

NORTHWEST COALITION FOR RESPONSIBLE INVESTMENT



A program of the Intercommunity Peace & Justice Center

Annual Report 2017

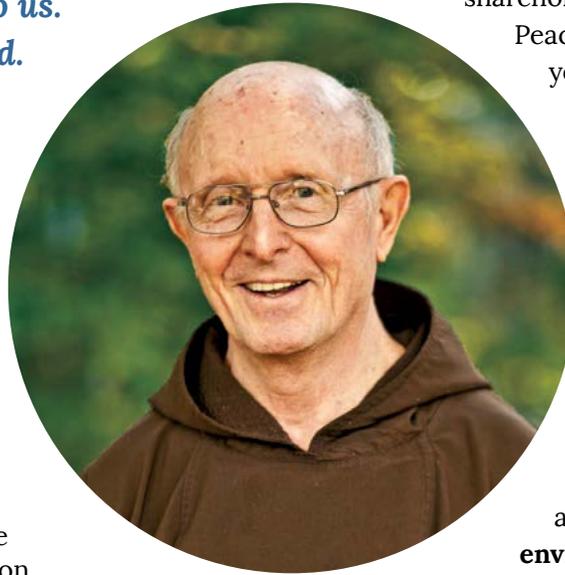
His Living Legacy: We Will Be Better

*And when great souls die,
after a period peace blooms,
slowly and always
irregularly. Spaces fill
with a kind of
soothing electric vibration.
Our senses, restored, never
to be the same, whisper to us.
They existed. They existed.
We can be. Be and be
better. For they existed.*

—Maya Angelou

This summer we experienced the passing of a great soul, Capuchin Franciscan Father Michael Crosby. Those of us who knew Michael marveled at how this man whose energy and passion for justice were boundless for almost fifty years could peacefully accept his cancer diagnosis and comfort us as he waited for Sister Death. Upon reflection we realized that we shouldn't be surprised as all his work—including 19 books on church reform and biblical discipleship and his call for oil, tobacco, food and retail corporations to be socially and environmentally responsible—was never about Michael, it was about the “kindom.”

Upon learning of Michael's passing, the sustainability officer of one of the tobacco giants he had engaged over many years wrote to the Seventh Generation Coalition for Responsible Investment noting that Michael's “unique ability to listen and confront different perspectives while never losing sight of the causes he wanted to advance” had led the company to improve. He never lost his compassion for the tobacco farmers that was ignited in him as he witnessed their struggles firsthand in Nicaragua in 1980.



The officer went on to recount a visit they had made to African countries where they talked with farmers to understand their plight and what the company was doing to improve labor practices. He said he heard Michael say many times, “We are all God's children,” and his words and actions reflected this.

In its twenty-third year, the Northwest Coalition for Responsible Investment (NWCRI), is proud to claim our place in Michael Crosby's legacy of faith-based shareholder advocacy. The Intercommunity Peace and Justice Center was only two years old when we invited him to our 1993 Socially Responsible Investment Conference to launch our CRI. As one of the first members of the Interfaith Center on Corporate Responsibility (ICCR) he had created a way for smaller religious communities around the country to form coalitions and become members of ICCR. This year NWCRI members, in collaboration with our colleagues at ICCR, brought **15 social and environmental justice issues to the boardrooms of 52 corporations, filed 38 shareholder resolutions and participated in over 45 dialogues.**

At the annual TED2017 Conference in Vancouver, BC earlier this year, Pope Francis spoke to all those afraid of the future when he said, “Many of us, nowadays, seem to believe that a happy future is something impossible to achieve.” He continued, “The future does have a name, and its name is hope. A single individual is enough for hope to exist, and that individual can be you. And then there will be another ‘you,’ and another ‘you,’ and it turns into an ‘us.’”

As we grieve Michael's passing we celebrate this single individual whose life-long work was building the “kindom,” an ‘us.’ In the words of Maya Angelou, “[He] existed. [He] existed. We can be. Be and be better. For [He] existed.”



Historic Vote: 62% Majority Vote at Exxon

A Win for “Father Mike” and Climate Change

After a multi-year campaign, led by Capuchin Franciscan Michael Crosby, NWCRI and ICCR shareholders this year convinced ExxonMobil to add climate change expert Dr. Susan Avery to its board of directors. Michael, who was a presence at Exxon’s annual meetings for over 40 years, missed this year’s meeting as did former CEO Rex Tillerson, now US Secretary of State, who always addressed him as “Father Mike.”

In the same week that the Administration announced that the United States is leaving the Paris Climate Agreement, 62% of ExxonMobil shareholders supported a resolution requesting “an annual assessment of the long-term portfolio impacts of technological advances and global climate change policies.” After the vote, the Chair said that the Board will formally reconsider its opposition to the requested report.

The resolution was led by the New York State Comptroller and the Church of England and was co-filed by over 50 investors including NWCRI and ICCR members. It has been reported that some of the largest asset managers, like BlackRock, State Street and Vanguard, voted for the resolution.

We noted in the supporting statement of the proposal that “ExxonMobil has not presented any analysis to investors of how its portfolio performs under a 2 degree scenario.* Performing such an analysis is critical to informing a business strategy that meets ExxonMobil’s objective of increasing energy access to the world’s poorest, without conflicting with the Paris Agreement.”

In addition to the Exxon vote, this proxy season saw climate change resolutions garner majority support for the first time, with a resolution at Occidental Petroleum receiving 67%, and a proposal at Southern Company calling for the large utility company to plan for the 2 Degree Scenario received 46%.

*Limit the global increase in temperature to 2°C.

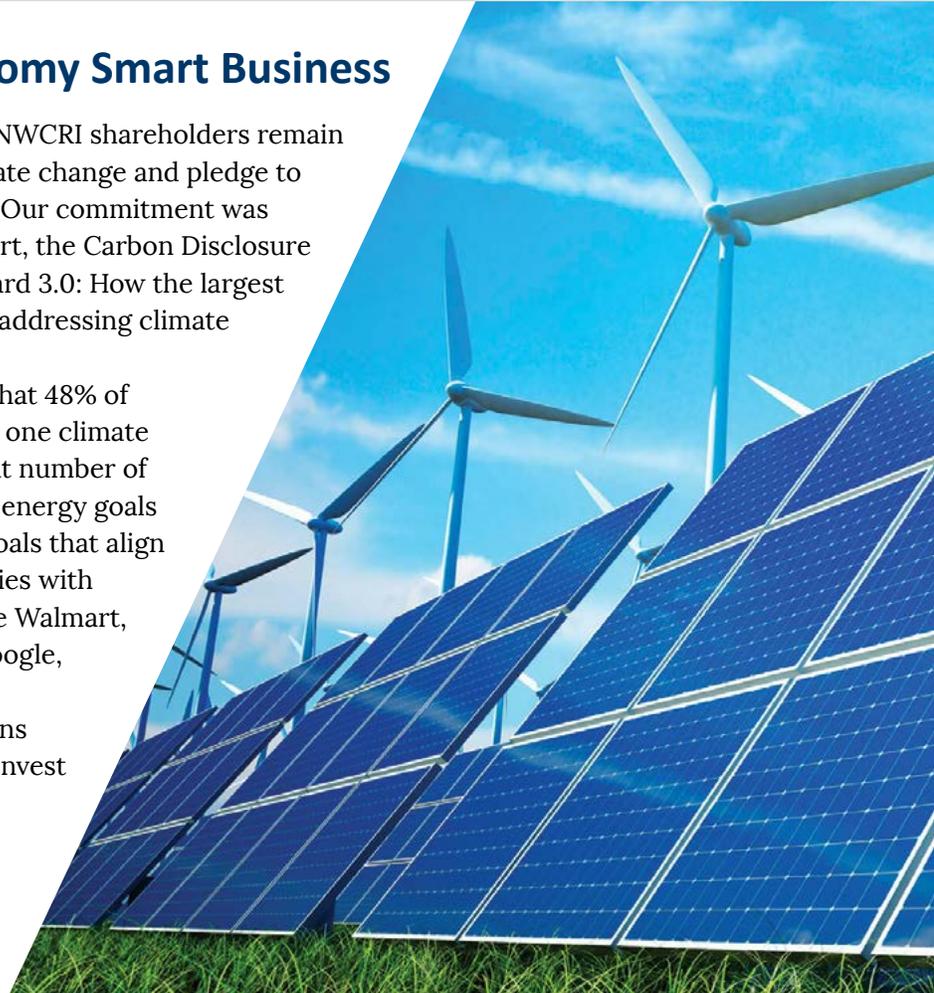
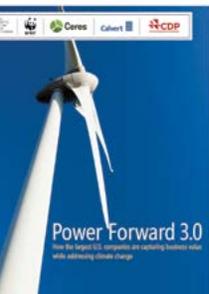
Transition to Clean Energy Economy Smart Business

Inspired by faith, committed to action, ICCR and NWCRI shareholders remain united in a common response to the threat of climate change and pledge to act and invest for a sustainable low-carbon future. Our commitment was buoyed this year by a report issued by Ceres, Calvert, the Carbon Disclosure Project and the Worldwild Life Fund, “Power Forward 3.0: How the largest U.S. companies are capturing business value while addressing climate change.”

Findings from the report include that 48% of Fortune 500 companies have at least one climate or clean energy goal, and a significant number of companies have set 100% renewable energy goals and science-based GHG reduction goals that align with the 2 Degree Scenario. Companies with 100% renewable energy goals include Walmart, General Motors, Bank of America, Google, Apple and Facebook.

In order to meet our national and global emissions goals, investors will do their part by continuing to invest in climate solutions and to encourage companies to position themselves for a low-carbon future by setting climate and energy efficiency goals.

- ▶ Read the report at ceres.org/resources/reports/power-forward-3





Campbell Takes a Stand for the Future of the Food Industry

Campbell is leaving the Grocery Manufacturers Association (GMA), the food and beverage industry trade group, over the GMA's stance on GMO labeling. "The GMA has grown over the past few years more as a lobbying and regulatory association...What we have experienced is finding ourselves at odds with some of the positions," said CEO Denise Morrison at the annual meeting of shareholders.

In 2016 Campbell's was the first major food company to disclose genetically modified ingredients on its labels and to support efforts to make such labeling mandatory. While the GMA initiated the "SmartLabel" project, it requires the consumer to scan the QR code on the package for ingredients, including GMOs. This requires a smart phone or access to a computer.

Explaining Campbell's rationale for cutting ties with the GMA, Morrison said, "When people look for something real to eat and something that tastes good, they're going to look for the food we make. We chose this path not because it's expedient, but because we believe it represents the future of the food industry and that it will lead to differentiated performance." She concluded, "In this environment, companies and brands must differentiate themselves or "risk extinction."



Shareholders to McDonald's: Aim for "A"

Nearly one-third of McDonald's shareholders supported a resolution filed by NWCRI and ICCR members calling on the Company to set global goals to ban the non-therapeutic use of antibiotics in its meat supply chain. The over-use and abuse of antibiotics in the meat industry are contributing to one of the most pressing



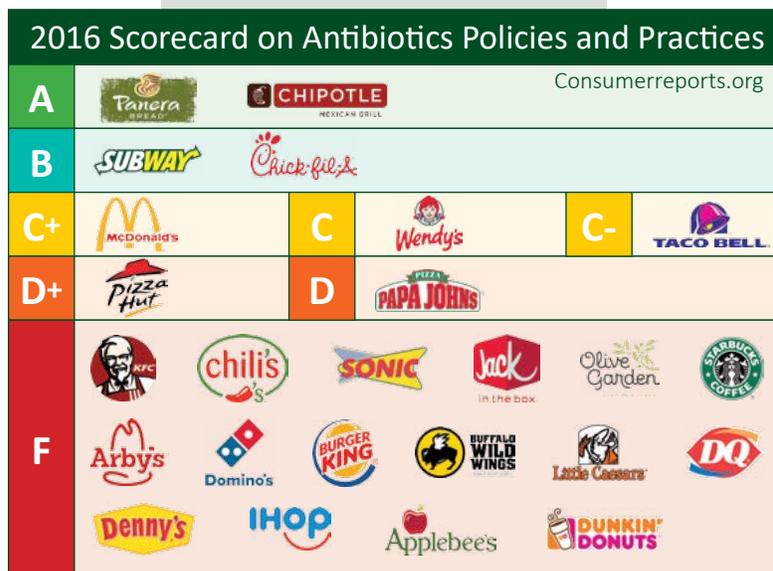
Tyson Shareholders Acknowledge Progress on Water Stewardship

The UN Human Right to Water calls for sufficient, safe, acceptable and physically accessible and affordable water for personal and domestic uses. Meat production is recognized as the leading source of water pollution in the U.S. Contamination from the cultivation of feed ingredients, animal waste and Tyson's processing plants pollute local waterways, endangering public health, workers, and the environment.

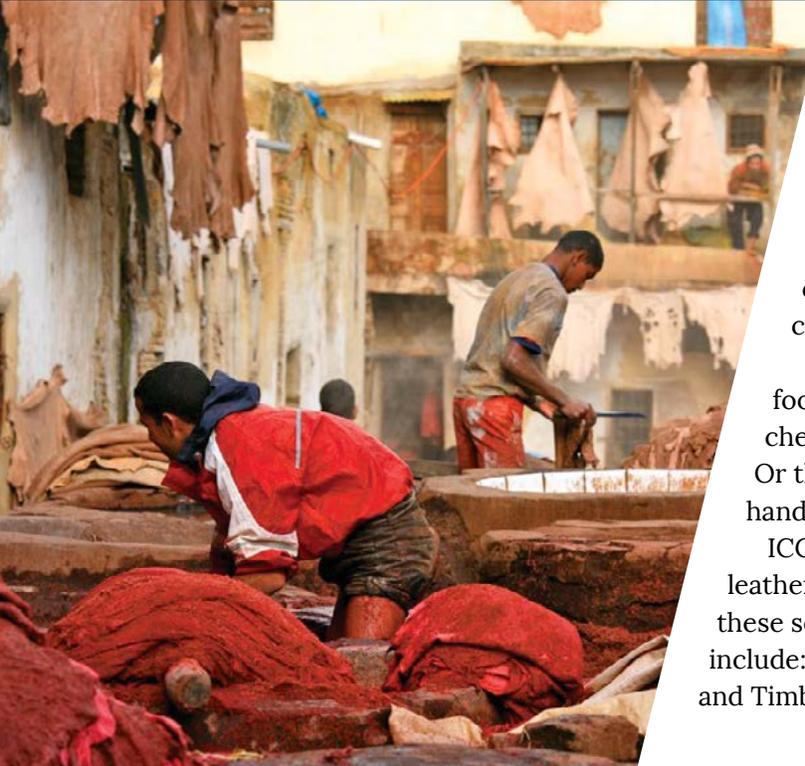
A proposal asking the Company to adopt and implement a water stewardship policy was supported by 14.46% of shareholders. When the shares of the Tyson Limited Partnership are excluded, this represents 59% of the vote, which is great news.

Led by the American Baptists, ICCR and NWCRI members have been addressing water issues with the Company since 2010. Following the annual meeting in February, the

Company announced that it has entered into a collaboration with the World Resources Institute to review Tyson's water-related programs and assess its exposure to water related business risks across its direct operations and supply chain. In April Tyson named its first Chief Sustainability Officer to lead system-level sustainability initiatives that deliver healthier food, animals, environment and workplace.



global public health crises of our day—antibiotic resistance. Shareholders view McDonald's failure to set goals and timelines to source limited antibiotic-treated beef and pork, as they have for chicken, as a competitive risk given that a number of restaurant chains are doing so, including Panera, Chipotle and Subway.



If Your Handbags Could Talk

Would they tell you about the 200 leather tanneries in Hazaribagh, Bangladesh where most operate as they did decades ago and release untreated toxic chemical waste into the rivers of Hazaribagh? Thousands of people depend on the rivers daily for bathing, washing clothes, irrigating crops and transportation.

Or would they tell you about the workers who wear no footwear, gloves or masks and process rawhides with toxic chemicals with their bare hands in poorly ventilated tanneries? Or the children who work barefoot as they run machinery and handle animal hides dripping with toxic chemicals?

ICCR and NWCRI members are urging companies who source leather from these tanneries to become involved in addressing these serious environmental and human rights abuses. Companies include: Clarks, Coach, Macy's, Michael, Kors, Sears, Steven Madden and Timberland.

No Fees: Ethical Recruitment of Migrant Workers

For over two decades investors have focused on monitoring the working conditions at the factory or farm. Today we have global supply chains and this focus fails to address how workers get to the workplace and the rise in the international recruitment industry. The global economy is a predatory climate for migrant workers, 150 million of whom left their homes in search of jobs in 2013.

Migrant workers are vulnerable to slavery and human trafficking due to unscrupulous labor brokers who charge exorbitant recruitment fees; do not provide contracts; and confiscate workers' travel documents. Human rights abuses threaten the lives of workers and are serious reputational and financial risks for companies. The industries with the greatest risks are: agriculture—90% of which depends on migrant labor—apparel, construction, electronics and manufacturing.

ICCR has published the "Best Practice Guidance on Ethical Recruitment of Migrant Workers," which is designed to be a resource for companies in adopting and implementing ethical recruitment policies and practices throughout their supply chains.

Human Rights: Race to the Top

The Corporate Human Rights Benchmark, designed to drive human rights performance, released its first assessments of 98 of the world's largest agricultural, apparel and extractives companies in March. The results reveal a small number of leaders. Only three companies scored higher than 60% and the average score is a mere 29%. Among the above-average companies that NWCRI members engage are: Freeport McMoRan, Chevron and Archer Daniels Midland.

As responsible investors, we believe that businesses that adopt and implement the highest standards of human rights are socially, environmentally and financially sustainable. We recognize that one of the greatest challenges for companies in our global economy is preventing negative impacts on workers, communities and consumers. Without a commitment to respect and protect human rights, workers can be paid poverty wages, the rights of indigenous peoples can be trampled upon and individuals can be held captive in modern day slavery.

We welcome this invaluable tool which has the potential to motivate companies in the race to the top in the area of human rights. We have dialogues scheduled with three of the companies that scored below average: PepsiCo, Kroger and Walmart.

► www.corporatebenchmark.org

Seeking Solutions to Gun Violence

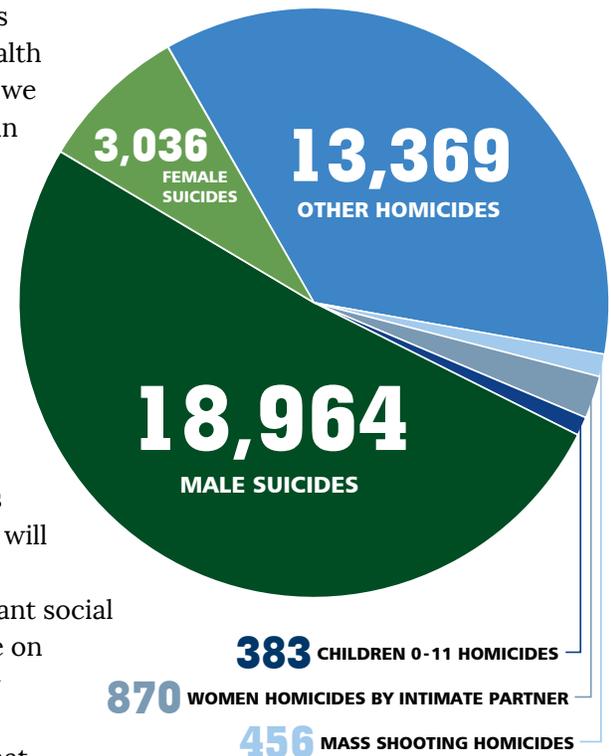
Over 50,000 incidents of gun violence were reported in 2016 and on average 106 Americans die by suicides, homicides and accidental shootings each day. Faith-based investors are joining a growing number of public health experts, gun owners, state and city governments and citizens who believe we can do something about the high rates of gun violence if gun rights and gun control advocates would engage on this often polarizing issue. Together, could we understand the crisis we face, realize that we share the goal of safety and saving lives and find solutions that address gun violence?

Faith-based investors believe we can. So NWCRI staff is convening a Gun Violence Member Group at ICCR. Over a dozen ICCR members have purchased a minimum number of shares in gun manufacturers American Outdoor Brands and Sturm Ruger, and in the gun retailer Dick's Sporting Goods, with the goal of engaging these companies regarding the positive role they can play in ending the epidemic of gun violence.

Thus far we have written letters to the companies to raise our concerns and ask for dialogue. If the companies do not respond to our invitation we will file resolutions.

As shareholders we view gun violence as a public health issue, a significant social policy issue and a human rights issue. The recent United Nations guidance on human rights describes the role of business in addressing violence: "...they should avoid infringing on the human rights of others and should address adverse human rights impacts with which they are involved." We believe that the issue of gun violence is an example of just such a human rights infringement.

Firearm Involved Deaths in the United States in 2016



Sources: gunviolencearchive.org & fivethirtyeight.com

Respecting Communities and Their Right to Water

NWCRI joined a coalition of shareholders, led by the Presbyterian Church, which is engaging Phillips 66 on its significant investment in the Dakota Access Pipeline (DAPL) and the due diligence required to assess the reputational, regulatory and financial risks of such investments. Our resolution was withdrawn because the company agreed to a dialogue designed to review and strengthen Phillips 66's Human Rights and Indigenous Rights Policies, with a view to respecting the Human Right to Water of the Standing Rock Sioux Tribe.

A resolution with Goldman Sachs, which provides capital to the oil, gas and mining sectors and provided funding for DAPL, was withdrawn for constructive dialogue. The Company agreed to meet with filers to consider its due diligence and other policies, with an emphasis on the financing of companies in sectors with the potential for severe community impacts. Ways to practically enhance industry best practices on issues impacting the rights of Indigenous Peoples will also be discussed.

As we proceeded with these resolutions and dialogues, ICCR members consulted closely with representatives of the Standing Rock Sioux tribe to ensure that investor actions were in line with their engagement goals.



Medicines Patent Pool: Innovative Access Model

The vision of the Medicines Patent Pool (MPP) founded in 2010 and supported by ICCR and NWCRI, is a world in which people in low- and middle-income countries have rapid access to affordable and appropriate HIV, hepatitis C and tuberculosis treatments. The MPP now has agreements with nine patent holders. Its network of generic pharmaceutical companies had delivered close to five billion doses of HIV medicines to 131 countries as of December 2016. The MPP expanded into hepatitis C and tuberculosis (TB) in late 2015. With this progress the patent pooling model gained ground as an innovative model which could expand access and ensure a sustainable supply of key medicines for additional diseases in low- and middle-income countries.

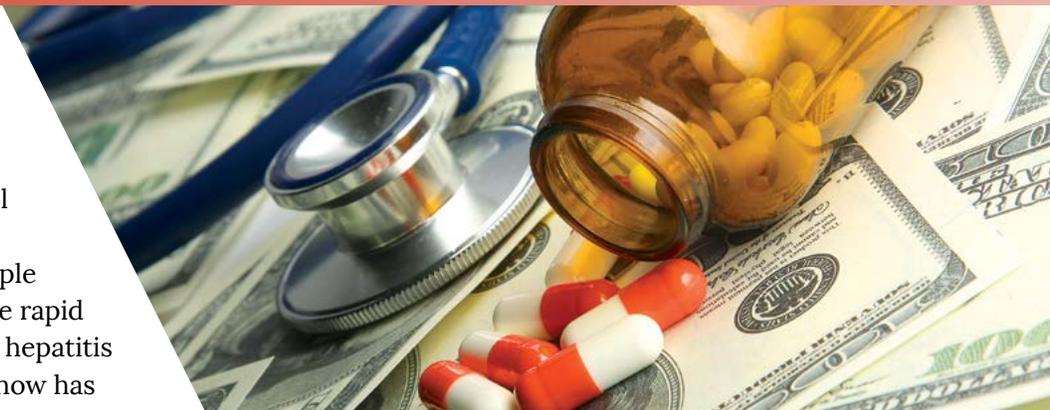
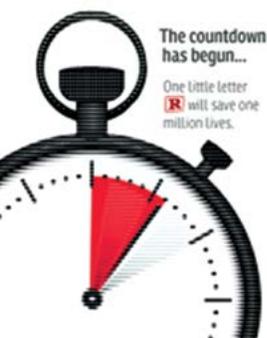
Take Action to Stop Movies that Push Smoking at Kids

Losing their patience with smoking in youth-rated films, seventeen leading U.S. health organizations are demanding that the Motion Picture Association of America (MPAA) apply an R-rating to any motion picture with tobacco imagery submitted for classification after June 1, 2018.

In 2012, the U.S. Surgeon General concluded that exposure to on-screen smoking causes young people to smoke. Then in 2014 the U.S. Centers for Disease Control and Prevention (CDC) reported that 6.4 million children alive today would become smokers because of this exposure and two million would die prematurely due to smoking

Between 2005 and 2010 the industry reduced the tobacco content in its youth-rated films and was on track to make them entirely smoke free by 2015 when progress stopped. NWCRI and ICCR shareholders have been addressing this issue with the major movie studios since 2005.

▶ Join Us & Take Action: smokefreemovies.ucsf.edu/take-action



Drug Pricing: Secrecy No Longer a Sustainable Business Strategy

In our meetings with pharmaceutical companies over the years shareholders have expressed our concerns about the rising costs of prescription drugs which severely limit access to life-saving medicines, particularly for economically challenged patients, and has serious repercussions for public health and the economy.

Prompted by the lack of transparency on drug pricing, NWCRI and ICCR members filed resolutions with 10 pharmaceutical companies asking for a report listing the price increases of the top ten selling drugs between 2010 and 2016, the rationale and criteria used, and an assessment of the risks drug prices present for the company.

Although the Securities Exchange Commission (SEC) allowed the companies to omit the resolutions on the basis that pricing is ordinary business, we believe that filing a shareholder resolution is a win. It puts pressure on the company, alerts shareholders to the issue, and is often the beginning of action on an issue. And there is action on the issue of drug prices:

- ▶ Senators Blumenthal and Sanders wrote to the SEC asking why it ruled against our resolutions.
- ▶ Proposed legislation requiring pharmaceutical companies to justify price increases over 10% was introduced in 12 states last year.
- ▶ Merck released a high-level transparency report showing the rebates and discounts provided to insurers, pharmacy benefit managers and the government.
- ▶ The press picked up ICCR's letter to Pfizer CEO Ian Read expressing our distress over the Company's price increases and questioning whether Pfizer was using price hikes to cover gaps in innovation, which we contend is not a sustainable business model.

In the 2018 proxy season shareholders will be back in the boardrooms with our vision of affordable and quality healthcare for all and transparency in pricing drugs.

2016-2017 NWCRI Shareholder Activities*

Company	Issue	Action
AbbVie	Drug Pricing	Resolution Omitted by SEC
AbbVie	Global Health	Dialogue
Alphabet	Children's Online Privacy Rights	Dialogue
Altria Group*	Tobacco Marketing in Lower-Income Communities	Resolution—2.60%
American Outdoors Brand	Gun Violence	Letter
Amgen*	Drug Pricing	Resolution Omitted by SEC
Anthem	Lobbying Expenditures Disclosure	Resolution Omitted by SEC
Archer Daniels Midland	Sustainable Agriculture	Dialogue
Biogen	Drug Pricing	Resolution Omitted by SEC
Bristol-Myers Squibb	Drug Pricing	Resolution Omitted by SEC
Bristol-Myers Squibb	Global Health	Dialogue
Campbell Soup	Access to Nutrition/Sustainable Agriculture	Dialogue
Caterpillar	Independent Director with Human Rights Expertise	Resolution Withdrawn
Chevron	Low-Carbon Transition	Resolution—27%
Chevron	Shale Energy Operations—Quantitative Risk Management	Dialogue
CoreCivic	Private Prisons Human Rights Due Diligence	Dialogue
Costco Wholesale*	Reduce Food Waste	Resolution Withdrawn
Disney*	Lobbying Expenditures Disclosure	Resolution—36.80%
ExxonMobil	Business Plan for 2C Scenario	Resolution—62.10%
ExxonMobil	Independent Director with Climate Change Expertise	Resolution Implemented
Freeport McMoRan	Human Rights Due Diligence	Dialogue
General Mills	Access to Nutrition	Dialogue
GEO Group	Private Prisons Human Rights Due Diligence	Dialogue
Gilead Sciences	Drug Pricing	Resolution Omitted by SEC
Gilead Sciences	Global Health	Dialogue
Goldman Sachs	Financing North Dakota Pipeline	Resolution Withdrawn
Hershey	Ethical Labor Recruitment/Water Stewardship	Dialogue
Hormel Foods*	Water Impacts of Business Operations	Resolution Withdrawn
IBM*	Lobbying Expenditures Disclosure—Climate	Resolution—26.54%
Johnson & Johnson	Drug Pricing	Resolution Omitted by SEC
Johnson & Johnson	Global Health	Dialogue
Johnson & Johnson*	Separate Chair & CEO	Resolution—42.79%
Kraft Heinz	Sustainability Reporting	Resolution Withdrawn
Kroger	Human Rights Risk Assessment	Resolution Withdrawn
McDonald's	Access to Nutrition/Human Rights	Dialogue
McDonald's	Non-Therapeutic Use of Antibiotics in Animals	Resolution—30.97%
Merck*	Drug Pricing	Resolution Omitted by SEC
Merck	Global Health	Dialogue
Newmont Mining	Water Impacts of Business Operations	Dialogue
PepsiCo	Sustainable Agriculture	Dialogue
Pfizer	Drug Pricing	Resolution Omitted by SEC
Pfizer	Global Health	Dialogue
Pfizer*	Separate Chair & CEO	Resolution—21.81%
Philip Morris*	Human Rights Policy Stressing Right to Health (Tobacco)	Resolution—3.60%
Phillips 66	Environmental & Human Rights Due Diligence—DAPL	Resolution Withdrawn
Sanofi	Global Health/Drug Pricing	Dialogue
Southern	Business Plan for 2C Scenario	Resolution—45.71%
Sturm Ruger	Gun Violence	Letter
Time Warner	Sustainable Development Goals—Smoking in Movies	Resolution Omitted by SEC
Tyson Foods	Water Impacts of Business Operations	Resolution—14.46%
United Health	Health Care Reform—Insurance	Dialogue
Union Pacific	Risks of Crude by Rail	Dialogue
UPS*	Lobbying Expenditures Disclosure—Climate	Resolution—19.74%
Walgreen	Assess Financial Risks of In-Store Tobacco Sales	Resolution Omitted by SEC
Walmart	Workers Wages & Benefits / Ethical Labor Recruitment	Dialogue
Wells Fargo	Business Standards/Vision & Values/Risk Management	Resolution—21.80%
Wyndham Worldwide	Political Contributions	Resolution—37.70%
Yum! Brands*	Non-Therapeutic Use of Antibiotics in Animals	Resolution Withdrawn

*Includes resolutions filed by the Adrian Dominican Sisters and the Sisters of St. Francis of Philadelphia out of their offices

Investors Shaping Human History

Few will have the greatness to bend history itself, but each of us can work to change a small portion of events. It is from numberless diverse acts of courage... that human history is shaped. Robert Kennedy

In the 2016–2017 proxy season ICCR members filed 300 shareholder proposals at 177 companies on a wide range of issues, in an effort to promote improved corporate responsibility. Ninety resolutions were withdrawn as a result of corporate commitments that responded to the resolution asks. Highlights include:

▶ **Water Impacts of Business Operations** Energy utility Ameren disposes of its coal ash waste, which contains heavy metals and toxins, in ponds in the Missouri River flood plain. A resolution asking the company to identify and reduce the environmental and health hazards associated with its handling of coal combustion residuals won 46.44% of the vote.

▶ **Reducing Pesticide Use** A resolution led Kellogg's to investigate pre-harvest glyphosate use in its supply chain, and to commit to work with investors to develop quantitative metrics for its sustainable agriculture program.

▶ **Big Box Retailers Reduce their Food Waste to Fight Hunger, Cut Greenhouse Gas Emissions** A resolution on cutting corporate food waste won 30.4% of the vote at Whole Foods.

▶ **First Retailer to Measure Its Chemical Footprint** Walmart announced that it had submitted its chemical management policies and practices to an independent third party and it is now a signatory to the Chemical Footprint Project. What is most noteworthy is Walmart's decision to be the first large retailer to step out and say that knowing which chemicals are in its products is important to its sustainability goals.

▶ **No U.S. Bank Money for Pipelines** One of America's leading banks, U.S. Bancorp, announced in April that it would formally exclude all gas and oil pipelines from its project financing. The Bank further explained that "relationships with clients in the oil and gas pipeline industries are subject to the Bank's enhanced due diligence processes."

▶ **Splitting the Roles of Chair/CEO** Investors call for separation of a corporation's CEO and Chair positions as a matter of good corporate governance, and to ensure a stronger system of checks and balances. Resolutions received votes of 47.01% at Express Scripts, 42.79% at Johnson & Johnson, 39% at Chevron, 34.50% at Abbvie, and 25.81% at Pfizer.

▶ **Clawing Back Executive Pay for Misconduct** After public outrage over its aggressive drug price increases and a resolution, Valeant Pharmaceuticals agreed to "claw back" some of its executive incentive pay, and include provisions for misconduct beyond what is currently mandated in Dodd Frank.

MEMBERS

Adrian Dominican Sisters
Benedictine Sisters
Cottonwood, Idaho
Benedictine Sisters of Mt. Angel
Congrégation des Soeurs des Saints, Noms de Jésus et de Marie
Congregation of the Sisters of St. Joseph of Peace
Jesuits West
Northwest Women Religious Investment Trust
PeaceHealth
Providence Health & Services
Sisters of Providence, Mother Joseph Province
Sisters of St. Francis of Philadelphia
Sisters of St. Mary of Oregon
Sisters of the Holy Names of Jesus & Mary, U.S. Ontario Province
Tacoma Dominicans

NWCRI

A program of the Intercommunity Peace & Justice Center, NWCRI is a member of the Interfaith Center on Corporate Responsibility, a national coalition of 300 religious institutional investors working to achieve a social and environmental, as well as a financial return on their investments.

These highlights summarize the work that NWCRI has done in collaboration with ICCR during the past year.

Judy Byron, OP
Director, NWCRI



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