

HOW OUR APPROACH TO INVESTMENTS CONTINUES TO TRY TO BRING ABOUT SOCIAL CHANGE

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This is going to be long (which you have already discovered)! However I thought it might be good, given daily problems noted in the press, to share how our Province has been trying to address current events through its portfolios. If only Pat McSherry puts this report (which is an update of my report for the last Triennium) in the Provincial Archives, at least it's a matter of record that we are trying, as Pope Paul VI, to express our corporate poverty in a way that will bring good news to people and the planet. It's our effort to 1) have no compromise with any form of social injustice and to 2) awaken consciences to the drama of misery being experienced.

Our Province has been a pioneer in socially responsible investing ever since 1972 Dale Olen represented us at the General Electric stockholders meeting to challenge it on its involvement in the Vietnam War. In 1973 I became the Province's Corporate Responsibility Agent and helped found what is now the Wisconsin, Iowa, and Minnesota Coalition for Responsible Investment (WIM/CRI). It now has 22 members, including our Generalate in Rome (where I shared our efforts with the General Definitory in March). We are one of the eight CRIs who belong to the Interfaith Center on Corporate Responsibility in Rome. Its faith-based membership has about 250 Protestant, Catholic and Jewish organizations but its allies include the top pension funds in the U.S. as well as many of the socially-responsible mutual funds.

Recently I was thinking about the various issues we face as a nation. It was then that I realized that, through our own investments, as well as via membership in WIM/CRI and ICCR, we are trying to address some of the major ones. I thought it would be good to share them with readers of *Inforum* so you too can see that we are trying to do good with our investments socially and environmentally as well as do well with them fiscally. Key issues that we are addressing include: climate change; water, carbon and land sustainability (with special stress on palm oil); human rights in the supply chain (including human trafficking); immigration; pay disparity; and (private) prison reform. When we write a shareholder resolution (noted in bold below), we have to craft it in a way that will prevail a company's effort at the Securities and Exchange Commission to disallow it from being discussed. Below is what this year's efforts have entailed on these critical issues vis-à-vis our ministry of socially responsible investing.

CLIMATE CHANGE. Since 1997 the Province has tried to engage the world's largest publicly-held company, ExxonMobil (XOM) on the issue of climate change based on the conviction that: 1) there is climate change; 2) human factors are contributing to climate change; and 3) the burning of fossil fuels is a key factor in climate change. We filed all sorts of shareholder resolutions to no avail until 2007 when XOM finally admitted the reality of the three points above. However, it remains committed to "business as usual," arguing against governments subsidizing alternative energy sourcing, even as it takes government subsidies to continue research and development around fossil fuels.

Because it has no expert on climate change on its Board of Directors, this year's shareholder resolution asks XOM: **that, as elected board directors' terms of office expire, the Exxon Mobil Corporation's Board's Nominating Committee nominate for Board election at least one candidate who 1) has a high level of climate change expertise and experience in environmental matters relevant to hydrocarbon exploration and production, related risks,**

and alternative, renewable energy sources and is widely recognized in the business and environmental communities as such, as reasonably determined by ExxonMobil's Board, and 2) will qualify, subject to exceptions in extraordinary circumstances explicitly specified by the board, as an independent director.

Meanwhile WIM/CRI members are trying to address the issue of fracking from its impact on our environments because of railroad transportation of crude oil from the Bakken area. They have filed with XOM, ConocoPhillips and Union Pacific a resolution that asks that their **Board of Directors undertake a comprehensive review and analysis of the risks (especially fiscal and reputational) linked to various kinds of disasters resulting from shipping crude oil and natural gas by rail and report publicly the results within six months of the 2015 annual meeting, barring competitive information and at a reasonable cost.**

SUSTAINABILITY IN THE SUPPLY CHAIN (land, water and carbon footprints). Kraft is one of the largest food companies in the world. For some years the Province worked quite well with Kraft on these issues. It had committed itself to do an analysis of its land, water and carbon footprints for every one of its products (from peanut butter to Oreo cookies to Tang). But then it split. "Kraft" became the U.S. company and Mondelez became the global company. We have engaged both since then, getting better results with Mondelez than the "new Kraft." Frank Sherman, who has joined WIM/CRI in his retirement as its Associate Director and I visited Kraft at its headquarters in November and discovered the Board does not have that evident a commitment to address these issues impacting climate change, despite the fact that the middle-management people who spoke with us evidence openness. Thus we filed the following resolution. It asks that **Kraft Foods issue a comprehensive sustainability report describing its environmental, social, and governance (ESG) performance including quantitative indicators and goals where feasible. The report should be available on the company website by May 2016, be prepared at reasonable cost, and omit proprietary information.**

At that meeting we spent quite a bit of time addressing the issue of palm oil especially around issues of the massive deforestation taking place in places like Indonesia, Malaysia and The Philippines as well as forced child labor. With the rejection of trans-fats, palm oil is becoming the oil of choice for food companies. I asked Frank Sherman to lead WIM/CRI members in filing resolutions on this specific issue. He has done a great job of working with our members who have filed palm oil resolutions or begun dialogues with many companies: Church & Dwight (Arm & Hammer), Costco, Darden, Dean Foods Energizer, Estee Lauder, Kroger, Mead Johnson, Panera, Post Cereals, Sysco, Target and Walmart. As a result WIM/CRI, because of Frank Sherman, is the "go-to" group of ICCR.

We meet twice a year with Kohl's to address its massive and varied supply chain. Frank and I join the CR representatives of the School Sisters of Notre Dame, the School Sisters of St. Francis and the Racine Dominicans to meet with key people at Kohl's to address problems around its sourcing from around the world, especially in areas with oppressive governments. We have been doing this for many years.

Frustration with our seeming lack of success in bringing about better working conditions and fairer salaries in these facilities came to a head with the collapse on the Rana Plaza in spring, 2013. This led to the Province's and WIM/CRI's creation of the Catholic Coalition for Responsible Investment. It now has a very effective Campaign Manager in CapCorp Volunteer Rosa Kang. We are now piloting the effort in

our two main target groups: 1) Catholic parishes and 2) Catholic Colleges/Universities with the hope of a national launch later in 2015.

HUMAN RIGHTS IN THE SUPPLY CHAIN (including various forms of human trafficking and exploited labor). It is clear that this issue has overlay with the issue above. However, especially with the U.S. bishops, LCWR and CMSM, this is a critical issue involving all forms of forced labor (sex trade, child labor, indentured labor).

Prodded by Jon Voss, while he was in CapCorps, I got involved in this issue with Boeing, especially because of the issue of Tibet. So we began filing issues asking the company to create a human rights policy based on international codes from the United Nations and the ILO. When it did that (reluctantly) we asked for independent monitoring of these codes' implementation in its huge supply chain. Finally this year it created protocols that we find may be effective. So we did not file a resolution and continue our regular dialogues for updates.

Some years ago, while giving a retreat in Louisville, that migrant workers had contracted Green Tobacco Sickness (GTS). It comes from touching the tobacco leaf (usually in the morning) when it is wet. GTS does not kill but creates serious health issues. This led to shareholder resolutions with the major tobacco companies and subsequent actions on their part to address the problem.

This awareness of the "front end" of tobacco in the fields led me/us to study more seriously the situation of tobacco farmworkers and human rights issues. We engaged the tobacco companies through shareholder resolutions and dialogues to create GAP (Good Agricultural Practices) and ALP (Agricultural Labor Practices) domestically and globally. In January, 2014 Philip Morris arranged for me to visit farms in Tanzania and Malawi and meet with officials there; it was very instructive.

This effort, along with exposes of human rights violations and child labor on domestic tobacco farms led to more resolutions and the creation of a unique multistakeholder effort involving representatives of the North Carolina tobacco growers, FLOC (the Farm Labor Organizing Committee), the U.S. Department of Labor, all the major U.S. tobacco/cigarette companies (and Japan Tobacco) and us at the tobacco program of ICCR. We meet in plenary session twice a year and other times in our key subgroups dealing with child labor, grievance mechanisms and independent labor contractors.

Frustrated with the lobbying of the tobacco companies and their industry groups to bring about effective immigration reform, this year we embarked on a major initiative with all the U.S.-based tobacco and cigarette companies. Aware that 50-70% of all domestic hired farmworkers are undocumented, for years, I/we tried to address the fact that the tobacco industry knew it was operating at its front-end with illegal workers and that, by not addressing comprehensive immigration reform, it benefitted from their exploitation. I didn't get anywhere. So this year the Province filed a resolution with Alliance One International, Altria (the domestic Marlboro Man), Lorillard (Newport), PMI (the global Marlboro Man), Reynolds (Camel) and Universal Leaf asking their Boards to **create a policy that all its suppliers throughout its tobacco procurement supply chain verify (with independent monitoring) their commitment and compliance regarding non-employment, directly or indirectly, of laborers who have had to pay to cross the U.S. border to work or, once here, to work on U.S. farms.**

Some might be concerned that this would shut down foreign labor. However, only rarely has the Province ever received more than 50% on a vote (lobbying at Alliant Tech). We know we'll lose and the problem will continue. We just want the tobacco companies to become pro-active in bringing about effective and comprehensive immigration reform. As a sign that they are taking us seriously on this issue every one of those receiving the resolution has begun dialogues with us trying to get us to withdraw the resolution!

In late January, 2015 ICCR will be sponsoring a day-long workshop on the "no fees" effort of ICCR. Frank Sherman will be there vis-à-vis palm oil; I'll be there regarding U.S. agricultural issues, especially tobacco.

PAY DISPARITY. Hardly a week goes by that the national press (of all kinds) points to issues pointing to the fact that the U.S. economy is being negatively impacted by increasing wealth and income disparity. At our Fall, 2014 WIM/CRI meeting we decided to address the issue, based on findings that U.S. retail companies were indicating that their (negative) performance could be being impacted by stagnant worker wages. At the same time other data showed that the gap between the top executives and line-workers in their retail stores had reached 350 x, more than twice that of the next two highest gaps in Switzerland (148x) and Germany (147x). We created a strategy beginning with this social analysis, did theological reflection using Pope Francis' statements about addressing the "structural causes of poverty and inequality" and created a shareholder resolution that the Province filed with Kohl's. Other WIM/CRI groups have filed with Gap, Home Depot, Macy's, TJX Companies, Verizon and Yum! Brands. In 2015 other members will file with Apple; Bed, Bath & Beyond, Darden, Dollar General, Dollar Tree, Kroger, Starbucks, and Target. If our ICCR Convener on Walmart gives the go-ahead, we have groups ready to file with Walmart too. The resolution asks the companies' **Board's Compensation Committee initiate a review of our company's executive compensation policies and make available upon request a summary report of that review by October 1, 2015 (omitting confidential information and processed at a reasonable cost). We suggest the report include: 1) A comparison of the total compensation package of the top senior executives and our store employees' median wage in the United States in July 2005, 2010 and 2015; and 2) an analysis of changes in the relative size of the gap along with an analysis and rationale justifying any trends evidenced.**

We received some press on this effort (*Milwaukee Journal Sentinel* and *The National Catholic Reporter* and more seems to be coming).

PRIVATE PRISON REFORM. This is a major concern of the JPIC Desk of the Conference of Major Superiors of Men. The Province bought stock in the two major private prison companies to address the issue but it is difficult getting clear proof that there are systemic (rather than isolated and/or anecdotal incidents) of human rights' violations and that they are clearly lobbying for public policy actions that will enhance their bottom lines (i.e. longer prison sentences, incarceration for actions not deemed necessary for imprisonment). Over the years the Jesuits have taken on human rights issues and the Province has addressed lobbying. We got a pretty good disclosure with CCA (Community Corrections of America) and have had an ongoing filing of a lobbying resolution with GEO. It asks GEO to **issue a lobbying report to include its efforts at the federal, state and local levels** on a host of issues too long to entail here. But I'd be happy to make this available to those who might be interested.

John Celichowski will take over this issue when he gets settled in Chicago in early January.

