	Walden Asset Management	June
National Oilwell Varco	publish sustainability report	CALSTRS	withdrawn
Northwest Natural Gas	publish sustainability report	Calvert	withdrawn
Revlon	publish sustainability report	Calvert	withdrawn
SCANA	publish sustainability report	Miller/Howard Investments	May
Southern Union	publish sustainability report	Calvert	May
SouthWest Gas	publish sustainability report	Calvert	May
Southwestern Energy	publish sustainability report	CALSTRS	May
St. Jude Medical	publish sustainability report	Walden Asset Management	May
SunTrust Banks	publish sustainability report	Unitarian Universalists	April
Tesoro	publish sustainability report	CALSTRS	June
Time Warner	publish sustainability report	Newground Social Investment	May
Varian Medical Systems	publish sustainability report	Walden Asset Management	withdrawn
Walmart	require supplier sustainability reports	NYC pension funds	June
Williams-Sonoma	publish sustainability report	Calvert	May
Executive Compensation Links			
CB Richard Ellis Group	include sustainability as exec. performance measure	LiUNA	June
Chevron	include sustainability as exec. performance measure	LiUNA	May
Equity Residential	include sustainability as exec. performance measure	LiUNA	June
ExxonMobil	include sustainability as exec. performance measure	Amalgamated Bank	May
Hess	include sustainability as exec. performance measure	Amalgamated Bank	May
Lowe's	include sustainability as exec. performance measure	LiUNA	May
Marathon Oil	include sustainability as exec. performance measure	Amalgamated Bank	April
MDU Resources Group	include sustainability as exec. performance measure	LiUNA	withdrawn
Sempra Energy	include sustainability as exec. performance measure	LiUNA	May

pension fund proposal is moot, but the SEC disagreed, saying the company's "practices and policies do not compare favorably with the guidelines of the proposal." The proposal received 44 percent last year. A new resolution from an individual proponent to **ExxonMobil** zeros in on sustainability in the company's "logistics decisions," and the company says this is too vague, while both **Energen** and **SCANA** say the proponents have not provided sufficient proof of stock ownership.

Supply chain: The New York City pension funds want **Walmart** to:

> require the company's supplier(s) to publish an annual sustainability report that, among other important disclosures, includes objective assessments and measurements of performance on human and worker rights, using internationally recognized standards, indicators and measurement protocols; and includes non-compliance incidents, actions taken to remedy those incidents, and measures taken to contribute to long-term prevention and mitigation.

The company says, however, that the issue is moot. Last year, it successfully challenged a resolution from the AFL-CIO that wanted it to adopt climate change action principles, and since the company has made considerable efforts to boost its environmental credentials through action in its supply chain, the outcome of this challenge is unpredictable.

EXECUTIVE COMPENSATION LINKS

Pending at a mix of eight companies—**CB Richard Ellis Group**, **Equity Residential**, **Chevron**, **ExxonMobil**, **Hess**, **Lowe's**, and **Sempra Energy**—is the union resolution that requests the companies to "adopt a policy that incentive compensation for senior executives should include a range of non-financial measures based on sustainability principles and reducing any negative environmental impacts related to Company operations. For purposes of this resolution, 'sustainability' refers to the methods by which environmental, social, and economic considerations are integrated into long-term corporate strategy." The proposal has been withdrawn so far at **MDU Resources**.

Rule 14a-8 Grounds for Omission of Shareholder Resolutions

Technical Rules	
b	Proponent did not provide sufficient proof of stock ownership.
e-2	Proposal was filed past the submission deadline.
h-3	Proposal was submitted but not properly presented within the last two years.
Substantive Rules	
i-1	Is not a proper subject under state law (usually if it is proposed as a requirement, not a recommendation).
i-2	Would be contrary to state, federal or foreign laws if implemented.
i-3	Contains false or misleading statements.
i-4	Relates to personal claims, grievances or interests.
i-5	Is not significantly related to the company's business (less than 5 percent of total assets and less than 5 percent of net earnings & gross sales.)
i-6	Company lacks the power or authority to implement.
i-7	Deals with a matter relating to the company's ordinary business operations.
i-8	Relates to nomination or election to the board of directors.
i-9	Conflicts with a management proposal.
i-10	Has been substantially implemented.
i-11	Duplicates another proposal that is substantially the same.
i-12	Is substantially the same as a previous proposal (submitted in the last five years) that did not receive enough support for resubmission (3 percent of the shares cast for and against in the first year, 6 percent the second year and 10 percent thereafter).
i-13	Relates to specific amounts of cash or stock dividends.

ALIGNING INVESTMENT AND MISSION

American foundations—with endowments totaling more than $550 billion—have made significant contributions to almost every social issue imaginable. Environmental protection, health, education, and equal rights, among many other causes, have all benefited from philanthropic support. Yet foundations are exercising only a small portion of their assets toward fulfilling their missions—typically 5 percent annually through grantmaking. One can only imagine the enormous positive impact foundations would have if they tapped into the potential embedded in the remaining 95 percent.

For most foundations, this 95 percent is largely held in investments in US companies. A small but growing movement has been developing ways for foundations to use their investments to add value to their grantmaking and to achieve goals to which traditional forms of grantmaking are not suited. With hundreds of billions of their dollars invested in the stock market, foundations are major investors who can play a key role in advancing the movement to align investment and mission. The four most common strategies for aligning investment and mission are proxy voting, shareholder advocacy, screened portfolios, and mission/program-related investing.

The following sections briefly introduce these four strategies. We reference some foundations involved in these activities as well as reports and resources that can help explain these initiatives. By using their values to help guide investment policies, foundations can add to the performance of their endowments while supporting the social goals that are at the heart of their missions.

PROXY VOTING

Proxy voting is part of an investor's basic fiduciary responsibility on existing investments. Consequently, it is a logical entry point for foundations wishing to align investment and mission. The proxy statement is the principle document used by companies seeking approval from shareholders on issues relating to corporate governance or other issues to be voted on by shareholders. Voting on shareholder proposals to help influence companies to be more fiscally, socially, and/or environmentally responsible is the most fundamental way an investor can both exercise fiduciary responsibility and weigh in on social and environmental issues. Proxy votes have ushered in many progressive corporate practices such as non-discrimination in employment, reformulation of toxic products, disclosure of environmental liabilities, and improved factory working conditions.

As You Sow along with Rockefeller Philanthropy Advisors, the Jessie Smith Noyes, Nathan Cummings, Needmor, and Rose foundations have been among the leaders in encouraging foundations to use this basic fiduciary tool to enhance their missions and to protect the endowments on which their grantmaking depends. Several foundations have made special efforts to vote proxies based on their own carefully developed proxy voting guidelines. These include the William Bingham Foundation, Boston Foundation, Educational Foundation of America, Ford Foundation, Jennifer Altman Foundation, Park Foundation, Quixote Foundation, Rockefeller Brothers Fund, Rockefeller Family Fund, Skoll Foundation, Wallace Global Fund, and the V. Kann Rasmussen Foundation. Several of these guidelines are publicly available.

SHAREHOLDER ADVOCACY

Shareholder advocacy uses the power of stock ownership to promote change in corporate practices. If proxy voting is the first stage of shareholder advocacy, then the next is filing a shareholder proposal and/or conducting a shareholder dialogue with senior company management. To become a filer of a proposal, a shareholder must hold at least $2,000 worth of shares continuously for at least one year prior to the proposal filing date of each company and agree to hold the shares through the annual general meeting. A productive dialogue generally leads to the withdrawal of a proposal. Dialogues involve the exchange of information between top executives at the company and the shareholders. The dialogue process is often an important first step in getting the company to take concrete action on an issue or in making sure they follow up with earlier promises.

For three decades shareholders have effectively utilized shareholder proposals and dialogues to influence corporate practices. As a result, a well-established shareholder network already exists which helps to coordinate and gain support for shareholder proposals, and which can help introduce new advocates to this process. As You Sow is the foundation most engaged in shareholder advocacy, having filed its first shareholder proposals in 1996 and annually engaging dozens of major companies though proposals and dialogues. In 2011, at least one dozen foundations filed shareholder proposals or sponsored corporate dialogues on topics including energy efficiency, executive compensation, greenhouse gas emissions, political contributions, sexual orientation, sustainability reporting, and toxic chemicals. These foundations include As You Sow, Brainerd Foundation, Cedar Tree Foundation, Educational Foundation of America, Edward W. Hazen Foundation, Lemmon Foundation, Max and Anna Levinson Foundation, Merck Family Fund, Nathan Cummings Foundation, Needmor Foundation, Park Foundation, Pride Foundation, Christopher Reynolds Foundation, and Russell Family Foundation.

SCREENED INVESTMENTS

Nearly all investments are screened in some way, whether it is based on asset class, investment style, traditional financial criteria, or environmental, social, and governance (ESG) considerations. Screening portfolios for various ESG considerations allows foundations to add or remove investments to better represent the foundations' values. *The Chronicle of Philanthropy* reported that 25 percent of the top 50 private foundations utilize some type of social screen. For example, the Educational Foundation of America has utilized ESG screens for more than one decade and reports that its investments have consistently out-performed major indexes including the S&P 500, Dow Jones, and Russell 1000. The Social Investment Forum reports that nearly one out of every eight dollars under professional management in the US today is involved in at least one form of socially responsible investing.

At a minimum, Socially Responsible Investment (SRI) involves screening portfolio holdings based on ESG criteria established by SRI firms or clients (SRI is often a generic term applied to all social investors such as ESG investors, impact investors, ethical investors, and green investors). Screening may entail using both positive and negative screens. For example, positive screens (which have been gaining favor over negative screens) may focus on companies that adopt clean technologies, offer non-toxic products, have strong environmental practices, or conduct operations that respect human rights. Negative screens aim to avoid investing in companies whose products and practices are harmful to individuals, communities, or the environment. Exclusion of tobacco companies has traditionally been the most widely employed screen, followed by exclusion of companies marketing alcohol. Positive and negative screens are not mutually exclusive. Investors may use both approaches simultaneously to help align their portfolios with their values. Many SRI firms also commit to investing a minimum amount of assets in community investing projects and use shareholder advocacy to improve the social and environmental policies and practices of companies they hold. Calvert Investments, Trillium Asset Management, Walden Asset Management and RBC Wealth Management are the most active SRIs in filing proposals and engaging in advocacy for foundations.

MISSION/PROGRAM-RELATED INVESTMENTS

Mission-related investing (MRI) directs a portion of a foundation's assets into projects or companies that reflect the mission of the foundation and at the same time generate financial returns. The study *Compounding Impact: Mission Investing by U.S. Foundations* (Resources p. 52) identifies 92 foundations that have made $2.3 billion in such investments over the past 30 years. However, the biggest surge of MRI programs has occurred during the last five years. While the Ford, MacArthur, and Packard foundations have historically accounted for the majority of MRI, smaller foundations now account for 44 percent of all new spending.

The term MRI can be confusing as it is often used as an umbrella term for any investment seeking to make a positive environmental or social impact. It is also often used interchangeably with Program-Related Investments (PRI), yet there are, in fact, legal and accounting differences between MRI and PRI. MRIs are distributed from a foundation's endowment or assets and are not specifically required to be of social benefit and often strive for market returns. Several leading foundations now refer to MRI as 'Market Rate Investment' to make it easily distinguishable from the often below market rate PRIs. MRIs can range from investments in "clean tech" companies to organic boutiques. The Rudolf Steiner Foundation, Jessie Smith Noyes Foundation, and KL Felicitas Foundation are among the leaders in this field.

PRIs are typically low-interest loans for housing, education, and business, and they are usually disbursed from a foundation's granting funds, consequently financial gain may not be their primary goal. The F.B. Heron Foundation, Annie E. Casey Foundation, and the Meyer Memorial Trust launched PRI Makers to provide guidance for those interested in these types of investments (Resources, p. 57).

RESOURCES

FOUNDATION REPORTS

A Brief Guide to the Law of Mission Investing for U.S. Foundations uses uncomplicated language to outline factors that foundation decision-makers should consider in making their mission investments. By FSG Social Impact Advisors with support from the David and Lucile Packard Foundation and the Meyer Memorial Trust. 2008
www.fsg.org/tabid/191/ArticleId/59/Default.aspx?srpush=true

A Toolkit for Foundations and Individual Investors: Harnessing Your Investments to Help Solve the Climate Crisis describes positive steps available to investors of any asset class who seek to leverage their investments in response to climate change. By CERES, INCR, and the Environmental Grantmakers Association. 2008
www.ceres.org/Document.Doc?id=383

Beneath the Skin: Hidden Liabilities, Market Risk and Drivers of Change in the Cosmetics and Personal Care Products Industry identifies financial risks to investors in the cosmetics industry—a largely self-policed industry in which regulatory action by the U.S. Food and Drug Administration is typically triggered only by reporting from the companies themselves. By the Rose Foundation and the Investor Environmental Health Network (IEHN). 2006
rosefdn.org/downloads/Beneath%20the%20Skin%20Report.pdf; www.iehn.org

Beyond 5%: The New Foundation Payout Menu profiles foundations that have adopted strategies of increasing pay out, spending down, investing in for-profit social enterprises, and unusual structures such as providing extensive free consulting to grantees, and developing an online network beyond non-profit and for-profit enterprises. By the French American Charitable Trust, Northern California Grantmakers and the New York Regional Association of Grantmakers. 2009
http://www.ncg.org/s_ncg/bin.asp?CID=9349&DID=24751&DOC=FILE.PDF

Compounding Impact: Mission Investing by U.S. Foundations is a study of the program-related investments (PRI) of 92 U.S. foundations. It documents $2.3 billion of such investments made over the last 40 years. The report estimates mission investments' annual growth rate averaged 16.2% over the last five years, up sharply from the preceding 30-year period. The report says that most investments consist of either market-rate investments or below market-rate investments. By FSG Social Impact Advisors with support from the David and Lucile Packard Foundation. 2007
www.fsg-impact.org

Fiduciary Guide to Toxic Chemical Risk examines the financial dimensions of toxic chemical risk. The report looks at how to quantify such risk, the danger to shareholder value, and a comprehensive set of actions that can be taken by investors to translate the long-term threats and opportunities associated with toxic chemical issues into prudent portfolio stewardship. By the Rose Foundation, Investor Environmental Health Network, Mercer Consulting, and the Global Development and Environment Institute. 2007
rosefdn.org/downloads/Toxic%20Chemical%20Risk%20Report.pdf.

Innovative Financing for Sustainability offers a legal framework for the integration of environmental, social, and governance issues into institutional investment. By the United Nations Environmental Program Finance Initiative. 2005
www.unepfi.org/fileadmin/documents/freshfields_legal_resp_20051123.pdf

Investing for Impact: A Snapshot of EGA Members' Leveraged Investment Strategies documents the resources and information utilized by a diverse cross-section of grantmaking institutions that have begun to use asset-based investment strategies to advance their philanthropic missions. By the Center for Social Philanthropy and the Environmental Grantmakers Association. 2008
www.socialphilanthropy.org

Mission in the Marketplace: How Responsible Investing Can Strengthen the Fiduciary Oversight of Foundation Endowments and Enhance Philanthropic Missions discusses four strategies that help foundations further leverage their assets and enhance mission: social screening, shareholder advocacy, community investing, and social venture capital. By the Social Investment Forum Foundation. 2007

www.socialinvest.org/pdf/research/Mission%20in%20Marketplace%20-%20Resource%20Guide.pdf

Mission Investing for Small Foundations is aimed at helping smaller foundations use their investments to maximize impact on their program goals and financial gains, namely by eliminating the barriers between investing and grantmaking. By the Association for Small Foundations. 2008

www.smallfoundations.org/site/pp.asp?c=fvKRI7MPJqF&b=4809257

Mission Possible: Emerging Opportunities for Mission-Connected Investment presents the case that mission-connected investment, or MCI, by even a few large foundations holds great potential. It details opportunities for foundations interested in MCI. By the New Economics Foundation. 2008

www.neweconomics.org/gen/z_sys_PublicationDetail.aspx?pid=253

Mission-Related Investing for Foundations and Non-Profit Organizations: Practical Tools for Mission/Investment Integration introduces and defines MRI and describes an implementation process complete with resources and a glossary. By Trillium Asset Management Corp. 2007

www.nafoa.org/pdf/Mission-Related-Investing.pdf

Philanthropy's New Passing Gear: Mission-Related Investing – A Policy and Implementation Guide for Foundation Trustees is a comprehensive, practical guide that translates the concepts, ideas, and philosophy of MRI into useable policies and practices for foundation trustees to help ensure the effective launch of an MRI program and its integration with existing policies and processes. By Rockefeller Philanthropy Advisors, underwritten by the F.B. Heron Foundation with additional support from the Flora Family Foundation and the Woodcock Foundation. 2008

www.rockpa.org/document.doc?id=16

Primer for the Responsible Investment Management of Endowments Tool Kit was created to assist trustees, officers, and directors of foundations to better understand and integrate socially responsible investment. By the European Foundation Centre, European Social Investment Forum and the Bellagio Forum for Sustainable Development. 2006

bfsd.server.enovum.com/en/content/view/192

Program-Related Investing and the Indianapolis Charter Schools Facilities Fund is an in-depth case study profiling an innovative program-related investment (PRI) designed to stimulate private investment in charter school facilities and support the Annie E. Casey Foundation's education reform objectives in Indianapolis. By the Annie E. Casey Foundation. 2007

www.aecf.org/~/media/Pubs/Other/P/ProgramRelatedInvestingandtheIndianapolisChar/accion.pdf

Proxy Preview: Helping Foundations and Endowments Align Investments and Mission is an annual publication that provides a comprehensive overview of upcoming social and environmental shareholder proposals. It was initiated to help foundations and endowments better align investment and mission but it is useful for all institutional or individual shareholders. The Proxy Preview is published by As You Sow Foundation in collaboration with Proxy Impact and Si2.

www.proxypreview.org; www.asyousow.org; www.proxyimpact.com; www.siinstitute.org

Questions and Answers for Foundations on Proxy Voting is a 14-page fact sheet answering common questions asked by foundations about proxy voting as well as some less common and more complicated issues such as voting commingled funds, delegating voting authority, and providing voting guidance to investment managers. By the Nathan Cummings Foundation and CERES. 2006

www.nathancummings.org; www.ceres.org

Risk, Return and Social Impact: Demystifying the Law of Mission Investing by U.S. Foundations discusses and analyzes laws that deal with mission investing by foundations, particularly the laws of Oregon, California, and New York. It also covers pertinent IRS regulations, case laws, and Uniform Laws. By FSG Social Impact Advisors, with support from the David and Lucile Packard Foundation and the Meyer Memorial Trust. 2008

www.fsg.org/tabid/191/ArticleId/226/Default.aspx?srpush=true

Socially Responsible Investing Trends in the United States looks at investment trends, asset management strategies and key issues facing socially responsible investors. By Social Investment Forum Foundation. 2010

www.socialinvest.org/resources/pubs/trends

Solutions for Impact Investors: From Strategy to Implementation is designed for investors who may have made social purpose investments but not yet connected them to an overall investment strategy, and traditional investors struggling with whether – and how – to integrate 'impact investing' (addressing major social and environmental problems while also earning a return) into existing asset allocation models. By Rockefeller Philanthropy Advisors with major support from the KL Felicitas Foundation and the Rockefeller Foundation. 2009

www.rockefellerfoundation.org/news/publications/solutions-impact-investors-from

Unlocking the Power of the Proxy: How Active Foundation Proxy Voting Can Protect Endowments and Boost Philanthropic Mission is a how-to guidebook that makes the case for proxy voting and shows how developing and implementing a proxy voting policy can be done simply and efficiently. With more than 10,000 copies distributed, Unlocking the Power of the Proxy has helped move foundations to consider the impacts of their investments and to vote their proxies. By As You Sow Foundation and Rockefeller Philanthropy Advisors. 2004

www.asyousow.org/publications/powerproxy.pdf; www.rockpa.org

RELATED ARTICLES AND BOOKS

50 Simple Things You Can Do to Save the Planet asks America's top environmental groups to describe their 'steps to success' in the fight to save the earth. Included is a section on shareholder activism. By John Javna, et. al. Hyperion. 2008

50simplethings.com/invest/index.html

A Duty to Monitor Proxy Voting articulates the duty of investment committee members to ensure that the proxy votes they place reflect the mission of the beneficiaries of the portfolios. By Blaine Aikon, Investment News. 2008

www.investmentnews.com/apps/pbcs.dll/article?AID=/20080512/REG/152757137/1004

Compelling Returns: A Practical Guide to Socially Responsible Investing. This book offers practical advice for institutional investors, such as foundations and endowments, that may be interested in SRI solutions, and details why you should care about these types of strategies. By Scott Budde, Wiley Publishing. 2008

Investing for Social and Environmental Impact addresses the emerging industry of impact investing, how the industry might evolve, and strategies for accelerating its impact. By the Monitor Institute. 2009

www.monitorinstitute.com/impactinvesting/documents/InvestingforSocialandEnvImpact_ExecSum_000.pdf

Meshing Proxy with Mission is a series of articles by the *Chronicle of Philanthropy* that reviews foundations' experiences with proxy votes such as establishing board policies, getting financial managers to vote accordingly, and using shareholder proposals to support grantee efforts. 2006

www.philanthropy.com/free/articles/v18/i14/14000701.htm

Mobilizing Assets, Maximizing Impact: Fully Leveraging Philanthropic Capital for Environmental Change chronicles the trend of philanthropic institutions employing their capital to further their charitable goals including examples from the philanthropic community and a primer on the subject. By Joshua Humphreys, Environmental Grantmakers Association Journal, Fall, 2008

www.ega.org/news/docs/final_EGA.pdf

Reframing Endowment as a Tool for Community Leadership: How Social Investing Could Change How Community Foundations Think About Their Financial Assets. This article discusses the possible impact of innovative approaches to social investing. By Gabriel Kasper, et. al. The Future of Community Philanthropy, 2007
www.communityphilanthropy.org/downloads/CF_FutureMatters_Spring07.pdf

SELECTED SERVICES, ORGANIZATIONS, AND INVESTOR CAMPAIGNS

As You Sow, a nonprofit organization founded in 1992, is dedicated to increasing corporate environmental and social responsibility. Its Corporate Social Responsibility Program is one of the nation's leading proponents of shareholder engagements providing research and advocacy to catalyze positive change within publicly held companies.
www.asyousow.org

Bellagio Forum for Sustainable Development provides a 60-page tool kit to help foundation trustees understand and integrate responsible investment practices into endowment management.
www.bellagio-forum.org

Calvert Investments, an investment management company serving institutional investors, workplace retirement plans, financial intermediaries and their clients, offers more than 40 equity, bond, cash, and asset allocation strategies, of which many feature integrated environmental, social, and governance research. By combining rigorous analysis with independent thinking, our disciplined approach to money management goes beyond traditional factors in order to discover investment opportunities with greater long-term potential.
www.calvert.com

The Carbon Disclosure Project is the world's largest institutional investor collaborative—with a combined $57 trillion of assets under management—on the business implications of climate change. CDP seeks information on the business risks and opportunities presented by climate change. CDP's website is the largest repository of corporate greenhouse gas emissions data in the world.
www.cdproject.net

The Center for Social Philanthropy offers strategies for "Fully Leveraged Philanthropy" including mission-related investing, program-related investments, and active ownership initiatives.
socialphilanthropy.org

Center for Political Accountability is a non-partisan organization created to bring transparency and accountability to corporate political spending and to inform shareholders about corporate political expenditures.
www.politicalaccountability.net

Ceres is the largest U.S. coalition of investor groups, environmental organizations, and investment funds that engages directly with companies on environmental and social issues. It coordinates investor networks, develops investor educational materials, and founded the Global Reporting Initiative, a widely used template for measuring a company's environmental, social, and economic performance.
www.ceres.org

Confluence Philanthropy is a network of practitioners that provides technical assistance to enhance the ability of foundations and nonprofits to pursue mission-related investing strategies. It plans to team up with Moxy Vote and the Sustainable Investments Institute (SI2) to launch a non-profit Shareholder Engagement Program in 2011.
www.confluencephilanthropy.org

Corporate Library provides a comprehensive website with a focus on governance proposals and issues, corporate responsibility news, and financial analysis.
www.thecorporatelibrary.com

Environmental Grantmakers Association serves as the membership organization for progressive environmental philanthropy and works with members to promote effective philanthropy by sharing knowledge, fostering debate, cultivating leadership, facilitating collaboration, and catalyzing action.

www.ega.org

EIRIS is a leading global provider of independent investment research into the environmental, social, governance and ethical performance of companies. It has recently started a new Engagement Service to facilitate shareholder dialogues between institutional investors and companies.

www.eiris.org

Equality Project utilizes shareholder activism to support and help monitor the adoption of employee nondiscrimination policies on sexual orientation and gender identity in the workplace.

www.equalityproject.org

First Affirmative is a Registered Investment Advisor serving individual and institutional clients nationwide. We create and manage investment portfolios that align personal values or institutional mission with an investment strategy tailored to the specific needs and goals of each investor. For over two decades, we have been helping investors do more by combining innovative financial management with investment strategies that consider the environmental, social, and governance aspects of potential investments.

www.firstaffirmative.com

Foundation Partnership for Corporate Responsibility provides information and technical assistance to foundations that want to become more active as shareholders on social and environmental issues. The list of foundations is private, and there is no obligation to participate in any action.

Friends of the Earth's Green Investments Program features an online guide to shareholder activism *Confronting Companies Using Shareholder Power*, whichdescribes the basics of filing and writing proposals.

www.foe.org

Green America (formally Co-op America) helps consumers, investors and businesses identify sustainable choices in the marketplace, including information on selected shareholder campaigns, and social investing.

www.greenamerica.org

Interfaith Center on Corporate Responsibility (ICCR) is the country's leading shareholder advocacy organization. It is comprised of nearly 300 religious institutional investors with $110 billion in combined assets. ICCR lists its shareholder proposals, posts articles by members, and provides a guide to its member's proxy proposals and tips on writing and filing proposals.

www.iccr.org

Investor Environmental Health Network is a coalition of SRIs, faith-based investors, and foundations with combined assets of $41 billion, who are working to ensure that the companies in which they invest are reducing risks associated with the toxic chemicals used in their products.

www.iehn.org

Investor Network on Climate Risk is a $5 trillion network of investors that promotes better understanding of the financial risks and opportunities posed by climate change.

www.incr.com

More for Mission is a campaign that assists foundations looking to increase the percentage of endowment allocated to mission investments. Their website provides resources including relevant links, a glossary, and message boards with related events.

www.moreformission.org

Moxy Vote is an on-line voting service and interactive community for retail shareholders that provides them with tools to emulate the proxy voting practices of advocacy groups they trust.

www.moxyvote.com

PRI Makers is a grantmaker affinity group for networking, professional development, collaboration, and outreach to funders currently making or interested in learning about PRIs. Their database includes 1,400 fully searchable records of PRIs and other social investments.

www.primakers.net

Proxy Democracy is a resource that provides information about proxy ballots to encourage shareholders and mutual fund owners to create positive change in the companies in their portfolios.

www.proxydemocracy.org

Proxy Impact is designed to help foundations and mission-based investors align their proxy votes and mission. It provides proxy guidelines, voting, reporting, research, consulting, and advocacy services for foundations, endowments, faith groups, NGOs, green businesses, and socially responsible investors.

www.proxyimpact.com

Proxy Stewardship Project seeks to address the challenges of passive proxy voting on environmental, social, and governance issues by asset managers widely used by philanthropic and educational endowments. For more information please contact Neva Goodwin of Tufts University (neva.goodwin@tufts.edu) or Joshua Humphreys of Harvard University (jh@socialphilanthropy.org).

RBC Wealth Management Group works with foundations, organizations and private investors who seek comprehensive investment strategies that simultaneously meet their financial objectives and support their vision for social change. Consulting strategies include money manager due diligence, asset allocation, qualitative ESG analysis, customized screening, PRIs and shareholder engagement.

www.rbcfc.com/sri

Responsible Endowments Coalition is a diverse network of students, alumni, and faculty from across the country dedicated to advancing socially and environmentally responsible investment in college and university endowments.

www.endowmentethics.org

SHARE is a Canadian leader in responsible investment services, research and education for institutional investors. It offers voting, shareholder engagement and consulting services, courses and conferences, policy advocacy and research.

www.share.ca

SocialFunds.com offers a database of shareholder resolutions and news on SRI activities.

www.socialfunds.com

Social Investment Forum is an SRI trade association which provides reports on industry initiatives, community investing, shareholder advocacy, divestment and screening, trends, and performance. It features shareholder news and proposals, web resources, action alerts, and an extensive links section.

www.sriadvocacy.org

Sustainable Agriculture & Food Systems Funders (SAFSF) aims to strengthen, diversify, and expand the community of grantmakers that focus on sustainable agriculture and food systems. SAFSF has launched a study group open to any funders interested in deeper learning and sharing around Finance & Investing for Social Change.

www.safsf.org

Sustainable Endowments Institute provides research, educational publications, and workshops on the sustainability investment practices of university endowments. They also publish an annual College Sustainability Report Card.

www.endowmentinstitute.org

Sustainable Investments Institute (Si2) is a non-profit organization based in Washington, D.C., that conducts impartial research and publishes reports on organized efforts to influence corporate behavior on social and environmental issues. Si2 closely follows shareholder resolutions for its members and publishes reports for the interested public on related emerging issues.
www.siinstitute.org

Take Action! offers a series of invitation-only gatherings which provide an intimate venue for trustees, CEOs, CFOs, and investment staff of foundations, family offices, major pension plans and other institutional investors to discuss 'impact investing' – premium and market-rate investments that create social and environmental value.
www.takeactionforimpact.com

Transparent Democracy is a free online proxy ballot guide where shareholders can see how organizations and people they trust recommend how they vote and where organizations and people can publish their recommendations.
www.transparentdemocracy.org

Trillium Asset Management is the oldest and largest independent investment management firm in the U.S. solely devoted to sustainable and responsible investing.
trilliuminvest.com

United for a Fair Economy conducts the Responsible Wealth Project, a network of over 750 business leaders, investors and other wealthy individuals who work to build a fairer economy through shareholder activism, support for the living wage, and fair taxation work.
www.faireconomy.org

UC Berkeley – Moskowitz Research Program is part of the Haas School of Business and offers a website covering the latest academic studies exploring the link between SRI and financial performance.
www.sristudies.org

Walden Asset Management has been a leader in socially responsive investing since 1975, managing clients' assets to meet both their unique financial and environmental, social and governance (ESG) objectives.
www.waldenassetmgmt.com

Veris Wealth Partners works with foundations, non-profit organizations, family offices, and individual investors who seek to align their mission and their values with their investment and philanthropic assets. Veris offers customized SRI investments, sustainable investments, community investing, and shareholder engagement advice and assistance.
www.veriswp.com

COMPANY INDEX

The index below shows with checkmarks (✓) how many proposals advocates have been filed at each company, in each of the major topic categories presented in this report. More details on each of the resolutions can be found in the tables and text of appropriate sections of the report, as follows:

Notes on the seven additional proposals, nearly all of which will not go to votes because of SEC challenges, are included in the footnotes to this index.

Company	Animal Welfare	Banking	Diversity	Environment	Health	Labor/Human Rights	Political Spending	Sustainability
3M Co							✓	
Abbott Laboratories	✓✓				✓			
Aetna					✓			
AFLAC					✓			
Allstate							✓	
Alpha Natural Resources				✓				
Altria				✓				
Amazon.com				✓			✓	
AMB Property				✓				
Ambassadors Group			✓					
Ameren				✓				
American Express						✓		
American Financial Group			✓✓					
Ameriprise Financial			✓				✓	
Amphenol			✓					
Anadarko Petroleum			✓	✓			✓	
Arch Coal				✓				
AT&T			✓		✓	✓	✓	
Avon Products				✓				
Bank of America		✓✓✓✓					✓	
Baxter International	✓							
BB&T							✓	
Becton Dickinson							✓	
Berkshire Hathaway				✓				
Best Buy							✓	
BJ's Wholesale Club	✓							
Boeing						✓✓	✓	
Boston Properties								✓
Bristol-Myers Squibb					✓			
C. R. Bard								1
Cabot Oil & Gas				✓				
Carnival						✓		
Carrizo Oil & Gas				✓				

Continued on next page

[proxypreview]™

Company (continued)	Animal Welfare	Banking	Diversity	Environment	Health	Labor/Human Rights	Political Spending	Sustainability
Catalyst Health Solutions			✓					
Caterpillar						✓	✓	
CB Richard Ellis Group				✓				✓
CenturyLink						✓	✓	
CF Industries Holdings			✓					
Charles Schwab							✓	
Chesapeake Energy			✓					
Chevron				✓✓✓✓		✓✓✓		✓
CIGNA					✓		✓	
Citigroup		✓✓					✓✓	
CMS Energy				✓✓				
Coca-Cola Co.				✓				
Comcast						✓	✓	
ConocoPhillips			✓	✓✓✓		✓	✓✓	
Consol Energy								✓
Covance	✓							
Covanta Holding								✓
Coventry Health Care							✓	
Crosstex Energy			✓					
CSX				✓				
CVS Caremark				✓			✓	
D.R. Horton				✓				
Danaher			✓					
Delta Air Lines						✓		
Dentsply International				✓				
Dollar Tree								✓
Dominion Resources				✓✓✓✓✓✓			✓	
Dr. Pepper Snapple Group			✓	✓				
DTE Energy							✓	
Duke Energy				✓		✓	✓	
Du Pont				✓				
Dynegy				✓				
Eastman Kodak							✓	
Ecolab						✓		
eHealth			✓					
El Paso				✓				
Emerson Electric								✓
Energen				✓				✓
Entergy				✓				
EOG Resources							✓	
Equity Residential								✓
Exelon							✓	
Express Scripts							✓	
ExxonMobil			✓	✓✓✓✓✓		✓✓	✓✓	✓✓
First Solar			✓					
FirstEnergy				✓✓✓				

Continued on next page

Company (continued)	Animal Welfare	Banking	Diversity	Environment	Health	Labor/Human Rights	Political Spending	Sustainability
FMC				✓				
Ford Motor			✓				✓✓	
Freeport-McMoRan Copper & Gold				✓				
Gardner Denver			✓					
General Cable			✓					
General Dynamics						✓		
General Electric	✓			✓	✓		✓✓	
Gentex								✓
GEO Group						✓		
Goldman Sachs				✓✓		✓	✓	
Great Plains Energy				✓				
Green Mtn Coffee Roasters						✓		
Halliburton						✓	✓	
Health Net					✓			
Hershey				✓				
Hertz Global Holdings			✓					
Hess								✓
Hewlett-Packard						✓		
Home Depot			✓✓				✓✓	
Intel						✓		
Int'l Business Machines [1]							✓✓	
International Coal Group				✓				
Itron			✓					
ITT						✓		
J. C. Penney				✓				
Jack in the Box	✓							
Jefferies Group			✓					
Johnson & Johnson	✓				✓✓	✓		
JPMorgan Chase		✓✓✓✓✓					✓✓	
KBR			✓			✓		
Kraft Foods			✓					
Layne Christensen								✓
Leggett & Platt			✓					
Lennar				✓				
LifePoint Hospitals			✓					
Limited Brands				✓			✓	
Lockheed Martin						✓	✓	
Lorillard							✓	
Lowe's			✓	✓			✓	✓
Macerich								✓
Marathon Oil						✓		✓
Marriott International				✓			✓	
Massey Energy [2]				✓✓			✓	
McDonald's	✓✓			✓	✓			
MDU Resources Group								✓
Merck [3]	✓				✓			

Continued on next page

Company (continued)	Animal Welfare	Banking	Diversity	Environment	Health	Labor/Human Rights	Political Spending	Sustainability
MGM Resorts Int'l								✓
Mohawk Industries						✓		
Molson Coors Brewing							✓	
Monsanto								✓
Motorola						✓		
National Oilwell Varco			✓				✓	✓
Noble Energy			✓					
Nordstrom				✓				
Northrop Grumman							✓	
Northwest Natural Gas								✓
NRG Energy				✓				
Nutraceutical Int'l			✓					
Occidental Petroleum				✓			✓✓	
O'Charleys	✓							
OM Group						✓		
Peabody Energy				✓				
Pentair							✓	
Pepco Holdings				✓				
PepsiCo							✓✓	
PetSmart	✓							
Pfizer	✓				✓		✓✓✓	
PG&E			✓✓					
Philip Morris International				✓		✓		
Plum Creek Timber[2]								
Portland General Electric				✓				
PPG Industries				✓				
PPL Corporation				✓				
Principal Financial Group							✓	
Prudential Financial							✓	
Public Sve Enterprise Grp				✓				
Quanta Services			✓					
R. R. Donnelley & Sons				✓			✓	
Raytheon						✓	✓	
Regions Financial							✓	
Revlon								✓
Reynolds American				✓		✓		
Roper Industries			✓					
Ryland Group				✓				
SCANA								✓
Sears Holdings				✓			✓	
Sempra Energy								✓
Southern				✓✓✓	✓	✓		
Southern Union								✓
Southside Bancshares			✓					
SouthWest Gas								✓
Southwestern Energy				✓			✓	✓

Continued on next page

Company (continued)	Animal Welfare	Banking	Diversity	Environment	Health	Labor/Human Rights	Political Spending	Sustainability
Sprint Nextel			✓				✓	
St. Jude Medical								✓
Standard Pacific				✓				
Staples				✓				
Starbucks				✓				
State Street							✓	
Steel Dynamics			✓					
Sunoco						✓		
SunTrust Banks								✓
Synovus Financial					✓			
Target				✓			✓	
TECO Energy			✓					
Tesoro						✓	✓	✓
Time Warner						✓		✓
TJX				✓				
Total System Services					✓			
Tyson Foods	✓✓							
U.S. Bancorp		✓						
Ultra Petroleum				✓				
United Health Group					✓		✓	
United Parcel Service							✓	
United Technologies						✓		
Universal Health Services			✓					
Urban Outfitters			✓					
Valero Energy						✓	✓✓	
Varian Medical Systems								✓
Verizon Communications[4]			✓			✓		
Wal-Mart			✓	✓			✓	✓
Walt Disney				✓				
Waste Management				✓				
WellCare Health Plans							✓	
Wellpoint					✓		✓	
Wells Fargo		✓✓✓					✓	
Werner Enterprises			✓					
Western Union		✓						
Williams-Sonoma								✓
Windstream							✓	
Xcel Energy				✓				
Yahoo!						✓		
Yum! Brands				✓✓			1	
Totals	**16**	**16**	**46**	**94**	**18**	**44**	**82**	**37**

1 Two proposals at IBM from individual shareholders have been omitted, related to retiree and employees benefits, from John C. Fila, and an equal employment report and other issues, from Peter Lindner.

2 Newground Social Investment has filed a proposal asking Massey Energy and Plum Creek Timber to adopt majority voting for shareholder proposals; the Massey proposal will not occur because of the company's merger but the latter remains pending.

3 An individual proponent, Laszlo Treiber, proposes that Merck fire inefficient researchers; the resolution was omitted in 2010 and is likely to be omitted again.

4 A proposal from individual shareholder Richard Dee asking for a board committee on responsibility at Verizon has been omitted.

PROXY PREVIEW 2011 IS A COLLABORATION BETWEEN

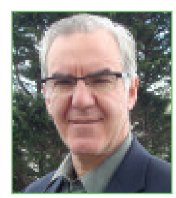
As You Sow, a nonprofit organization founded in 1992, is dedicated to increasing corporate environmental and social responsibility. Its Corporate Social Responsibility Program is one of the nation's leading proponents of shareholder engagements providing research and advocacy to catalyze positive change within publicly held companies. www.asyousow.org

The **Sustainable Investments Institute (Si2)**, a non-profit research organization based in Washington, D.C., conducts impartial research and publishes reports on organized efforts to influence corporate behavior on social and environmental issues. Si2 closely follows shareholder resolutions proposed by investor advocates, but does not make voting recommendations. Instead, it provides tools and in-depth reports that enable investors to make their own informed, independent decisions on the contentious public policy issues raised during proxy season. Si2 also conducts related research on special topics of interest to investors, corporations and the general public, such as the October 2010 report funded by the IRRC Institute, How Companies Influence Elections: Political Campaign Spending Patterns and Oversight at America's Largest Companies, the first assessment of corporate political spending governance at the S&P 500. Initial funding for Si2 came from a consortium of more than a dozen of the largest-endowed US colleges and universities and a large pension fund. www.siinstitute.org

Proxy Impact is a new, progressive proxy voting service for foundations, NGOs, and other mission-based or socially responsible investors. Services include established environment, social, and governance (ESG) voting guidelines; affordable and accurate voting; and vote confirmation that meets SEC and N-PX standards. Proxy Impact also offers a unique new consulting service that identifies the links between a foundation's proxy voting, its mission, and the work of its grantees. This will help foundations' leverage their proxy votes to support its values and core programs, and provides strategic options for how a foundation can address key issues through its investments or grant making. Proxy Impact strives to be a green business and in 2011 it expects to be certified as a B Corp—a new designation for socially responsible corporations, housed in a LEED Platinum building—the highest possible rating from the US Green Building Council, and a signatory to the UN Principles for Responsible Investment. A portion of Proxy Impact's fees will support nonprofits working to enhance the field of corporate responsibility. www.proxyimpact.com

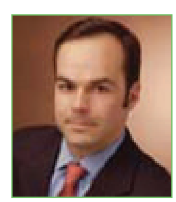
CONTRIBUTORS

Shelley Alpern, Trillium Asset Management Vice President, Director of ESG Research & Shareholder Advocacy, engages with companies on a wide range of concerns, including environmental health, climate change, human rights, and equal employment opportunity. She is the recipient of the 2005 Socially Responsible Investing Service Award, which is awarded by peers in the SRI industry, and was recognized by *Fortune* as one of the 25 most powerful lesbians and gay men in business for her work in promoting sexual orientation nondiscrimination policies. She is also the recipient of the first ever Rachel Carson Advocacy Award from the Silent Spring Institute. Her environmental work was profiled in *E: The Environmental Magazine*. Shelley serves on the steering committee of the Advocacy and Public Policy Committee of the Social Investment Forum, and is a Board Member of the Center for Political Accountability and the Salem (Massachusetts) Alliance for the Environment.

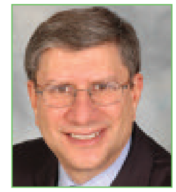


Andrew Behar, As You Sow CEO, has 30 years of experience as a senior executive and strategist in the clean-tech, communications, and life science sectors. Prior to joining As You Sow, Andrew founded and was CEO of a clean-tech start-up developing innovative fuel cell technologies. He served as COO for a social media agency focused in the sustainability space and has been a strategic consultant in the nonprofit sector. He has founded and run start-ups in the medical device and communications areas and serves on the boards of several high-tech innovation companies.

Rob Berridge is a Senior Manager of Investor Programs at Ceres, where he leads shareholder engagement with companies on climate change and sustainability issues, as well as various projects for the Investor Network on Climate Risk. Prior to Ceres, Rob served as a board member and Vice President of Green Century Capital Management and as a staff member of US EPA's Energy Star Programs. He has also worked in commercial lending, as an environmental consultant, and for a start-up hazardous waste recycling firm. Rob has a degree in Environmental Studies from Brown University and a Masters in Business Administration from the Kellogg School of Management at Northwestern University.



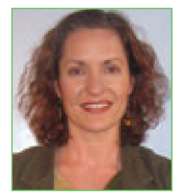
Stu Dalheim is the director of Calvert's shareholder advocacy program. Calvert has been a leader in the field of sustainable and responsible investing (SRI) for over 25 years, demonstrating that investors may manage risk and enhance long-term portfolio performance by investing in well-governed, sustainable and responsible companies. Based in Bethesda, MD, Calvert Asset Management Company, Inc. is the investment advisor for the Calvert Family of Funds with a total of 49 mutual fund portfolios, including 22 sustainable and responsible funds. As of January 31, 2011 Calvert had over $14.5 billion in assets under management. Stu has led Calvert's shareholder advocacy program, which continues to grow as Calvert engages with more companies through direct dialogue, standard-setting exercises, and partnerships as well as shareholder resolutions, since 2005. Mr. Dalheim has focused on corporate governance, transparency, and environmental issues and has worked with policy makers and regulators to advance the interests of sustainable and responsible investors.



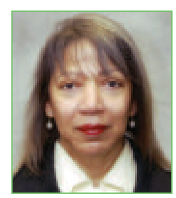
Bruce F. Freed is president of the Center for Political Accountability in Washington, D. C. CPA is a 501(c)(3) organization whose mission is to bring transparency and accountability to corporate political spending. It has pioneered the examination of corporate political spending and the risk it poses to companies and shareholders and worked with 80 large companies, including over half of the S&P 100, that have adopted political disclosure. Mr. Freed was a co-author of The Conference Board's *Handbook on Corporate Political Activity*. In his work with CPA, which he helped found in 2003, he has drawn on his three decades of experience in journalism, Congress, and strategic public affairs. He has been a columnist and a commentator on public radio on business and politics. Mr. Freed has spoken at Conference Board programs, the University of Pennsylvania's Wharton School, the University of Delaware's Weinberg Center for Corporate Governance, and to executive groups.

Michael Garland is Executive Director for Corporate Governance for New York City Comptroller John C. Liu. The Comptroller serves as investment advisor to the five New York City Pension Funds, which have assets of more than $100 billion and a long history of active ownership on issues of corporate governance and sustainability. Mr. Garland and his team are responsible for implementing the Funds' active ownership programs, including voting proxies, filing shareholder resolutions, and otherwise engaging portfolio companies on their environmental, social, and governance policies and practices. Previously, he was Director of Value Strategies for the CtW Investment Group, which he helped establish in January 2006 under the auspices of Change to Win, a federation of US unions. While with CtW, Mr. Garland led shareholder and regulatory initiatives to ensure independent and accountable directors, reasonable executive compensation, and effective risk oversight. He also worked for the AFL-CIO Office of Investment, NatWest USA, Locker Associates, and the OECD.

Julie Goodridge, CEO and founder of NorthStar Asset Management, Inc. , has been a social investment professional in Boston for 25 years. **Mari Schwartzer** is the Assistant for Shareholder Advocacy and Client Services at NorthStar. NorthStar was founded in 1990 to provide portfolio management services that unite both the financial and social impact of each portfolio through investment, divestment, shareholder activism, and strategic charitable giving. At NorthStar, we believe constructive shareholder engagement with management can be a positive force for social change.



Patricia Jurewicz is Director of Responsible Sourcing Network (RSN), which is a new project of As You Sow. RSN advances global value chains that are accountable to the people and natural habitats they touch, at the raw commodity level. Since the fall of 2006, Patricia has been managing the Human Rights department inside As You Sow's Corporate Social Responsibility Program. During her four years with As You Sow, she has led the Human Rights Program to tackle labor abuses at the factory level, she contributed to the report *Best Current Practices in Purchasing: The Apparel Industry*, and she began ground-breaking work addressing forced labor and extortion at the commodity level of supply chains. Preceding As You Sow, she was at the Institute for Agriculture and Trade Policy (IATP) directing the Global Cooperation Project. She co-authored the report, *The Treaty Database: U. S. Compliance with Global Treaties*. At Gap, Inc. she spearheaded a rewrite of the company's Vendor Handbook, which was distributed to 3000 manufacturing facilities worldwide. She is fluent in Spanish, and has past work experience with natural dyes, Latino political outreach, and women's craft cooperatives in Latin America. Patricia has an International MBA from Thunderbird School of Global Management, a Bachelor of Arts degree from Cornell University, and an Associate degree from the Fashion Institute of Technology.



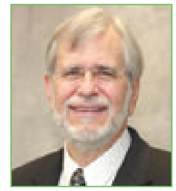
Leslie Lowe is the founder and Managing Director of UCI Environmental Accountability, a consulting firm that advises foundations, institutional investors and nonprofit organizations on corporate environmental performance and risk disclosure, and organizes corporate engagements and campaigns for environmental sustainability, transparency and accountability. She is a Senior Strategist for As You Sow's coal campaign for disclosure of the financial risks facing coal-dependent utilities. Leslie is an attorney who specializes in environmental law and corporate environmental disclosure. A graduate of Harvard Law School, she received her Bachelor of Arts degree from Bennington College, a Master's of Science from Columbia University's Graduate School of Journalism, and did post-graduate research in economic and social history at the University of Paris. For the past seven years she directed the Energy & Environment Program at the Interfaith Center on Corporate Responsibility. Leslie is a member of the American Bar Association's Committee on Environmental Disclosure and serves on the boards of the Social Investment Forum, River Network, and the Highlander Research and Education Center. She was Chair of the Jessie Smith Noyes Foundation's Board of Directors until January of 2009

Conrad MacKerron, Senior Director of As You Sow's Corporate Social Responsibility Program, uses shareholder advocacy to press companies to improve their social and environmental practices. Conrad founded the Corporate Social Responsibility Program at the As You Sow Foundation in 1997. He is a former social research analyst at Piper Jaffray Philanthropic & Social Investment Consulting and Progressive Asset Management. Conrad has pursued successful dialogues on behalf of activist investors on human rights issues with Gap Inc., McDonald's, Nike, Nordstrom, Wal-Mart, and Walt Disney; and environmental initiatives at Apple, Best Buy, Coca-Cola, Dell, Hewlett-Packard, Home Depot, Nestle Waters NA, and PepsiCo. A former journalist, he was Washington Bureau Chief for *Chemical Week* and a writer for BNA's *Environment Reporter*. He is author of *Business in the Rainforests: Corporations, Deforestation and Sustainability* and *Unlocking the Power of the Proxy*. In 2007, he received the Socially Responsible Investment Service Award from the Social Investment Forum for outstanding contributions to the SRI community. He blogs for Greenbiz.

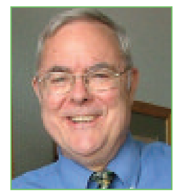
Tom McCaney has held the position of Associate Director of Corporate Social Responsibility for the Sisters of St. Francis of Philadelphia for the past five years. His shareholder advocacy work focuses mainly focuses on domestic and global health, environmental issues, and toxic chemicals. He also serves as Coordinator for the Philadelphia Area Coalition for Responsible Investment. Prior to his work with the Sisters of St. Francis, Tom managed a homeless shelter program for The Salvation Army in Norristown and Chester, PA.

Rob McGarrah is Counsel to the AFL-CIO's Office of Investment, which leads the AFL-CIO's capital stewardship efforts to protect the $5 trillion in retirement and health security of working families across America. His work includes SEC and corporate governance reform with accountants, money managers, and proxy voting. He leads shareholder climate change and health reform efforts with leading Fortune 100 Companies and serves on the Board of the RAND Institute for Civil Justice. As Public Policy Director at AFSCME, he launched the Economic Policy Institute, provided critical support for the successful drive to organize Harvard's 3200 clerical and technical workers and led the union's healthcare initiatives on patients' rights, mental health reform, and universal healthcare. He received his JD from Villanova University and MPH from Johns Hopkins. He is Assistant Adjunct Professor at the Georgetown University Public Policy Institute and a founding member of the National Academy of Social Insurance.

Kristie Middleton is the factory farming Corporate Outreach Manager for The Humane Society of the United States, and oversees the organization's shareholder advocacy program. She has successfully worked with dozens of corporations and other institutions to improve the plight of farm animals through humane-minded purchasing programs. Her work for animals has been featured in numerous publications, including *The New York Times*.



Rev. David Schilling has worked at the Interfaith Center on Corporate Responsibility (ICCR) since 1994 and is Program Director of Human Rights. David works with ICCR members and allies to engage corporations on issues of human and labor rights and social, environmental, and economic sustainability. He has participated with ICCR members in delegations to Asia, Africa, and Latin America visiting factories, meeting with workers, non-governmental organizations. and trade unions. He helped write the *Principles for Global Corporate Responsibility: Bench Marks for Measuring Business Performance*, a comprehensive set of business principles proposed by ICCR, along with religious partners from around the world. David is a regional advisor for the Institute for Human Rights and Business, member of the Advisory Board of the Global Social Compliance Program, and was a member of President Clinton's Anti-Sweatshop Task Force.



Timothy Smith serves as Senior Vice President of Walden Asset Management's Environment, Social and Governance Group. Tim joined Walden in October 2000. His primary responsibilities include overseeing shareholder advocacy, public policy, assisting in client services and acting as the spokesperson for Walden on social issues. Walden Asset Management manages approximately $1.8 billion for individual and institutional clients. Walden has been a national leader in responsible investing for over 35 years working on dozens of issues like the environment, climate change, sweatshops, Apartheid in South Africa, executive compensation, corporate governance, and equal employment opportunity in the U.S. among others. Previously, Tim served as Executive Director of the Interfaith Center on Corporate Responsibility (ICCR) for 24 years. In 2010, Tim was listed as one of the top 100 most influential figures in finance by Treasury and Risk Management Magazine.

Dale Wannen joined Harrington Investments in 2007 as a portfolio manager and research analyst. He previously worked as a financial advisor for UBS in San Francisco and has over 13 years' experience in the banking and financial services sector. He currently conducts environmental, social, and corporate governance research and coordinates all shareholder communications and corporate accountability campaigns on behalf of the firm. He also manages client portfolios and provides guidance on research and due diligence on companies for selection into a socially screened portfolio list. Dale holds a BA in Economics from Rowan University and is currently an MBA graduate student in sustainable management at San Francisco's Presidio Graduate School. He sits as Treasurer and Board Member for the nonprofit, San Francisco Bay Bird Observatory and is a correspondent for Triple Pundit. Dale holds the Series 7 and Series 66 securities licenses.

SPONSORS

The Singing Field Foundation is a small family foundation which began active grantmaking in 2004. The foundation's current grants budget is around $200,000. Grants are initiated by the foundation's directors and typically provide general support for environmental, animal welfare, health-related organizations, and other charities of interest to family members. The foundation's interest in mission-related investing and "active ownership" of the companies in which the foundation is invested reflects our desire to maximize our impact as a small foundation, by deploying "the other 95 percent" of our assets, and our personal values, which dictate that the foundation's investments should be aligned with the foundation's mission. The Singing Field Foundation's support for As You Sow flows directly from this interest and complements the foundation's other grantmaking.

Singing Field FOUNDATION

The Jessie Smith Noyes Foundation promotes a sustainable and just social and natural system by supporting grassroots organizations and movements committed to this goal. Through our grantmaking activities and internal policies and practices, we embrace diversity and challenge institutional and cultural discrimination, including, but not limited to, discrimination based on ethnicity, race, religion, age, sexual orientation, economic status, physical ability, gender, immigration and immigration status.

Jessie Smith Noyes Foundation

The Educational Foundation of America (EFA) uses its investments to seek improvements in corporate practices by utilizing its standing as a shareholder in various corporations to push for environmental and social change. EFA believes that while it can choose to screen some of its portfolio to better meet its mission, it can also make a significant impact by becoming an active shareholder. EFA votes its shareholder proxies to support its program goals. The Foundation has had significant success in leveraging its standing as a shareholder to push for groundbreaking environmental practices at several corporations. Over the long term, EFA believes that socially responsible investing will generate returns at least as high as conventional portfolios.

THE EDUCATIONAL FOUNDATION OF AMERICA
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Calvert Investments is an investment management company serving institutional investors, workplace retirement plans, financial intermediaries and their clients. Calvert Investments offers more than 40 equity, bond, cash, and asset allocation strategies, of which many feature integrated environmental, social, and governance research. By combining rigorous analysis with independent thinking, our disciplined approach to money management goes beyond traditional factors in order to discover investment opportunities with greater long-term potential.

First Affirmative Financial Network is a Registered Investment Advisor serving individual and institutional clients nationwide. We create and manage investment portfolios that align personal values or institutional mission with an investment strategy tailored to the specific needs and goals of each investor. For over two decades, we have been helping investors do more by combining innovative financial management with investment strategies that consider the environmental, social, and governance aspects of potential investments. First Affirmative serves institutional clients throughout the United States. The mission-driven organizations that choose to work with us seek to align their values or mission with their investments. Fiduciary duty is at the core of First Affirmative's approach. We conduct manager searches and provide qualitative social screening overlays to a manager's traditional quantitative analysis. Our comprehensive services include board education, portfolio manager evaluations, quarterly meetings, and telephone consultations. First Affirmative votes client proxies according to our proxy voting guidelines that carefully consider environmental, social, and governance issues. First Affirmative produces the premier annual conference for the sustainable and responsible investing (SRI) industry. The SRI in the Rockies Conference brings together investors and investment professionals including portfolio managers, investment analysts, financial advisors, and representatives from related research and non-profit organizations to learn and collaborate.

Trillium Asset Management is the oldest and largest independent investment management firm in the US solely devoted to sustainable and responsible investing. We believe companies with strong environmental, social, and governance (ESG) profiles are better managed for the long term, have lower risk profiles, and are positioned to outperform their peers. We engage directly, through shareholder engagement and advocacy, and indirectly, through allocating capital to companies and sectors with positive economic, ecological, and social impact. Trillium's impact has extended beyond our own walls, as the Co-Founder of Ceres, the Social Investment Forum, SIRAN, and Open MIC. After nearly three decades of leadership in proactive, change-oriented social investment, we're proud to stand on the cutting edge of a movement linking financial, social, and environmental outcomes as sustainability concepts are embraced across the investment industry and around the world.

Moxy Vote is a free online proxy voting platform that allows shareholders, like you, to vote your proxy ballots electronically. In addition to casting ballots easily online, you can align your votes with trusted organizations that have opinions about company ballots and shareholder resolutions. The way Moxy Vote works is simple. Using the control number on your proxy ballot, shareholders can vote individual ballots online. Or, rather than receiving statements in the mail, go paperless and have your proxy ballots delivered directly to Moxy Vote. This way, individual investors can be set up to vote automatically, just like institutions have done for years. More than just an easy voting platform, Moxy Vote effectively crowd sources shareholder activism, creating a space for discussion and allowing users to vote alongside the organizations and issues they are passionate about. 30 percent of outstanding shares are held by retail investors, but most shareholders have no voice in the boardroom. Let's change that! Interested in learning more? Register and check out our site at www. moxyvote.com.

Veris Wealth Partners is dedicated to providing high net worth families, their foundations, and endowments sustainable investment and wealth management solutions. We focus on Socially Responsible & Sustainable Investing (SRI) approaches and values-based philanthropic consultation. We believe that "Sustainability Matters" and those companies and families implementing green and responsible practices will be leaders of the future.

RBC SRI Wealth Management Group: Since 1983, we have offered comprehensive investment strategies for sophisticated investors committed to social change. Today, our team of eight investment professionals consults on over $1 billion in assets and is one of the leading investment consulting groups in the country exclusively focused on social and environmental investing. Our diverse backgrounds in finance, philanthropy and advocacy help us provide a unique investment experience. We provide a team approach to each client that ensures our ability to provide personalized, customized advice throughout the investment experience. The team leader, Thomas Van Dyck, is also the founder of As You Sow.

AS YOU SOW

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