Executive Council Committee on Corporate Social Responsibility

Minutes of the Meeting

January 8, 2020

Attending the meeting: Doug Fisher, Brian Grieves, Casey Clark, Paul Neuhauser, Diane Pollard, Byron Rushing, Kirsten Spalding, and Janet Brown (IC liaison); from the staff, Kurt Barnes, Rebecca Blachly, Margareth Crosnier de Bellaistre, and Nancy Caparulo; consultants, Pat Zerega and Bill McKeown; from the Church Pension Group, Christopher Rowe and Clayton Crawley.

Regrets: Mark Goodman and John Taylor.

Doug called the meeting to order with an Epiphany reading at 3:05 PM EST, equating the work of the committee with the words of the Gospel.

The roll was taken and the agenda approved as presented.

The May and September minutes were moved en bloc, seconded and adopted.

Consultant’s Report
Pat reviewed the status of resolution work with Delta, Marriott, United and Kraft. A resolution was filed with United requesting the Board Compensation Committee prepare a report assessing the feasibility of integrating objective sustainability metrics and no response has been received. Kraft/Heinz had been given a year before pursuing further resolution.

Work under the Global Human Rights Screen adopted by Executive Council in October has been broadened to address all conflict areas, not just Israel/Palestine. The committee discussed new companies involving Human Rights (HR) concerns. A question has been raised about the Aramco company going public. Kurt has written letters to underwriters which has generated some responses from those amenable to conversation.

Aramco would meet the fossil fuel reserves and 10% revenue threshold, thus falling into TEC’s Oil and Gas no-buy list regardless of any CCSR action regarding Aramco and HR. The committee discussed whether to put Aramco on the HR no-buy list in addition to the fossil fuel no-buy list. Brian observed that Saudi Arabia violates all kinds of human rights in their practices. Paul suggested that, since shares in Aramco would not be available for purchase in the U.S., there was no point in DFMS engaging with an entity that DFMS cannot own. After further discussion, motion was made and seconded to place Aramco on the no-buy lists for both fossil fuels and human rights. Motion carried without opposition. This will be communicated via Diane’s report to the Finance Committee. [Kurt to provide appropriate language for that purpose.]

Pat continued reviewing corporate work with the gun issue. American Outdoor Brands as well as Sturm Ruger will not speak with church related investors. ICCR partners have continued to reach out asking for dialogue. This will continue to be pursued. Olin is a company where DFMS is lead. Olin itself makes ammunition. Olin also owns the rights to the Winchester brand, which Olin has licensed to a
French company that makes guns. A resolution has been filed asking for Olin’s activities related to gun safety measures and the mitigation of harm associated with gun products.

Care of Creation: Resolutions and dialogues are continuing as reflected in the report. Questions have come up as to why Phillips 66 and Marathon are no longer on the no-buy list. It is because they no longer had fossil fuel reserves; they are basically gas stations. In the realm of Corporate Governance DFMS is lead on two diversity resolutions with World Fuel Services and First Cash. CPG did not file due to lack of ownership in those companies.

Pat said the turnaround time on resolutions gets increasingly shorter and she complimented Kurt and Margareth for the quick responses they are able to make.

In summary: DFMS is primary on Olin, First Cash and World Fuel Services.

Questions came up about the split at American Outdoor Brands. Discussion centered on where to put focus and what shares we will have. It is not finalized yet so the committee took a wait and see position taken.

New Work
Myanmar/Burma was discussed, specifically Western Union, a company doing business in Burma and in the DFMS portfolio. Byron noted a letter from Western Union withdrawing its business from the military bank in Burma. Rebecca responded to questions about language around Myanmar and HR issues and what we say publicly, taking into consideration the position of the Anglican Church of Burma/Myanmar, which is in a difficult political environment. She suggested an ecumenical approach being the best one. Byron suggested and Brian agreed the Anglican Church in Myanmar be informed about what TEC is doing without asking them to do anything. Brian will consult with Bruce Woodcock, Asia desk officer for Church Center. Diane will add this to her report to Council. [Kurt to provide language.]

In May Bishop Taylor had raised the issue of the treatment of people of Uighur descent by the Chinese government. ICCR is trying to get a handle on this from the human rights perspective. There are a number of companies in the DFMS portfolio involved. Paul believes we should engage. Pat and her colleagues are looking into the forced labor issues. Everyone agreed that this should be added to the list on both labor and human rights and religious persecution. Reports of forced labor camps and destruction of mosques and disappearances of people are horrific.

The Heartland Initiative proposal to monitor and research our human rights work had been posted for the committee members. Sudan, Congo and China in addition to the Occupied Palestinian Territories have been on the radar screen for some time. Having help from a company like Heartland, that works in this area, would help the committee’s work. They will also monitor the Israel/Palestine no-buy list as well as support engagement. It was moved and seconded and passed to engage Heartland for this work (at $10,000 during the balance of the 2019-2021 triennium) provided the contract makes clear that CCSR decides which companies go on the No buy List. There was one no vote.

50th Anniversary Thoughts
Brian reported on his discussions with a videographer from Massachusetts, introduced to us by Doug, who has done some work for ICCR on its history. At the fall ICCR meeting, Brian was able to speak with him about doing a video about the work of the Episcopal Church in this area. For $12,000 he could make a version for TEC including an interview with the PB and others (suggested possible interviewees: Byron, Amy Domini, Tim Smith, folks at Trinity Wall Street and Church Pension). While at the ICCR fall meeting, the videographer was able to interview Paul about CCSR’s work and history.

Diane has been looking at a 50th celebration from the budget side. She and Michael Barlowe talked about doing something at General Convention. Diane suggested a joint event with both Houses as was done at the last GC in an appropriate setting. CPG is on board with making a contribution and the CIO at Trinity is excited about it. Diane felt it would be correct to have a contribution of $5,000 from TEC toward the effort and all partners would be asked to contribute. A budget will be needed in the realm of $25,000. Ideas were aired about the focus and history of the work that has been accomplished. The video would be both a teaching and celebratory tool. This was discussed in some depth. The Episcopal Church Foundation was suggested as a possible contributor. Kurt reminded about the fundraising policy in the church. **It was moved that $5,000 be requested from the interim body budget, using the approved fundraising guidelines, as a contribution toward the anniversary video. Motion was seconded and carried without opposition.** Doug committed $2K from the Diocese of Western Mass.

**Update on D068**

Bill spoke to the need to start work on this resolution. Casey had posted a document suggesting an approach to address some of the concerns under D068. Bill believes it is too detailed given the short time remaining for CCSR to act. The resolution calls for CCSR to consult with TEC human rights and care for creation representatives. There is a March 2020 target date in the resolution to complete the work, which realistically cannot be met.

In addition, concern had been raised at prior CCSR meetings about how the “criteria and procedures” called for by D068 -- to be used in determining when to engage and when to put a company on a no-buy list -- could fit with the way DFMS and CCSR have carried out this work. Bill’s thought was that a practical way might be devised to respond to the resolution based on DFMS/CCSR’s actual history. He proposed working with Casey to develop a simple statement and analysis about how the church has dealt with the issue for the last 50 years, i.e. starting with engagement and then developing a number of no-buy lists. Bill thought the story could tell what has been done and show how TEC has developed policy and process as it went. The recent experience with Israel/Palestine may yield guidance on an approach to “criteria and procedures.” Today’s conversation about HR activities going forward also would feed into this effort.

Diane asked about DFMS/CCSR getting input on issues of concern to groups or organizations within the church other than Human Rights and care of creation. Given the time available, things should be kept simple. Diane and Byron might inquire of others within the church about their discussions concerning divestment and/or engagement. Rebecca offered the help of her office in gathering information. Diane reported that she had been asked a question concerning TEC’s action on pharmaceutical companies. ICCR is doing some work on opioids and Pat will share info with Diane.

**SEC Update**
Paul reported that the SEC had issued a formal proposal to make significant changes in a number of its regulations that would impact adversely the work of CCSR, ICCR, and other shareholders that actively engage with companies. Paul thinks these proposals are likely to be adopted by the SEC.

One set of proposed changes would affect proxy advisory services (e.g. Glass Lewis). He said it would not be good to have further restrictions on such advisors. The main concerns to ICCR and DFMS/CCSR are the changes that would make shareholder engagement much more difficult. Changes proposed include raising ownership thresholds to $25k, $15K for two years. These would impact DFMS’s 100-share list for a few years. The threshold percentages for votes received in order to permit a proposal go on a proxy in a subsequent year also would be drastically raised. These higher thresholds would rule out re-filing about one-third of proxy statement proposals. Kurt signs proposals rather than having Mercy sign but there is confusion over how an institution proves that the person submitting on another’s behalf is legitimate. In addition, the proposed rule changes would require a shareholder proposal to include, when submitted to a company, specific contact information (name, phone, time of day to contact).

TEC could join in signing a letter to the SEC on this proposal. The comment/response period ends February 3, 2020. Rebecca said a comment had been submitted after the July round table and asked if there was cause to issue an action alert to the network asking individuals to comment. Paul suggested something simplified to achieve understanding since the subject is so complicated. Byron felt it should go to all diocesan treasurers/CFOs and whoever manages their diocesan funds and to the Consortium of Endowed Episcopal Parishes (CEEP Network). A template might be developed with Rebecca and Paul; however, Paul noted that letters looking the same on the same topic will be considered as one letter. Paul suggested sending to Episcopal institutions, seminaries, ECF and CPG, etc. along with the others. Rebecca will work on this with information about how to send messages electronically. A statement from Kurt will be needed. A comment or statement from CCSR and a quote from the PB could be used. A letter to the SEC should go over the PB’s or the CFO’s signature. Paul and Pat will devise a letter that Kurt signs and shares with diocesan finance offices. Rebecca has started a draft that will be provided to Paul and Pat.

Proxy Voting Guidelines
Christopher has been working with Paul and Margareth on the guidelines. These haven’t been updated for years. There are issues for which guidelines exist. Question arose as to what extent are we following Glass Lewis positions on issues. Two broad categories were developed – social issues and governance issues. Christopher will post the list on the Extranet. After CCSR acts on the proposed revisions, the next step would be to send the revised policy to Executive Council for approval. Paul added that Glass Lewis’ social guidelines are as good as ISS. This committee was asked to seek to approve the revised guidelines prior to Executive Council’s June 8-11 meeting, to enable EC to approve them at that meeting. Paul moved and Byron seconded this proposal. Motion carried unanimously.

100-shares list
Brian, Kurt and Pat have been working on this list and Brian discussed its appearance and uses. He suggested a clean-up phone call with Kurt, Pat, Bill, Paul, Kirsten and himself before providing a final copy of the list to the committee. Kurt will initiate the establishment of a date for this call.

Work Ahead
The Blue Book report needs to be on the committee’s radar screen. Brian will follow through with finding out about the deadline for the report. Diane recalled the need to get budget numbers filed by September/October. It must be decided who will do the draft of the report.

CPF Update
Activity is quite positive: CPG has done a comprehensive review of its real estate managers to determine how to incorporate ESG concerns into real estate investment processes. CPG also has held a number of Insights and Ideas meetings for TEC institutions on CPG’s work on impact investing, shareholder engagement and thought leadership. Kurt and Rebecca each attended one of these events last year. There will be another Insights and Ideas meeting in San Diego in September among other locations. Christopher will post dates and locations to the Extranet.

Doug wrapped up the discussion. The meeting adjourned at 5:10 PM.

Respectfully submitted,
Nancy Caparulo
Staff support to the committee