

NORTHWEST COALITION FOR RESPONSIBLE INVESTMENT

A program of the Intercommunity Peace & Justice Center

SHAREHOLDERS ACT for the Common Good

Recently someone asked me how I was doing and what kept me going. As I reflected on her inquiry and began working on this annual report of our shareholder advocacy for 2018 I came across the wisdom of Howard Zinn, a historian and social activist who lived in the years of the civil rights and anti-war movements. He said:

To be hopeful in bad times is not just foolishly romantic. It is based on the fact that human history is a history not only of cruelty, but also of compassion, sacrifice, courage, kindness.

What we choose to emphasize in this complex history will determine our lives... If we remember those times and places—and there are so many—where people have behaved magnificently, this gives us the energy to act, and at least the possibility of sending this spinning top of a world in a different direction.

And if we do act, in however small a way, we don't have to wait for some grand utopian future. The future is an infinite succession of presents, and to live now as we think human beings should live... is itself a marvelous victory.

During the past shareholder season there have been several times, places and people that have compelled faith-based shareholders to act. Without a doubt the first is the students of Marjory Stoneman Douglas High School in Parkland, Florida, who immediately and courageously responded to the violence they experienced with #NeverAgain and #EnoughIsEnough. They put their lives on hold to work for sensible gun reform laws and to register their peers to vote. The shareholder advocacy that NWCRI and ICCR members initiated in 2017, when we made the decision to take the issue of safer guns to the boardrooms of firearm manufacturers and retailers, complemented the actions of the students.

In January NWCRI staff spent an evening with poultry workers at the Northwest Arkansas Workers' Justice Center in Springdale, Arkansas. Their stories of breakneck line speeds that cause them serious injuries, and the verbal and physical abuse they experience, convinced shareholders that the workers had to be at the table when we engage Tyson on the environmental and social impacts of its operations. With the workers we are calling on companies in the poultry sector to improve policies and practices in the areas of worker health and safety and water contamination.

Each year drug overdoses are killing more Americans than guns or car accidents, and opioid addiction affects more than two million Americans. As the opioid epidemic continues to impact our families, businesses and communities, shareholders are asking the companies we own—opioid manufacturers and distributors and antidote manufacturers—to do their part to stem the growing tide of opioid abuse.

In its first year Investors for Opioid Accountability filed 35 resolutions which resulted in improved reporting and better corporate governance at 8 companies.

In its twenty-fourth year the Northwest Coalition for Responsible Investment brought **15 social and environmental justice issues to the boardrooms of 49 corporations, filed 39 shareholder resolutions and participated in over 55 dialogues.** This Annual Report 2018 remembers those people and places that gave us the energy to act, and the possibility of moving our world in a different direction.



SHAREHOLDERS ACCEPT MORAL RESPONSIBILITY TO END GUN VIOLENCE

On December 14, 2012 when twenty children and six employees died by gun violence at Sandy Hook Elementary School in Newton, Connecticut, I remember thinking, if this doesn't move us to action nothing will. The years passed and efforts for sensible gun legislation were successful on the state level but we are still not safe in our schools, homes, churches, or on the streets of our cities.

During a presentation on NWCRI's corporate responsibility work at a local parish in the spring of 2016 a participant expressed his outrage about gun violence and the role of gun manufacturers and retailers. When I raised the issue with my ICCR colleagues we unanimously agreed that the gun industry had to be at the table.

While most faith-based investors have a policy against owning gun stocks, over 20 NWCRI and ICCR members purchased a minimum number of shares in gun manufacturers American Outdoor Brands (Smith & Wesson) and Sturm Ruger, and gun retailer Dick's Sporting Goods. We wrote letters to the companies in July of 2017 to raise our concerns and to ask for dialogue. None of the companies responded so we filed shareholder resolutions with Dick's in December and the gun manufacturers in early January 2018.

Dick's immediately engaged in dialogue with us about the actions the company was considering. We had not heard from Sturm Ruger or American Outdoor Brands when the tragedy in Parkland on Valentine's Day ignited a movement that has the potential to address gun violence in our country.

On February 28 Dick's announced that the Company would no longer sell firearms to anyone under twenty one or sell assault-style weapons and high capacity magazines. In May Dick's announced that it was hiring lobbyists to work for common sense gun reform. CEO Ed Stack ended his media release, "We deeply believe that this country's most precious gift is our children. They are our future. We must keep them safe."

In separate press releases to Sturm Ruger and American Outdoor Brands on March 2, BlackRock, their largest investor, publicly urged the companies to address gun safety issues. The Investor's questions to the companies were similar to our shareholder proposal and included: how the gun manufacturer is managing and assessing the reputational and financial risks associated with its business; steps taken to support the safe and

Society is demanding that companies, both public and private, serve a social purpose. To prosper over time, every company must not only deliver financial performance, but also show how it makes a positive contribution to society.

Laurence D. Fink, Founder and CEO of BlackRock

responsible use of its products; and investments in promoting safe products. The companies publicly posted their responses and refused to meet with BlackRock or shareholders.

At the Annual Meeting on May 9, a majority of Sturm Ruger shareholders—69%—told the Company, in one of the largest votes ever, that they wanted Sturm Ruger to take seriously the social impact of its business and that gun safety is a significant and growing social issue. CEO Christopher Killooy's response to the unprecedented vote was: "The proposal requires Ruger to prepare a report. That's it: a report... What the proposal does not and cannot do is force us to change our business, which is lawful and constitutionally protected."

Shareholders' response is: we are not going away. The #NeverAgain generation is counting on us—legislators, public health systems, citizens, shareholders and the firearm industry—to accept our moral responsibility to confront this national challenge and do everything within our power to promote gun safety.

NWCRI's proposal at American Outdoor Brands will be voted on at the annual meeting (virtual) on September 25, 2018.



HERSHEY: MORE THAN A CHOCOLATE COMPANY



Shareholders have been engaging Hershey on child labor for almost 10 years. A milestone was reached in 2012 when the Company announced that by 2020 it would source 100% certifiable and sustainable cocoa, which would be free of child labor and aim to increase farmers well-being. In 2017

certified and sustainable cocoa accounted for more than 75% of Hershey's total cocoa purchases.

This year the Company announced the Cocoa for Good Program which will invest \$500 million through 2030 to provide Hershey with more sustainable cocoa and nourish children, empower youth, build prosperous communities and preserve natural ecosystems in the Ivory Coast and Ghana.

While Hershey is making progress on cocoa, other key inputs in its products—milk, sugar, nuts, cocoa, palm oil, and corn—are reported by the US Department of Labor to be produced in countries using migrant workers. These laborers face greater risks of forced labor driven in part by unethical recruitment practices, where recruiters may charge migrant workers fees to secure employment, fail to provide written contracts documenting the terms of employment, or withhold identity documents. Failure to put proactive policies and procedures in place to address ethical recruitment exposes Hershey to significant legal and reputational risks. Therefore this year shareholders filed a proposal with Hershey asking for a report disclosing its due diligence efforts to ensure responsible recruitment within its operations and supply chain.

The resolution was withdrawn when Hershey committed to adopt a Human Rights Policy that includes ethical recruitment. The development of the Policy will include meaningful consultation with shareholders, an assessment of the nature and prevalence of recruitment risks in Hershey's supply chain and regular reporting on progress.

At the annual meeting where we recognized Hershey's commitment many investors thanked us for coming and sharing the issues around child labor which reaffirmed to us the importance of attending meetings and raising different perspectives before the CEO, Board, and shareholders.



INVESTOR ALLIANCE FOR HUMAN RIGHTS

AN ICCR INITIATIVE

Religious shareholders came together in 1971 to address the injustice of apartheid in South Africa. Using their power as investors, they moved corporations to cease doing business in the Country, and consequently made an essential contribution to changing a system of racial segregation that had existed since colonial times. Forty years later the United Nations adopted the Guiding Principles on Businesses and Human Rights, which outline the duty of states to protect the human rights of their citizens and the responsibility of businesses to respect human rights.

This year the Interfaith Center on Corporate Responsibility established the Investor Alliance for Human Rights which is designed to facilitate investor advocacy on a full spectrum of human rights and labor rights issues. Members will include socially responsible investors, pension funds, and mainstream investors. The Alliance will work collaboratively with NGO partners and community stakeholders, with the shared goal to ensure corporations act on their responsibility to respect human rights in their global operations and supply chains.

—investorsforhumanrights.org

The UN Guiding Principles on Business and Human Rights make clear the corporate responsibility of businesses to seek to prevent or mitigate adverse human rights impacts that are directly linked to their operations, products or services by their business relationships, even if they have not contributed to those impacts. (Principle 13-b)

INVESTORS SUPPORT LOW CARBON FUTURE

Members of ICCR evaluated our climate justice efforts in 2018 by acknowledging that there is growing investor attention toward climate change which is a welcome development that is especially needed in the current political environment. Our contribution to this growing investor advocacy on climate justice is our reputation for long-term and respectful yet challenging engagements; our moral credibility to speak for people and planet; and our collaborative culture between members and partners.

Faith-based investors remain committed to the Paris Climate Agreement and the global transition to a low carbon future. In 2018 NWCRI members engaged companies on methane emissions, greenhouse gas emissions and business plans in alignment with the 2°C warming scenario.



AMAZON SHAREHOLDERS CALL FOR MORE DIVERSITY

Rev. Jesse Jackson returned to Seattle in May for Amazon's annual shareholder meeting to once again remind the CEO and 10-member Board, which is all white, of their moral responsibility to promote inclusion and diversity at all levels of the Company.

BEHIND THE BARCODES

[Shopping] is a choice through which we often opt, in an unconscious way, for goods, whose production possibly takes place through supply chains in which the violation of the most elementary human rights is normal...

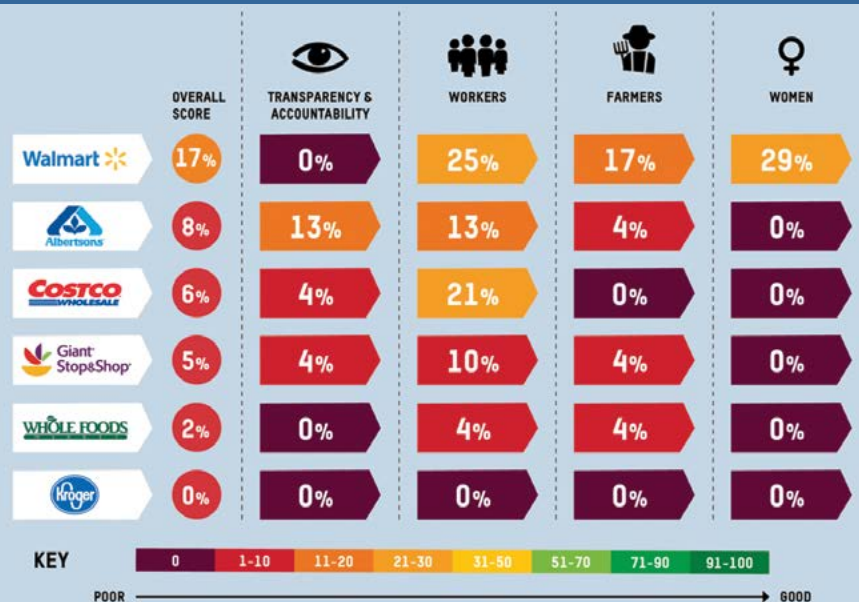
#33 Oeconomicae et pecuniariae quaestiones (Vatican Document Promoting Integral Human Development, May 2018)

Health-conscious shoppers consult the list of ingredients when deciding whether or not to buy a certain food or beverage. But where can socially conscious shoppers find information about the treatment of the workers and producers of our food? Oxfam, the international confederation of 20 NGOs working with partners in over 90 countries to end the injustices that cause poverty, has a new campaign designed to evaluate the supply chain sourcing policies of 16 of the largest and fastest-growing supermarkets in the US, UK, the Netherlands and Germany.

The campaign has a scorecard that analyses company policies in four areas: transparency, workers, small-scale producers and women. Shareholders will engage Costco, Kroger, Walmart and Whole Foods on these issues and we encourage consumers to join the effort to demand that supermarkets have sustainable and equitable sourcing policies.

Find out how your supermarket ranks: oxfamamerica.org/take-action/campaign/food-farming-and-hunger/behind-the-barcodes

US SUPERMARKET SCORECARD



Scores are based on supermarkets' publicly reported policies and actions in their food supply chains. Reported human rights allegations in the supply chains of companies can be found at www.business-humanrights.org/barcodes

[WWW.BEHINDTHEBARCODES.ORG](https://www.behindthebarcodes.org)



ExxonMobil LEAVES ALEC

ExxonMobil, in response to the 2017 request of 62% of its shareholders for “an annual assessment of the long-term portfolio impacts of technological advances and global climate change policies,” issued a report in February 2018 entitled *Energy and Carbon Report*. Evaluations of the Report ranged from defective and unresponsive to its being a significant step forward in investors’ decades-long engagement with Exxon. Shareholders are in agreement that many questions remain about the Company’s assumptions and the soundness of its long-term strategy in a world that Exxon now admits is shifting to a low-carbon economy.



TAKES STEPS TO EARN TRUST OF CUSTOMERS

Nora Nash, OSF, who led NWCRI and ICCR members in addressing predatory credit card practices with Wells Fargo over 10 years ago, now leads our efforts to require the Company to publish a Business Standards Review and Report. This comprehensive report will analyze the root causes of past and present fraudulent activities, plans to address them, and how progress will be measured and disclosed.

Wells Fargo publicly committed to this Review and Report in its 2018 Proxy and at the Annual Meeting Nora was recognized by the Chair of the Board, Elizabeth Duke, who thanked her for her advocacy, and that of ICCR

NWCRI shareholders co-filed a resolution led by the United Steelworkers requesting a report on ExxonMobil’s lobbying and membership in and payments to organizations that write and endorse model legislation, e.g., American Legislative Exchange Council (ALEC)

The proposal was supported by over 26% of Exxon’s shareholders, and in July the Company announced that it would not renew its membership in ALEC. Last year Exxon had a dispute with the conservative lobby group over the Environmental Protection Agency’s regulation of greenhouse gas emissions. Over 100 companies have cut ties with ALEC, including oil giants BP, Shell, ConocoPhillips, Occidental and now Exxon.

members. Nora’s statement focused on the customers of Wells Fargo: “This Company has wounded millions of its customers. People across the country...have had to confront profound difficulties—they have lost their homes, businesses and, in no small measure, their dignity—all because our company failed them. These PEOPLE, your customers, who are guilty only of having trusted Wells Fargo to do the right thing, deserve to be validated, they deserve an honest reckoning of the events that led to these transgressions and, more importantly, they deserve a definitive apology.”

Alphabet TAKES STEP ON DIVERSITY

As Google states on its website, “When it comes to diversity at Google, there’s more work to be done.” Shareholders agree and believe that the Board of Alphabet (parent company of Google) can provide greater leadership and guidance to management as it expands diversity and equality within the Company. Therefore, with the leadership of Trillium Asset Management, NWCRI filed a shareholder resolution requesting the Board of Directors to take steps to make the Board’s Executive Committee, which is currently composed of men, diverse in terms of race, ethnicity, and gender.

The resolution was withdrawn when Sundar Pichai (Google’s CEO and an India native) was appointed to the Executive Committee of Alphabet. While pleased with

this step to expand diversity, we expressed our concern about lack of gender diversity. We urged the company to adopt a diverse search policy assuring that each director search Alphabet undertakes include at least one woman or underrepresented person of color in the candidate list.

Shareholders were successful in this request when in July the Board published changes to its Corporate Governance Guidelines which now state:

When evaluating candidates for nomination as new directors, the Nominating and Corporate Governance Committee will consider (and will ask any search firm that it engages to provide) a set of candidates that includes both underrepresented people of color and different genders.



OPIOIDS

Alarmed when the opioid epidemic became the leading cause of death for Americans under 50, responsible investors began researching the involvement of the companies we hold. In the summer of 2017, under the leadership of the United Auto Workers Retirement Benefits Trust and Mercy Investment Services, the Investors for Opioid Accountability (IOA) was formed.

During the 2018 shareholder season IOA's coalition of 50 state treasurers, asset managers, faith-based investors and public and labor funds, filed 35 shareholder proposals on board oversight of business risks related to opioids at 11 manufacturers and distributors. Agreements were reached with 8 companies on issues of separation of chair and CEO; lobbying and political spending disclosure; clawbacks of executive pay due to misconduct, and board risk reports. Shareholder support for IOA proposals ranged from 62% to 18%.

While we celebrate several victories "members of the IOA remain committed to using their voices as shareholders in companies and stakeholders in impacted communities to advocate for businesses to do their part to stem the growing tide of opioid use," said Donna Meyer of Mercy Investment Services.

EVERYONE HAS THE OPPORTUNITY TO BE AS HEALTHY AS POSSIBLE

NWCRI and ICCR members believe access to health care is a human right. We advocate for corporate and systemic reforms that will improve access and affordability of health care for all, especially for those persons who are most vulnerable. We believe corporations have an important role to play in responding to health inequities both in the US and globally.

Critical to making health care more accessible and affordable is the price of essential medicines.

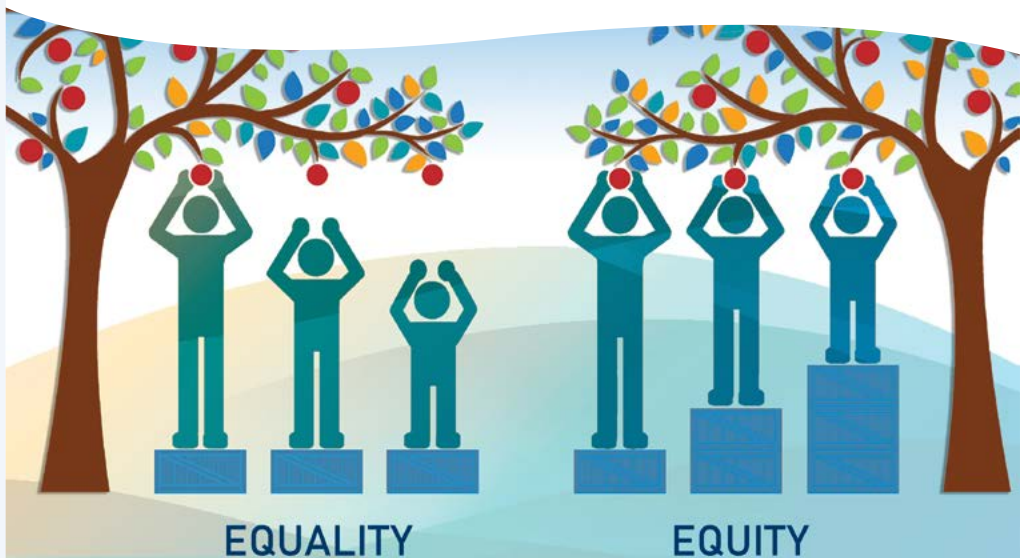
For years NWCRI and ICCR shareholders have been engaging pharmaceutical companies on the issues of access and affordability of medicines and the risks posed by drug pricing increases.

This year we relied on the 2017 Credit Suisse Report to inform our advocacy efforts. The Report concluded that executive incentives were often almost exclusively tied to price increases on existing products as opposed to adding value through new product innovations despite public and political scrutiny.

We filed a proposal urging Board Compensation Committees to report annually to shareholders on the extent to which risks related to public concern over drug pricing strategies are integrated into the companies' incentive compensation policies, plans and programs for senior executives.

The resolution was filed with five companies and it withstood challenges at the Security Exchange Commission from all the companies. Shareholder support was as follows: AbbVie 21%; Amgen 26%; Biogen 28%; Bristol-Myers Squibb 23%; Eli Lilly 27% of independent voters.

After the vote at AbbVie Judy Byron, OP said, "The pharma industry is facing mounting scrutiny from legislators, doctors, payers and the public as a result of price increases on key drugs. We are gratified that other investors share our concern that AbbVie's incentive pay arrangements, which are based on revenue and earnings per share targets, may overlook the risks this increased scrutiny represents for the company."



2017-2018 NWCRI SHAREHOLDER ACTIVITIES

| Company | Issue | Action |
|-------------------------|---|-----------------------|
| AbbVie | Senior Executive Incentives—Integrate Drug Pricing Risk | Resolution—24.33% |
| AbbVie | Global Health | Dialogue |
| Alphabet | Board Diversity | Resolution Withdrawn |
| Altria Group* | Begin Reducing Nicotine to Less Additive Level | Resolution—4% |
| Amazon | Ethical Labor Recruitment | Resolution Withdrawn |
| American Outdoors Brand | Gun Safety | Resolution—Sept. 25 |
| Amerisource Bergen* | Financial & Reputational Risks Related to Opioid Crisis | Resolution—41.22% |
| Amgen* | Senior Executive Incentives—Integrate Drug Pricing Risk | Resolution—25.85% |
| Anadarko Petroleum* | Methane Emissions—Measure Leakage & Disclose | Resolution Withdrawn |
| Archer Daniels Midland | Sustainable Agriculture | Dialogue |
| Biogen | Senior Executive Incentives—Integrate Drug Pricing Risk | Resolution—28% |
| Bristol-Myers Squibb* | Senior Executive Incentives—Integrate Drug Pricing Risk | Resolution—23% |
| Bristol-Myers Squibb | Global Health | Dialogue |
| Campbell Soup | Access to Nutrition/Human Right to Water | Dialogue |
| Cardinal Health | Financial & Reputational Risks Related to Opioid Crisis | Resolution Withdrawn |
| Caterpillar | Independent Director with Human Rights Expertise | Resolution—4.88% |
| Chevron | Human Right to Water | Dialogue |
| Chevron* | Methane Emissions—Measure Leakage & Disclose | Resolution—45% |
| Chevron* | Separate Chair & CCEO | Resolution—23.98% |
| Coca-Cola | Water Impacts of Business Operations | Dialogue |
| Comcast* | Prohibit Virtual Only AGM | Resolution Omitted |
| ConocoPhillips* | Prohibit Virtual Only AGM | Resolution Withdrawn |
| CoreCivic | Private Prisons/Human Rights Due Diligence | Dialogue |
| Dick's Sporting Goods | Lobbying Expenditures Disclosure | Resolution Withdrawn |
| Dollar General* | Sustainability Reporting—GHG Emphasis | Resolution Withdrawn |
| Duke Energy* | Lobbying Expenditures Disclosure | Resolution Withdrawn |
| ExxonMobil | Business Plan for 2C Scenario | Resolution Withdrawn |
| ExxonMobil | Lobbying Expenditures Disclosure—Climate | Resolution—26.20% |
| ExxonMobil* | Separate CEO & Chair | Resolution—38.70% |
| Freeport McMoRan | Human Rights Risk Assessment | Dialogue |
| GEO Group | Private Prisons/Human Rights Due Diligence | Dialogue |
| Gilead Sciences | Drug Pricing/Global Health | Dialogue |
| Hershey | Ethical Labor Recruitment | Resolution Withdrawn |
| Johnson & Johnson | Global Health | Dialogue |
| Johnson & Johnson | Separate Chair & CEO | Resolution Withdrawn |
| Kraft Heinz* | Environmental Impacts of Non-Recyclable Packaging | Resolution—13.50% |
| Kraft Heinz | Sustainability Reporting | Dialogue |
| Kroger | Human Rights Risk Assessment | Dialogue |
| Marriott International | Assess Human Trafficking/Forced Labor in Supply Chain | Dialogue |
| McDonald's* | Human Rights Policy/Ethical Recruitment | Resolution Withdrawn |
| McDonald's | Phase Out Medically Important Antibiotics in Supply Chain | Resolution Withdrawn |
| Merck | Drug Pricing/Global Health | Dialogue |
| Monsanto* | Create Board Committee on Human Rights—Glyphosate | Resolution Withdrawn |
| Newmont Mining | Human Rights/Water Impacts of Business Operations | Dialogue |
| PepsiCo | Sustainable Agriculture | Dialogue |
| Pfizer | Drug Pricing | Resolution Omitted |
| Pfizer | Global Health | Dialogue |
| Pfizer* | Separate Chair & CEO | Resolution—25.60% |
| Philip Morris* | Disclose Relationship with Smoke-Free World | Resolution Withdrawn |
| Pilgrim's Pride* | Water Impacts of Business Operations | Resolution—7% |
| Rite Aid* | Sustainability Reporting | Resolution Won at SEC |
| Sanofi | Global Health/Drug Pricing | Dialogue |
| Sturm Ruger | Gun Safety | Resolution—69% |
| Tyson Foods | Water Impacts of Business Operations | Resolution—15.83% |
| United Health | Expand Health Insurance Products | Dialogue |
| Valero Energy | Business Plan for 2C Scenario | Resolution Withdrawn |
| United Parcel Service* | Lobbying Expenditures Disclosure—Climate | Resolution—19.50% |
| Walgreens Boot Alliance | Report on Implementation of UN SDGs—Tobacco | Resolution Withdrawn |
| Walmart | Domestic Workers Wages & Benefits/Responsible Sourcing | Dialogue |
| Wells Fargo | Business Standards/Vision & Values/Risk Management | Resolution Withdrawn |

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

CORPORATE CHANGE for the Common Good

KraftHeinz, the third largest US food and beverage company, has committed to make 100% of its packaging recyclable, reusable, or compostable by 2025. A 2016 World Economic Report said that if we don't take action, plastics in the ocean will outweigh fish in 2050.

Building on its longstanding commitment to emissions reduction, **ExxonMobil** subsidiary **XTO Energy** announced an enhanced leak detection and repair program to reduce methane emissions from its production and midstream facilities across the US.

The President signed the Stop Enabling Sex Traffickers Act (SESTA) into law in April. SESTA provides a much-needed update to the Communications Decency Act (CDA) to help hold websites accountable when they knowingly facilitate sex trafficking. On April 6 Federal authorities took down **backpage.com** which has been repeatedly accused of enabling prostitution and sex trafficking of minors.

Lowe's, **Home Depot**, **Sherwin-Williams** and **Walmart** will ban the selling of toxic paint strippers by the end of 2018 or 2019.

Today as never before we are all called, as sentinels, to watch over genuine life and to make ourselves catalysts of a new social behavior, shaping our actions to the search for the common good, and establishing it on the sound principles of solidarity and subsidiarity.

Archer Daniels Midland committed to respect the right to safe and clean drinking water and sanitation in its operations and supply chain in its updated Human Rights Policy.

Taking the next step in its carbon neutral journey, **Microsoft** has pledged to reduce its operational carbon emissions by 75% by 2030. This commitment puts Microsoft on a path to meet the below 2°C goal set in the **Paris Agreement**.

Target committed that by 2020 it will only source cotton from sustainable sources for its national brands in apparel, home products and other goods. "Sustainable" includes the fiber's water footprint, the use of chemicals within the cotton supply chain, soil health and ethical working conditions.

In an effort to have a positive impact on the nature of work, which is changing on a global level at a rapid pace because of technology, automation, robotics and AI, **Google** announced Grow with Google, an initiative which pledges \$1 billion to nonprofits for training workers and building businesses.

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 St. Joseph Health
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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