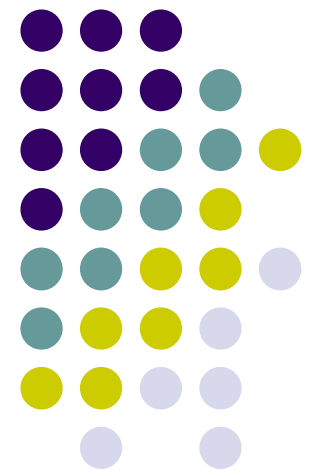


# Shareholder Activism

---

April 2008 CSRI Training  
Presentation



*Socially Responsible Investing:  
“Making a Difference with Ideals, Impact, and Involvement”*

# Presenters:



Jim Gunning

- UUA SRI Committee member since 2000
- Retired from a career of business consulting, CPA
- First Unitarian Congregation – Brooklyn NY
- Member, Investment Committee of UU Service Committee  
[jimgunning@verizon.net](mailto:jimgunning@verizon.net)

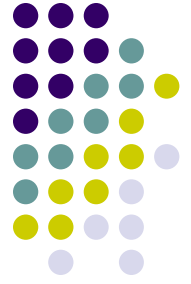
Vanessa Lowe

- UUA SRI Committee Co-Chair
- Chair, Community Investing Working Group
- Member, All Souls Church, Unitarian – Washington, DC
- Economic Development Specialist, National Credit Union Admin.
- [vaness32@earthlink.net](mailto:vaness32@earthlink.net)

Email questions to

- [jimgunning@verizon.net](mailto:jimgunning@verizon.net)

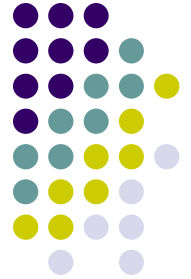
# Phone Seminars sponsored by the UUA Committee on Socially Responsible Investing (CSRI)



- 1) Community Investing
- 2) Ideals: Screening Standards
- 3) Involvement: Shareholder Activism

All available for download at:  
[www.uua.org/finance/sri](http://www.uua.org/finance/sri)

# You Can Influence Companies to Adopt Ethical Standards



# UUA Investment Screening Criteria



## Approved by UUA Trustees

Favor or avoid companies with positive or negative behavior with respect to global ESG criteria:

- **Environment**
- **Social**
- **Governance**

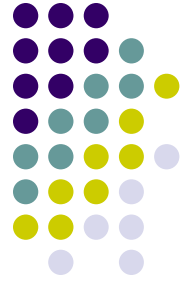
# Environmental Impact



**Avoid** companies that:

- Have serious environmental violations
- Have major environmental disasters
- Engage in global destructive practices  
(rainforest, indigenous people)
- Do not disclose environmental information

# Environmental Impact



**Favor** companies that:

- Reduce waste and conserve natural resources
- Innovate programs to reduce use of energy, water, land
- Good compliance record
- Strong environmental management systems
- Commit to standardized environmental reporting

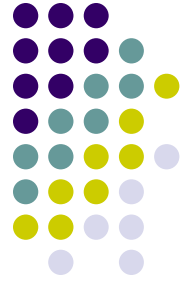


# Social Issues

**Avoid** companies that have:

- Unsafe products (e.g. tobacco)
- Poor labor relations
- Poor human rights practices
- “Sweatshops” in their supply chain
- Exploit child labor





# Social Issues

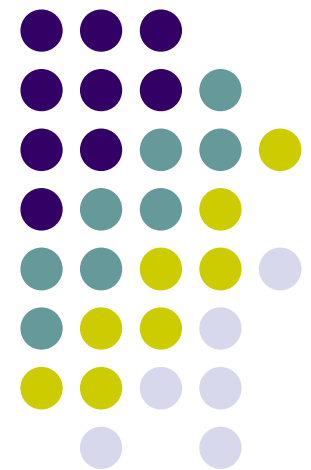
**Favor** companies that have:

- Equal employment policies
- Substantial human rights policies
- Good vendor/labor standards
- Health care access/affordability

# Shareholder Activism

---

What You Can Do:  
Know Your Shareholder Rights





# Governance Issues

**Favor /Avoid** companies depending on:

- Independence of Board members
- Diversity of Boards (race and gender)
- Separate positions of Chair and CEO
- Voice of shareholders on Executive Compensation

# Use of the Democratic Process...in Society at Large



*All shareholders  
have the right to petition  
companies whose stock they own*

# History: The Prophetic Voice



- In 1967, UU seminarian Ken Brown (now Rev. Dr.) and eminent UU theologian James Luther Adams challenged Eastman Kodak about the glass ceiling for African Americans and women
- Rev. Dick Gilbert and Rev. Dave Sammons spoke eloquently for divestment from South Africa, and adoption of the Sullivan principles

# History: Justice, Equity and Compassion

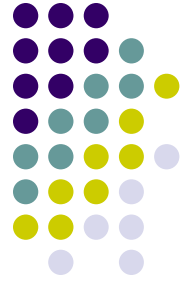


- In 1968, the UUA Investment Committee:

“There are investment opportunities that should be sought from time to time by the UUA in an effort to provide opportunities for confrontation between the UUA as a stockholder and the management of corporations whose products, services and/or management policies are at serious variance with the ethical concerns and social responsibilities of the Association.”

“The Unitarian Universalist World,” *The Register-Leader*, January 1968.

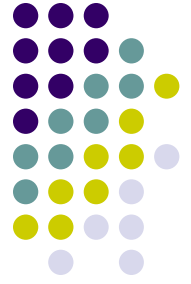
# Shareholder Resolutions: Voting Your Common Stock Shares



## Annual Meeting of Shareholders

- Non-binding voting, but important PR
- Shareholders voice their values:
  - Vote count of 5 - 10% is good first year
  - 10 - 15% is good in second year
  - Votes over 20% on some recent issues
- Certain % of votes needed to re-file on same issue

# Voting Shares

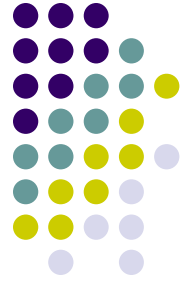


## What You Can Do

- Join your voting power with other interfaith institutional investors
- Be aware of the shareholder issues each year
- Set up a process within your congregation
- Sign up for web lists to stay up-to-date



# UUA Shareholder Initiatives



- Prohibit discrimination based on sexual orientation and gender identity/expression
- Control runaway CEO compensation
- Sustainability of business practices
- Monitor and reduce greenhouse gas emissions
- Address genocide in Sudan/Darfur
- Implement codes of global human rights standards

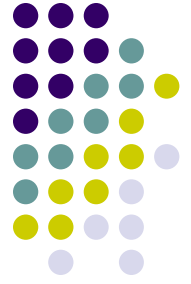
[Past and Present Shareholder Advocacy Seasons](#)

# UUSC Initiatives



- Community rights to water – Coca-Cola
- Human right to water policy - Pepsi
- Improve treatment of overseas employees of suppliers – “anti-sweatshops” - Wrigley
- Eliminate predatory lending practices – Wells Fargo
- Sustainability of business practices – Wal-Mart
- Sexual orientation non-discrimination – several

# What Can Local Congregations Do?



Look for local issues involving:

- A public company
  - energy company:
    - ✓ global warming
  
- Manufacturing company
  - environmental justice:
    - ✓ waste disposal
    - ✓ misuse of available water
  
- Big box retailer
  - economic justice:
    - ✓ fair wages and benefits
    - ✓ buying from overseas sweat shops

# Work with Coalitions of Like-Minded Organizations



- Interfaith Center on Corporate Responsibility (“ICCR”) – some 275 faith-based institutional investors (both UUA and UUSC are members) : [www.iccr.org](http://www.iccr.org)
- Equality Principles – a group supporting GLBT persons to gain equal access and non-discriminatory treatment : [www.equalityproject.org](http://www.equalityproject.org)
- CERES - coalition of investors, environmental and public interest organizations : [www.ceres.org](http://www.ceres.org)

# Resolution Process for Corporate Annual Meetings & Proxy Voting



## Voting of Proxies

All shareholders may vote on annual meeting agenda items

## Letters

Letters may be sent any time (all public companies have Investor Relations Depts.)

## Filing Resolutions

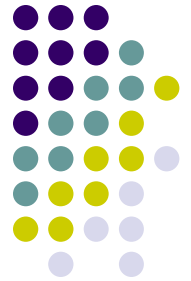
Shareholders may petition companies they own shares in, for annual meeting action

## In-person meetings/dialogues

Letters and resolutions may lead to discussion of issues with company executives

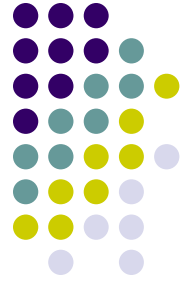
# Proxy Voting

“...act as substitute; acting for another..”



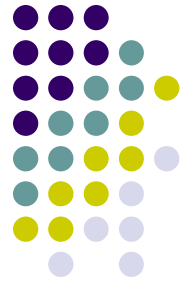
- If you do not take a stand, your votes will be cast *BY MANAGEMENT*  
So...
- Open your mail
- Vote your proxies
- CSRI determines UUA proxy votes
- UUA retains Investment Shareholder Services (ISS) to do vote the GIF holdings

# Why Do Companies Listen?



- SEC Regulations: they must, on issues within SEC rules
- Taking care of their shareholders, particularly larger institutional investors
- Public relations, reputation, image

# Co-Filing Resolutions & Dialogues



- Once a resolution is filed, other investors may easily co-file the same resolution
- Resolutions lead to dialogues with company representatives
- The more co-filers the better
- Larger vote counts
- Larger vote FOR issues gets greater attention -- and allows re-filing if vote is large enough

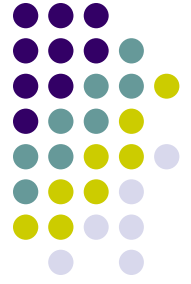


# Success Stories

## *Sexual Orientation non-discrimination*



- 98% of Fortune 100 companies now have explicit statements in their EEO policies
- More than 70% of Fortune 500 companies also
- UUA was lead filer with Home Depot and Conoco on this issue -- and won agreement
- UUA has co-filed and presented these resolutions at annual meetings of numerous companies



## *Sexual Orientation (Continued)*

- Resolutions broadened to include non-discrimination based on ***gender identity (expression)*** and ***domestic partner benefits***
- UUA filed resolutions this year at Wal-Mart and Verizon on gender identity/expression -- co-filed at Exxon
- UUA wrote letters to companies in portfolio promoting these Equality Principles
- More than 100 companies in Fortune 500 already include gender identity/expression

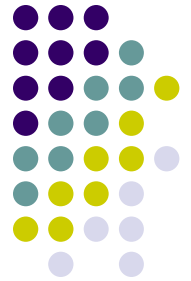
# Success Stories

## *Pandemics of HIV/AIDS, Malaria and TB*



- A number of US employers in sub-Saharan Africa have agreed to treat employees and their families (and support community efforts)
- Coke, PepsiCo, Exxon, Chevron, BP and others are responding
- Success with these encourages other companies to get involved
- These efforts are in conjunction with ICCR members

# Success Stories



- Press US companies to measure, monitor and reduce ***greenhouse gas emissions*** to retard ***global warming***
- Agreements to monitor and produce reports (Chevron, General Motors, Ford, Anadarko, Apache, Marathon Oil and others)
- Knowledge of such emissions leads to action to reduce them based on self-interest
- These efforts are made in conjunction with CERES



# Success Stories

- Challenged US companies to adopt and implement ***global human rights*** policies
- Some have responded with policies that promote rights of employees worldwide
- Some have agreed to audit overseas vendors to prevent “sweatshop” situations
- Included are The Gap, Disney, General Motors, Ford, Exxon, Chevron and many others

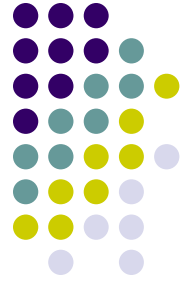
# Our Work is not done!

## On-going efforts on many issues



- Access to fairly priced drugs - HIV/AIDS, Malaria, TB
- Unsafe products – tobacco
- Global labor rights – adopt ILO standards
- Predatory lending practices
- Violence in retailing - video games
- Environmental justice - water pollution and sustainability
- Human rights - indigenous rights, code of vendor standards, child-labor protection
- Corporate governance – excessive CEO pay, director compensation, pay disparity, CEO/Chair separation, disclosure of political contributions

# How are Successes Followed Up and Enforced?



## 1. Research selected social and environmental issues:

- ❖ Investment organizations such as asset managers, mutual funds; special research firms (e.g. KLD), consultants (e.g. ISS), non-profits (e.g. ICCR)

## 2. Follow changes in public sentiment:

- ❖ Ethics awareness (the role of UUism!), business schools, management literature, faith-based organizations (e.g. UUA, UUSC, ICCR)

# How are Successes Followed Up and Enforced? (continued)



3. Public media, investigative journalists, internet websites (e.g. blogs)

4. Enforcement

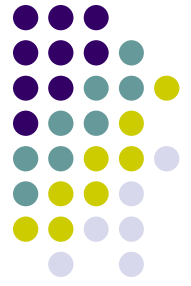
- ❖ Securities & Exchange Commission, stock exchanges, internal compliance and audit committees

5. Voluntary Exposure:

- ❖ Social audits, company websites, reports to shareholders



# Owning Companies for the Sole Purpose of Shareholder Activism



1. Separate shareholder activism stock from the rest of a portfolio:
  - Financial stability
  - Social responsiveness
  - Hold only small amounts (about \$2000)

(continued)

# Owning Companies for the Sole Purpose of Shareholder Activism



2. Engage in meaningful discussion with corporate executives
3. Prioritize issues, based on your personal/congregational/organization's values
4. Stay in contact with other groups and emerging information



# What's next?

- Check your current holdings: \$2000 minimum holding, held for one year
- Decide on your issues
- Offer to co-file with UUA (contact Jim Gunning: [jimgunning@verizon.net](mailto:jimgunning@verizon.net))
- Recruit compatriots for greater impact
- Urge UUA to request co-filers (listserve: <http://lists.uua.org/mailman/listinfo/uu-money>)

# Other Sources of Information



Committee on SRI [www.uua.org/finance/sri](http://www.uua.org/finance/sri)

UUSC [www.uusc.org](http://www.uusc.org)

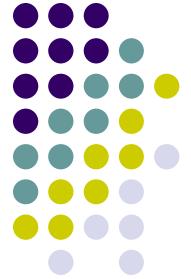
Interfaith Center on Corporate Responsibility [www.iccr.org](http://www.iccr.org)

CERES [www.ceres.org](http://www.ceres.org)

Social Investment Forum [www.socialinvest.org](http://www.socialinvest.org)

U.S. Securities & Exchanges Commission (SEC)  
[www.sec.gov/index.html](http://www.sec.gov/index.html)

# Questions & Answers



Thanks for attending!

Email questions to  
[jimgunning@verizon.net](mailto:jimgunning@verizon.net)