

Executive Council Committee on Corporate and Social Responsibility

Minutes of the Meeting

May 22, 2019

Attending the meeting: Doug Fisher, Brian Grieves, Mark Goodman, Casey Clark, Bill McKeown, Paul Neuhauser, Diane Pollard, Kirsten Spalding, John Taylor; from the staff, Kurt Barnes, Doug Anning, Margareth Crosnier de Bellaistre, Rebecca Blachly, and Nancy Caparulo; consultant, Pat Zerega; from the Church Pension Group, Christopher Rowe and Clayton Crawley.

Regrets: Byron Rushing.

Chair, Doug Fisher, called the meeting to order at 8:59 AM ET and opened the proceedings with John Taylor offering Psalm 23.

Introductions around the room were made and the roll was taken. The Agenda was moved, seconded and approved as presented.

The minutes from the January meeting were considered, moved, seconded, and adopted as presented.

Note: All reports referenced in these minutes were posted to the committee's Extranet page. Details are available upon request.

Shareholder Engagements

Pat Zerega discussed updates on shareholder engagements. Work continues with Delta, Marriott, etc. Delta is very active in training around human trafficking. Pat pointed out that labor trafficking is as much a problem as sex trafficking. Marriott does public service announcements in February when that month focuses on the issue.

With regard to board diversity, there are no current company engagements because in the Fortune 500 there really is diversity. MSCI and ISSS have recommended a 30% target for diversity. Pat noted that one voice at the table doesn't always have impact to make a change in a discussion.

Dakota pipeline. The activist community has begun to look at banks underwriting the projects in that area. Wells Fargo did a new business standards report about the kinds of loans that might be awarded. There needs to be pipeline infrastructure change in this country. The old ones are leaky and need replacement. The question is how to separate that from the new work being proposed. Pat is looking forward to the Equator Principles update, which was originally written for banks around the equator about lending and how they should proceed managing environmental and social risk in project finance.. An attempt was made to apply those principles to the Dakota matter. Throughout the world, if the same principles were to be applied it would go a long way to connect indigenous rights to environmental issues.

Guns. The church continues to be involved in the dialogues with whoever is underwriting the gun manufacturers. One company changed the date of its annual meeting, which resulted in the DFMS missing the filing deadline. DFMS has written an initial letter to Olin but we are set for a filing by the November 12 deadline. Dick's Sporting Goods is moving away from all gun sales and is rebranding toward soccer moms. Locations where guns are sold is a possible future focus.

Israel/Palestine. DFMS is trying a second time with Motorola. Caterpillar's meeting is coming up in North Carolina.

Climate. Several different things are active. Climate Action 100 is an international group working on climate issues and that establishes targets they try to get companies to adopt. The church voice is in the discussions. Delta-United-American are picked up because airline travel affects greenhouse gases. Biofuel is in the future and United is ahead in that particular area. With the 737 Max out of commission, airlines are pulling out old, less efficient aircraft.

DFMS worked on both Chevron, where one can declare a vote ahead of time, and BP. The votes came in at 90% on the resolutions.

A question arose about American Airlines and racial discrimination. The issue had to do with facial recognition technology. TSA is trying out new systems. American and United agreed to work with them in Chicago and Miami. The browner the skin tone, the less accurate the screens' capability. Passengers had been removed from planes. This matter will be on the meeting agenda again, along with the matter of salary issues.

B016 – Brian Grieves made a summary of the report that had been posted to the committee's Extranet page. Working with the Lutheran screens was part of the mandate. TEC has embraced the idea of Israel and Palestine peace which has resulted in many GC resolutions, especially about the occupation of Palestine. The church's policy base is consistent with the ELCA. The voice of the American Jewish community was solicited in order to look at both extremes. TEC is the last of the major denominations to consider this. All major denominations have screens and have identified companies to screen out of the portfolios. This resolution would make TEC in sync with other major denominations. It was noted that Motorola won't talk with TEC. Brian **moved** the resolution and the motion was **seconded**. Thorough and wide-ranging discussion followed. Salient points included:

- staying involved so that dialogue can take place
- the report doesn't differentiate the kind of involvement the shares represent
- engage in dialogue with TripAdvisor (that is not a divestment issue)
- some of the language in the report was at issue
- the IC responded regarding fossil fuels by adopting a policy that allows the identification of companies whose revenues are in excess of 10% from fossil fuels
- is there a way to set a threshold of a company's revenue coming from a difficult area
- suggested dividing the resolution into the A and B – the A resolution adopts the ELCA concept and the B resolution is the no buy list

- perfecting the language concerning the Palestine focus and the importance of joining with others on resolutions to make an impact (Caterpillar, Trip Advisor, and Motorola)

Brian discussed the differences between the ways the Lutheran Church and DFMS work. ICCR would be a place to even the ground. Pat Zerega wrote the screen using the basic declaration of human rights. It was considered unlikely that the same screen would result when working ecumenically. There is no universal agreement on which companies to divest from. A gradation in the response was suggested. It was considered important to come up with a stance that all can agree on that includes other denominations. Perhaps, do both impact investing and divestment.

After additional discussion it was decided that Paul would work with Brian on wordsmithing. The Resolution should be divided so that EC can vote on them individually. There is no no-buy list for ELCA.

It was pointed out that this committee must meet in September to prepare for the proxy voting season. Resolutions must be passed onto Executive Council, which then manages it.

Rebecca talked about Motorola and the research they've done concerning human rights issues. Other human rights questions are involved with Motorola (Saudi). Part of the Middle East Peace undertaking is to support all measures to achieve peace. Rebecca brought up the importance of getting accurate information about decision-making to the press because others actually follow what TEC does. Nuances need to be captured. Pat talked about not achieving corporate change. A Motion was made approving the general outline of the resolution, subject to a revision in the language to be circulated, based on the discussion. Rebecca talked about AirBnB flipping its policy about Israel/Palestine and the Crimea.

Discussion returned to the resolution. A sure way to end up on the no-buy list, it was observed, is "failure to be responsive." Caterpillar, Motorola, and Israel Discount Bank were unresponsive to efforts at constructive engagement about their policies on the human rights list. The church values being able to engage with those willing to have dialogue. DFMS tries to make sure to use all the tools available to effect change before divesting. CCSR has traditionally gone the way of shareholder engagement or following the mandates of GC.

Office of Government Relations

After a break at 11:00, Rebecca talked about the Office of Government Relations (OGR) and advocacy. She is the Director of the Office (the Washington Office), which was set up in 1979 to represent the policy of the church to the US Government. DFMS shares with the ELCA in advocacy priorities, taking all positions from GC or EC. 68 resolutions came from 2018 GC having to do with ending poverty, environment and climate issues, global peace-building, immigration, and refugees. Racial reconciliation is the overarching umbrella. A stronger relationship is being built with ICCR through this committee.

OGR has an educational focus. They run the EPPN to teach about the issues to 2,500 members. They are working on gun reform issues, visiting with members of congress on universal background checks, pushing senators to move those bills forward. They see momentum against

the NRA right now. Regarding the environment and creation care, all of that work is undertaken in a non-partisan or bi-partisan way. The Green New Deal is a flash-point, so they are not signed onto that. OGR represents the values of the church and is not neutral in lobbying. They are doing work around Cuba and seeking funds for Palestinians to assist in human /safety needs.

Depending upon the subject, OGR has some access to the US Executive Branch. There have been senior level meetings with the Vice President with a strong focus on religious freedom around the need to continue to settle refugees in the US who have fled religious persecution. 95,000 refugees per year have been resettled since 1980. Lowest number resettled was last year (22,000). Episcopal Migration Ministries is being decimated by the current government.

SEC Status

Paul described three prongs to the attack. One is legislative, restricting people from putting in resolutions; the second is rule-changes; the third is the SEC changing its interpretation of its existing rules, most notably on climate change (reduce emissions to comply with the Paris Accords). Commission is under pressure and the #1 defender of shareholder rights is going off. There are 3 spots to be filled. Main St. Investors, the Chamber of Commerce, and other business groups are working to revise the rules. The argument is that company funds are being wasted by having to deal with shareholder activities having nothing to do with the company. The underlying focus is climate change and the environmental resolution in the past couple of years.

There is a resolution on women's health and the Violence Against Women Act reauthorization is being tied to another act at present. OGR is working on those.

B016 discussion continued. Paul and Brian moved an amendment to the enabling resolution and the changes to be made were discussed:

...corporations held in the DFMS portfolio that do business in the Occupied Palestinian Territories (OPT) and benefit from the denial therein of human rights, and are resisting effective engagement, to that end, Executive Council directs the treasurer to place Caterpillar Inc., Motorola Solutions and the Israel Discount Bank on the DFMS Human Rights No Buy List, and to direct DFMS's money managers to divest DFMS's holdings of these companies immediately, and be it further

Resolved, that Executive Council directs CCSR (i) to apply the TEC Screen to evaluate other companies in the DFMS portfolio that may be benefiting from the denial of human rights in the OPT and recommend to Council which of these companies, if any, should be placed on the Human Rights No Buy List and (ii) to identify which, if any, in the DFMS portfolio are doing business in the OPT and should be identified for corporate engagement, and be it further

Resolved, that Executive Council directs CCSR to identify corporations not held in the DFMS portfolio that are benefiting from the denial of human rights in the OPT, to apply the . . .

A break was taken for Church at 11:56 and the meeting resumed after lunch at 1:35 PM, when continued deliberation about the suggested changes took place. The vote on the amendment carried. The whole amended report was **moved, seconded and approved** to send to Executive Council.

Discussion of B007 (Ethical Investing in Gun Manufacturing)

This resolution was generated from Bishops United Against Gun Violence (now 80 members post Sandy Hook tragedy). Doug talked about this work. His diocese bought Smith and Wesson stock in order to enter into shareholder resolutions. They are following catholic nuns and others who are opening the door that young people are knocking on. Banks are being graded regarding their support of gun companies. Citibank and Bank of America got Cs in the grading report and actually called about improving their grade.

Bill pointed out that the DFMS having a role with Dick's Sporting Goods helped stop the selling guns. American Outdoor Brands and another company had shareholder resolutions passed. There is history in the report of the church's engagement with gun safety.

Pat added that resolutions that were passed asked for reports on safety. Both companies presented reports. The resolution was moved (Kirsten), seconded (Brian). Discussion focused on perfecting the language in the enabling resolution and the reasons for putting it forward are purely "following on the mission of the church." There was a very long discussion about the content of this report. The **vote** on the amended language carried without opposition but work would continue on the text. These resolutions will go to the Finance Committee of EC where they will be reviewed, discussed and move it forward for a vote. Talk turned to a plan about the EC presentation and publicity prior to EC if that is appropriate. This committee reports to EC through the Finance Committee. Assuming EC passes them, the implementation about going to the banks becomes summertime work.

C021 – Advocacy with CPF on Climate Change and other Climate Issues

Christopher Rowe discussed this resolution having to do with a joint effort of CPG and the CCSR to identify ten companies. 12 companies were identified from the Climate Action 100 (CA100). Kirsten explained that this is a way to identify companies that are the heaviest emitters in the world. Investors agreed to work collaboratively with them on asks: transition plans toward the Paris Accord, emission reduction targets, governance to manage the transition, use effective disclosure using the guidelines provided. Finally, data providers joined the initiative to measure progress over time, counting emissions and showing how they are reduced. CPG is not a member of the initiative but works with clients who are. DFMS is not a formal member.

Considering the objectives of CA100 was a good way to respond to the resolution from GC. Looking at companies on the list, they've acknowledged their part and that something needs to be done. Sustainability experts are brought into discuss with board of directors. EOG had someone on its board, a climate expert who said carbon in the atmosphere is good for plants. CPG had a long conversation with them. Cruise companies included. Royal Caribbean has a sustainability expert on the board while Carnival has none. CPG is starting with 12 companies with the hope that in three years there will be a robust report to present to GC. All companies are in the portfolios of both CPG and DFMS. They will report when a company is doing good work on governance toward sustainability. Pat noted TEC could sign on to C100. She suggested it would be worthwhile to look into it.

Fall Preview

Pat talked about C100 again with respect to banks and how we might want to address them. Wells Fargo and BOA have both taken action.

On the opioid epidemic, there is a group approaching pharmaceutical companies making opioids, and asking what they are doing to determine how you're part of the problem? They are looking at corporate governance issues and whether top level employees are being incentivized. They are working with the distributors (CVS, Walgreens, etc.) to ask if they're paying attention. The side-effect companies are in the target zone as well.

17 resolutions by ICCR members went to Amazon (15 got through). The new issue is labor, non-transparent supply chain, and sustainability issues abandoned after acquiring Whole Foods. This is a company with enormous issues including human trafficking.

IAHR is a new group focused on human rights, seeking to bring issues to greater awareness. Companies are educated about some of the Human Rights issues. Brian suggested a symbiotic relationship with Rebecca and ICCR would be very useful in this regard.

Paul suggested that methane is a concern that might be addressed with oil and gas companies as it is on is on the work plan. UGAs in China are a concern. There are cotton-producing companies having human rights and supply chain issues. The six issues for the term are: trafficking, board diversity, pipeline issue, guns, climate, and Israel/Palestine. Paul expressed his concern about taking on anything new. In the past the committee members spent a great deal of time doing the work. However, a medical category might cover several topics of interest.

Cuba is another matter that is of interest since the church is being received back into TEC fold.

Ensuing conversation raised a number of questions and concerns:

- A conversation with Bishop Klusmeyer might result in suggestions about how EC can take action regarding the opioid matter.
- There is so much to be done, how does one decide where to begin.
- Look at the topics and decide where engagement is possible. Prioritization is critical.
- Look at what other avenues are available to accomplish the goal.
- Where is the greatest impact going to be?
- Can bank credit card companies be asked to report when someone spends a lot of money on guns and ammunition?
- In the transition to a low-carbon economy, what does that mean to a low-income population?
- If we can triangulate overlapping holdings and issues that we care about, that might create an amplified voice on issues.
- It would be good to leverage the resources (DFMS, CPG, Ceres, Rockefeller).

The suggestion was made that a focus list be made, looking at issues already identified and the holdings, and be brought to the September meeting. The September meeting means working in earnest in August in order to have resolutions ready for EC's meeting in October. The work plan will be reviewed and Pat will let the committee know what is feasible.

D068 Criteria and Procedures for Deciding to Engage with or Establish a No Buy List of Companies. Bill talked about the mandate that call for a process/mechanism to do this. There is a deadline of March 2020. The Presbyterian Church has already done this kind of examination – let's borrow their document. The Lutherans may have something as well. Need to answer questions of why and what outcome(s) anticipated. Historically, we stay in and try to change. The work could be very useful on the diocesan level. Maybe the way to approach the problem is to lay out a matrix of alternatives to arrive at a strategy. Name the goal. . . find the tools. Bill, Casey and Kirsten are the likely culprits to work on this matter. Chris will post the Presbyterian list.

The theology of money task force.

Bill chairs this task force. It has met once and will meet again next week. It will look at how does TEC theology have an impact on how the church raises money, spends money, and invests money. Someone suggested Rowan Williams' writing on the theology of money as a starting point for the work.

2021 will be the 50th anniversary of this committee and it seemed that the occasion should be marked. It will be a GC year that might afford opportunities. Suggestions included getting a marketing person involved to spread the word about it. Historically, PB Hines formed a committee to focus on South Africa to get out of South Africa. Next was to hold a hearing in Puerto Rico on a mining project that shed light on the environmental impact, especially that on indigenous people. Other denominations were asked to join us in Puerto Rico. The Baptists (Horace Gale) and a couple of others held the hearing and it was out of that experience ICCR was born. It began with protestant churches but the Roman Catholics joined (nuns) and it has flourished fairly well since then. Content should be created to spread the word. There is an existing video. Kurt suggested starting with the Archives and asking them to pull things together. Significant achievements might be a focus. Talk with GC Planning & Arrangements to move a presentation forward. Diane offered to work on that, perhaps doing something at a joint session. Have parishes involved in some capacity and make it a tool for the church. Paul related a story about the ending of Apartheid in S.A. The business community reacted and it ended earlier with TEC leading the way. Illustrate how to put the power of money to use for the glory of God and to help humanity. Conversation ensued around the Archbishop of Canterbury and his work with Exxon. Lambeth meets in 2020. Justin Welby might be a great speaker on the subject. Ethical investing is a big thing in the Church of England.

The meeting was recessed at 4:47 PM and reconvened on Thursday, May 23, at 8:57 AM with the Walk to Emmaus read by Casey at Doug's request. Presiding Bishop Curry was present at the onset of the meeting, which commenced with a quick discussion about the committee's 50th anniversary in 2020. GC P&A will meet soon to finalize the skeleton schedule for Baltimore. Brian updated the PB about the work the committee did the prior day. PB would like the wider church to know about it. It was noted that having a consultant work with the committee has made an enormous difference in the work flow. It was thought that a first estates church commissioner might be a good alternate for the ABC.

The PB departed at a bit after 9:30.

SEC update

Paul discussed the submission requirements that will be in place for shareholder proposals. The 100-share list needs to be revised.

Proxy Voting Guidelines

Christopher talked about taking a fresh look at the voting guidelines. Historically, the policies of CPG and DFMS are aligned. CPG differs from DFMS in some cases but all agree the for-profit prisons are abominations and concern was raised about an audit of the supply chain of TJMAXX to see who might use prison labor. They have an HR policy in place. Some shareholder proposals look at lobbying. Re-nominating people to boards and gender pay equity disclosures are other issues. Chris reviewed some of the nuances about transparency about gender pay equity and the need for flexibility to vote appropriately. More states are requiring 30% diversity on their boards. Pay disparity and wealth inequality are two more hot topics along with executive compensation.

Janet Brown, who is a member of the Investment Committee (IC) discussed the information on divestment in fossil fuel and investment in clean energy. 2% investment remains in fossil fuel, conforming with the GC requirement. She will meet with the Mercer ESG consultant to raise awareness. GC mandated divesting in a fiscally responsible fashion. When the policy was adopted there was a bit more than 4% in fossil fuels. DFMS is to invest in no company that earns more than 10% of its revenue from fossil fuels. In the case of pooled investments, SRI pools are used where possible. Mercer did an analysis of clean energy. DFMS has liquidity needs and specific concerns involving \$170 million in co-investors.

Chris and Clayton talked about Ann Mallonee continuing her role in church events and international partners. Clayton is the business-focused person from CPG with impact investing, shareholder engagement, and thought leadership as the three prongs of their program.

Environmental investing. Investment in New Energy (see item on extranet). In renewable energy they are trying to move more projects into the operational phase. Chris talked about investments and finance in emerging markets, specifically a fund that puts solar units in houses across Africa. There is an environmental, public health, and gender story. Positive social impact. There will be powerful items created to address climate change. What happens, too, if the climate change issue continues to be ignored. Chris referenced the FED letter.

Re: thought leadership. How do we get the word out about the work being done? CPG holds events to talk about it.

Rebecca raised the issue of B002, an anti-corruption resolution that OGR is working on to advocate for transparency. Not a lot of religious voices are working on the issue. IACC conference participation might be worthwhile. In the case of the DFMS, there are issues of true transparencies. CPG invests internationally and in private companies in Africa. Lobbying disclosure is a matter to think more about.

Bill thought to share with the Committee on the Theology of Money the idea of an event at GC focused on the 50th anniversary. A subcommittee would help define a goal at GC and to develop some ideas about what would be desired (e.g. aligning our investments with our values). The subcommittee will report at the September meeting. Casey, Brian and Diane volunteered for this task. Casey pointed out the need for funding and suggested taking inventory of what can be leveraged. CPG will help leading to 2021.

John returned to the Palestine issue. GC asked for a focus on the investment shield. He was hopeful that impact investing could be done in the Palestine territories. Kurt pointed out that through the EJLC portfolio there is an investment in Palestine. The Palestinian stock market is limited. The Bank of Palestine is about 50% of the market, then tourism companies and some IT companies. The EJLC committee approved a \$500K in the bank. They loan to minority and small businesses. The loan fund is \$7 million and the max loan is \$500K. Samuel Barhoum has a website that lists companies in Palestine. CPG is looking in Palestine and found one fund that provides financing on both sides for economic development. CPG will share the information.

Comments about future work: oil & gas – reducing methane in production. Paul would like to be sure manufacturers are on the 100-share list. Second: when the September work is developed, human rights beyond Israel/Palestine should not be so restrictive.

Next meeting is a Zoom in September. Doodle poll to be sent out to establish the date/time.

Paul volunteered to be at ICCR in October. Doug can come for part of it as well as Diane, Chris and, possibly, Brian.

The meeting was adjourned at 11:05 AM.

Respectfully submitted,

Nancy Caparulo

Staff support to the committee