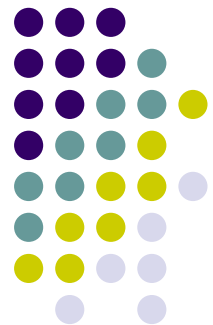


# Shareholder Activism

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March 2006 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, UU Service Committee
- [jimgunning@optonline.net](mailto:jimgunning@optonline.net)

The Rev. Sydney Morris

- UUA CSRI Chair
  - Parish Minister, Keweenaw UU Fellowship, Houghton MI
  - Founding and current Board Member, Calvert Group
- [samorris@uuma.org](mailto:samorris@uuma.org)

Email questions to

- [tim@timblackwood.com](mailto:tim@timblackwood.com)

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



- 1) Impact: 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, 2003 and 2005

1. Employee Impact
2. Customer Impact
3. Community Impact
4. Environmental Impact



## #1 Employee Impact

**Avoid** companies that:

- Have a pattern of NLRB cases
- Are on the AFL-CIO boycott list
- Are egregious OSHA offenders
- Are directly involved in violations of basic human rights
- Use forced labor, child labor, sweatshops

# #1 Employee Impact



**Favor** companies that:

- Have above average women and minorities in workforce
- Strong awareness of affirmative action, diversity, antiracism
- Nondiscrimination policies include sexual orientation
- Positive union relations

## #2 Customer Impact



**Avoid** companies with:

- Significant weapons production
- Tobacco products
- Unhealthy products
- Misleading or irresponsible marketing, including stereotypical depictions of women or minorities

## #2 Customer Impact



**Favor** companies that:

- Have safe and useful products of good quality
- Responsible pricing and marketing practices
- Good product safety concerns

## #3 Community Impact



**Avoid** companies that:

- Fail to maintain good CRA ratings
- Engage in predatory lending practices
- Lack regard for community issues (pollution, land use)

## #3 Community Impact



**Favor** companies that:

- Have "outstanding" CRA rating
- Good accountability with communities and the public
- Strong economic development programs (women and minorities)
- Innovative community involvement (sabbaticals, volunteers)

## #4 Environmental Impact



**Avoid** companies that:

- Have serious environmental violations
- Have been negligent in dealing with environmental problems
- Have major environmental disasters
- Engage in global destructive practices (rainforest, ozone)
- Do not disclose environmental information

## #4 Environmental Impact



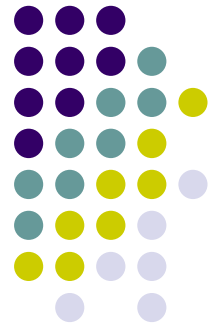
**Favor** companies that:

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

# Shareholder Activism

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What You Can Do:  
Know Your Shareholder Rights



# The 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 the Rev. Dr.), under the tutelage of eminent UU theologian & scholar James Luther Adams, spoke against the glass ceiling for African Americans and women at the Eastman Kodak annual meeting.
- The Rev. Dick Gilbert and Rev. Dave Sammons spoke eloquently for divestment from South Africa, and 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.

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# Shareholder Resolutions: Voting Your Common Stock Shares



## Annual Meeting of Shareholders

- Non-binding voting, but important PR
- Certain % of votes needed to refile on the issue
- 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

# Voting Shares



## What You Can Do

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

## UUA Shareholder Initiatives



- Require Affirmative action - disclosure of EEO data
- Promote the Glass Ceiling Commission's recommendations
- Reduce greenhouse gas emissions
- Implement codes of global human rights standards
- Prohibit discrimination based on sexual and gender identity (expression) orientation
- Protect bio-diversity, particularly in the Arctic National Wildlife Refuge

[www.uua.org/finance/sri/justice/activism.html](http://www.uua.org/finance/sri/justice/activism.html)

## UUSC Initiatives



- Correct human rights abuses – Unocal
- Provide better access to HIV/AIDS drugs-Merck
- Improve treatment of overseas employees of suppliers – TJX
- Sustainability of business practices – Wal-Mart
- Promote global workplace standards - Exxon

# 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
    - ✓ 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



## Shareholders

All shareholders may vote on resolutions on have the annual meeting agenda right to petition companies whose stock they own

## Letters

(all public companies have Investor Relations Depts.) Any time

## Filing Resolutions

for annual meeting agendas

## In-Person Meetings

(dialogues) to discuss issues and advocate changes

**All shareholders may vote on resolutions on the annual meeting agenda  
("proxy voting")**

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## Proxy Voting

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



- If you do not take a stand, votes will be cast for you BY MANAGEMENT, so...
- Open Your Mail

The UUA retains the firm of Investment Shareholder Services (ISS) to do the voting.

[www.issproxy.com/index.jsp](http://www.issproxy.com/index.jsp)

The CSRI determines UUA proxy votes and reviews them annually.

## Why Do Companies Listen?



- SEC Regulations: they must, on issues within SEC rules
- Taking care of their shareholders, particularly 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 an issue gets greater attention -- and allows re-filing if large enough

# Success Stories



## *Sexual Orientation Non-discrimination*

- 98% of Fortune 100 companies now have explicit statements in their EEO policies
- More than 78% of Fortune 500 also have such statements
- UUA was primary filer was lead filer with Home Depot and Conoco on this issue (and won agreement)
- UUA has co-filed and presented resolutions at annual meetings of numerous companies

## *Sexual Orientation (Continued)*



- Issue broadened to include non-discrimination based on ***gender identity (expression)*** and ***domestic partner benefits***
- UUA wrote letters to companies in portfolio promoting these Equality Principles
- Emerging experience from resolutions filed on broadened issue show that companies are willing to accept broadened Equality Principles

# 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
- This work is through ICCR

## Success Stories



- Press US companies to measure, monitor and reduce **greenhouse gas emissions** to retard **global warming**
- Agreements to reduce emissions and/or monitor and produce reports (Chevron, General Motors, Ford, Anadarko, Apache, Marathon Oil, and others)

## Success Stories



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

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## How are Gains Enforced & Followed Up?



- 1) Field of Social Research
- 2) Changes in public sentiment:  
Ethics (the role of UUism!)
- 3) Transparency/Exposure
- 4) Enforcement  
Legal e.g. Tyco; media
- 5) Voluntary disclosure: social audits

## 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

## Owning Companies for the Sole Purpose of Shareholder Activism



2. Honor the commitment to engage in meaningful activism
3. Prioritize issues, based on your personal/congregational/endowment/organizations' values
4. Stay in contact with other groups and emerging information



## What 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@optonline.net](mailto:jimgunning@optonline.net))
- Urge UUA to request co-filers if there is sufficient person power (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.sifinvest.org](http://www.sifinvest.org)

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

# Questions & Answers



Thanks for attending!

Email questions to  
[tim@timblackwood.com](mailto:tim@timblackwood.com)