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Helping Foundations
Align Investment and Mission

ABOUT THE AUTHOR:

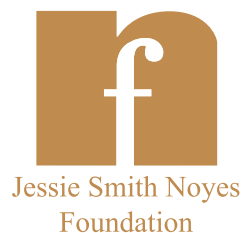
Michael Passoff, Sr. Program Director, Corporate Social Responsibility Program, As You Sow Foundation. Michael is a leading practitioner of shareholder advocacy on social and environmental issues. For nearly 15 years he has been engaging the nation's largest investors and corporations including Disney, McDonalds, Starbucks, ExxonMobil, and DuPont among many others. His shareholder advocacy work led him to be named as one of 2009's "100 Most Influential People in Business Ethics" by Ethisphere Magazine. He and As You Sow also received a 2009 Climate Change Business Journal award. Michael authors the annual *Proxy Preview* that is designed to help foundations identify shareholder resolutions related to their mission and provides additional information on how foundations can align their mission and investments. The *Chicago Tribune* called the *Proxy Preview* "a bible for socially progressive foundations, religious groups, pension funds and other tax-exempt organizations."

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To view the *Proxy Preview* online please visit www.asyousow.org or www.noyes.org



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Introduction

Foundations and other endowments are increasingly asking themselves what should — or could — they be doing to better align their investments and mission. They are looking at how to become mission-driven institutions that fully leverage their assets to fulfill their vision. Proxy voting, as part of an investor's basic fiduciary responsibility for existing investments offers perhaps the easiest entry point for foundations wishing to align investment and mission.

Hundreds of shareholder proposals are filed each year on social and governance issues that are directly related to the missions of U.S. foundations. For example, foundations seeking to address climate change will find proposals on many important issues including energy efficiency, greenhouse gas emissions, carbon disclosure reporting, Alberta oil sands, mountain top removal, and renewable energy. Foundations have a great opportunity to not only support their grantees who are addressing climate change, but also to use their investments to vote in line with their principles.

The 2010 *Proxy Preview* is designed to help foundations navigate these proposals and identify those that are relevant to their mission and grantmaking agendas. The *Proxy Preview* categorizes the proxies filed, highlights key issues, describes the social and environmental proposals, identifies the key investors and organizations filing them, and provides a list of companies and upcoming proxy votes. The Resource section will enable foundations to learn more about what their colleagues in the philanthropic community are doing to fully leverage their assets.

More and more foundations view proxy voting as a basic first step in aligning investments and mission. Proxy voting supports both strong fiscal management practices and the stated charitable mission of many foundations by backing stronger corporate social and environmental practices without compromising return. Yet inexplicably, most foundations still passively follow management recommendations even when they are in direct opposition with the foundations' own mission and values. The majority of annual shareholder meetings are held in the spring, and we hope that the information in this *Proxy Preview* will be used to help foundations vote proxies in a way to further advance and align mission.

We encourage you to share this publication with foundation trustees, staff, and the investment managers and advisors used by your foundation.

TYPES OF PROPOSALS

Shareholders file two types of proposals — governance and social.

Governance Proposals focus on traditional management issues such as selection of directors, appointment of auditors, and approval of company stock plans. Several hundred governance proposals are filed every year. Numerous sources of information on these proposals are available, some of which are included in our Resource section. This *Proxy Preview* only focuses on those governance proposals that overlap with social issues such as board diversity or linking executive compensation to social criteria.

Social Proposals call for reports or policy changes on social or environmental issues. These shareholder proposals relate most directly to foundations' programmatic goals. Most foundations delegate proxy voting to investment managers who often automatically vote in accordance with company management recommendations. Given that management almost uniformly votes against social proposals, foundations are, quite simply, supporting investment company actions that are often contrary to their own mission.

Proposals listed in this publication are up-to-date as of March 31, 2010. At that time more than 350 social proposals had been filed and virtually all those issues are discussed in this *Proxy Preview*. Additionally, another 100 governance proposals filed on ten issues related to social concerns are also covered. Some proposals described here may not be listed on your proxy statement. Historically, about half of the proposals filed do not go to a vote — many are withdrawn by the filers in exchange for company dialogues or due to policy changes, and a few are omitted by the company in accordance with Securities and Exchange Commission (SEC) rules. The number of proposals *filed* indicates how broad a shareholder campaign is and/or a growing or waning shareholder interest in the different issue areas. *Pending* proposals are those that are still on the proxy but have yet to be voted on.

UNDERSTANDING SHAREHOLDER VOTES

Most proxy votes are dominated by company management and a few dozen large financial institutions (who often automatically vote with management) that comprise the majority of a company's shares. Consequently, it is difficult and extremely rare to get a majority vote on a proposal. Recognizing this, the SEC requirement for a proposal to receive enough votes to be refiled for the following year is 3% for the first year, 6% the second year, and 10% the third year. While this seems small if measured in the typical electoral sense of receiving a majority vote, shareholder votes are more accurately interpreted

in regards to their level of “influence.” In most cases, an investor with 3% ownership in a company would be one of the top shareholders and thus even single digit votes may gain considerable attention from a company. Social proposal votes ranging from 10 – 15% are virtually impossible to ignore and often result in some action by the company to address the shareholders area of concern. Nearly one third of the 2009 social proposals received votes above 20%, which is an extraordinary increase from just a few years ago (see Trends, pg. 4).

MAJOR PLAYERS

Faith-Based Institutional Investors are traditionally represented by the Interfaith Center on Corporate Responsibility (ICCR), a membership organization comprised of over 275 religious organizations and non-faith-based associate members with combined assets of over \$110 billion. ICCR was a pioneer of shareholder activism on social issues 30 years ago and continues to be the world’s leading practitioner. ICCR’s faith-based members filed more than 100 proposals this year — and together with their ICCR associate members including pension funds, socially responsible investment firms, non-profit organizations, and foundations, account for more than two thirds of all 2010 social proposals filed. Traditionally, ICCR has been the leader on issues of diversity, environment, global warming, health, human rights, labor, violence, and militarization. At least 30 faith-based institutional investor groups filed proposals this year with Catholic institutions accounting for more than half. The most active faith-based proposal filers this year are the Mercy Investment Program, Benedictine Sisters of Mount St. Scholastica, Sisters of St. Francis of Philadelphia, and Missionary Oblates of Mary Immaculate — all with 20 or more proposals.

Labor Unions were early adopters of shareholder advocacy and have frequently taken a leadership role in filing corporate governance proposals. For the third year in a row, the American Federation of State, County and Municipal Employees (AFSCME) is coordinating one of the largest shareholder campaigns with more than 50 executive compensation “Say on Pay” proposals. The AFL-CIO is taking a leadership role on the push for principles to stop global warming (nine proposals) and also filed on Medicare lobbying and political donations. The International Brotherhood of Teamsters filed six proposals — two each on political donations and aircraft maintenance safety standards, and one each on sustainability and country selection standards.

Pension Funds have been prominent shareholder activists over the years both as proposal filers and in influencing companies behind the scenes. New York City Pension Funds — a consortium of five pensions including firefighters, police, and teachers — has become the most active pension fund and the most active social proposal filer with nearly 50 proposals this spring alone. It is a leader in the fight against sexual orientation discrimination. Some of its other core issues include labor rights, political donations, sustainability, climate change, and Internet freedom. New York State Common Retirement Fund filed seven proposals — three on the new issue of hydraulic fracturing, two regarding climate change and one each on political donations and sexual orientation anti-discrimination. The California State Teachers Retirement System filed eleven proposals which were split between board diversity and sustainability reports including GHG emissions, and one proposal regarding impacts of oil sands operations. Similarly, the State of Connecticut Treasurers Office filed at least five proposals split between board diversity and climate change issues. The Kansas City Firefighters, Philadelphia Firefighters and Miami Firefighters pension systems account for nine proposals on political donations. And the Minnesota Board of Investment filed one proposal to implement the MacBride Principles — the tenth straight year they have filed a proposal on that issue.

Socially Responsible Investors (SRIs) evaluate a company’s social, environmental, and governance performance as well as its financial returns when making investment decisions. Historically, SRIs have done this through negative and positive investment screens, omitting or purchasing companies for their portfolios based on industry and/or company practices. Some SRIs also actively engage companies on issues related to their screens and SRIs are right behind the faith-based investors in most proposals filed. In 2010, 14 SRIs filed just over 100 proposals. The most active SRIs filing proposals this year include Walden Asset Management (which, along with AFSCME, coordinates the Say on Pay campaign), Calvert Group with 31 proposals, Green Century Capital Management with 20 proposals, and Trillium Asset Management with 14. Domini Social Investments, Ethical Investments, Harrington Investments, and NorthStar Asset Management all filed five or more proposals. RBC SRI Wealth Management Group has consistently played a key role in facilitating the filing of proposals by As You Sow. SRIs file on the full spectrum of issues but have always been prominent proponents of environmental issues and have historically played a major role in initiating new shareholder proposals. SRIs are also among the most active in pushing for SEC rule changes that would increase both shareholder rights and corporate transparency.

Non-Governmental Organizations (NGOs) have utilized shareholder advocacy for several years although it has typically been one NGO filing a single proposal at an individual company. Yet a few groups have increasingly employed a strategy of promoting one issue across many companies in an industry. For example, the Center for Political Accountability has coordinated more than 50 political donation proposal filings in each of the last four years. The People for the Ethical Treatment of Animals (PETA) filed 11 animal welfare related proposals this year, making a total of 125 proposals filed at nearly 50 different companies since 2005. The Humane Society also filed five resolutions regarding animal welfare, and the

Physicians Committee for Responsible Medicine (PCRM) filed four pertaining to animal use in pharmaceutical development and testing. PCRM filed another eight regarding corporate philanthropy. United for a Fair Economy filed four corporate governance related proposals. And Corporate Accountability International, Jewish Voice for Peace, National Legal and Policy Center, and Human Life International all filed one proposal each (the latter two are among the few politically conservative proposal filers).

Foundations in the U.S. represent more than \$550 billion in investments. They are in a unique position to promote corporate responsibility both by their grantmaking activities and by leveraging their assets to further their mission. For more than a decade As You Sow has been a leader among foundations in utilizing proxy voting and shareholder advocacy. During that time As You Sow has filed more than 140 proposals, many in conjunction with the Educational Foundation of America. In 2010, at least a dozen foundations filed one or more proposals. This year's effort is lead by As You Sow which filed 14 proposals, and both the Needmor Fund and Nathan Cummings Foundation filed 10 shareholder proposals each. Proposals were filed on the following issues: climate risks, coal ash waste, greenhouse gas emissions, human rights, hydraulic fracturing, internet privacy, sustainability reporting, Say on pay, Pay disparity, oil sands, recycling, separation of Chair and CEO, sexual orientation non-discrimination, and toxics (BPA).

REVIEW OF 2009

Sweeping changes in company disclosure requirements and shareholder rights were ushered in during 2009. These were a fitting end for a decade that saw major changes and victories for shareholders looking to incorporate social and environmental concerns into their company's policies and practices.

2009 HIGHLIGHTS

Say on Pay Gets Legislated: The Say on Pay executive compensation proposals gained so much support that the Obama administration and Congress mandated that any company receiving funds from the Troubled Asset Relief Program (TARP) must include a Say on Pay advisory vote on its proxy statement.

Increased Disclosure: The SEC requires companies to address the risk and opportunities of climate change in the material risk disclosure section of securities filings beginning in 2010. Companies now also need to disclose their Board of Director qualifications, other directorships they hold, and whether the nominating committee considers diversity in identifying director nominees. The SEC also extended a requirement to disclose certain legal proceedings for 10 years.

Increased Shareholder Rights: A proposed SEC rule will require companies to include shareholders' nominees to the Board in the proxy statement (up to 25% of board). Shareholders will likely need to hold between 1-3% of the company's stock (details are still being finalized) but this is a key step towards bringing in truly independent board members. A New York Stock Exchange rule bans broker discretionary voting as of 2010. This will likely improve voting for social and environmental issues as broker non-votes almost automatically voted with management against these proposals.

Proxy Rule Changes: The SEC ruled that shareholder proposals can now ask about the financial risks associated with environmental and social issues. Many companies still do not account for the bottom line impacts of these issues. Previously, these questions were generally excluded from proxy statements.

Majority Votes: Two social proposals earned majority votes in 2009. An Equal Employment Opportunity (EEO) proposal passed at D.R. Horton with 54%. This is the fifth EEO majority vote since 2002. As You Sow's proposal at IDACORP calling for greenhouse gas reduction goals received a 51% vote. The company then committed to reduce GHG emissions 10-15% by 2013, announced their first wind energy projects, began a solar generation feasibility study, and submitted detailed information to the Carbon Disclosure Project.

**TABLE 1:
Top Ten Social Proposal Votes in 2009**

Company	Proposal	Vote For
D.R. Horton	Adopt sexual orientation anti-bias policy	54.2%
IDACORP	Set GHG emissions reduction goals	51.2%
Massey Energy Company	Report on/reduce greenhouse gas emissions	45.6%
Commercial Metals	Adopt sexual orientation anti-bias policy	44.0%
Leggett & Platt	Adopt sexual orientation anti-bias policy	42.3%
Mirant	Report on/reduce greenhouse gas emissions	42.2%
Regents Financial	Report on political donations and policy	42.0%
Chesapeake Energy	Adopt sexual orientation anti-bias policy	41.4%
Dover	Report on climate change challenges to business	40.5%
The Travelers Companies	Report on political donations and policy	39.8%

Shareholder Campaigns Gain Momentum: Multi-year, large-scale shareholder campaigns proved their ability to change corporate policies. By the end of 2009 the 10 year old shareholder campaign for sexual orientation non-discrimination had helped convinced 70% of Fortune 1000 corporations in the US (and 97% of Fortune 100 companies) to bar discrimination in employment based on sexual orientation. The six year shareholder campaign on political donations had convinced 73 companies to adopt disclosure and board oversight of their political spending. Most of these companies adhere to best practices regarding donation disclosure at local, state and federal levels, as well as contributions to 527 political action groups. Furthermore, 58 companies have adopted an advisory vote on executive compensation as advocated by the four year long Say on Pay campaign. Nineteen of these were the result of a majority vote on a Say on Pay proposal.

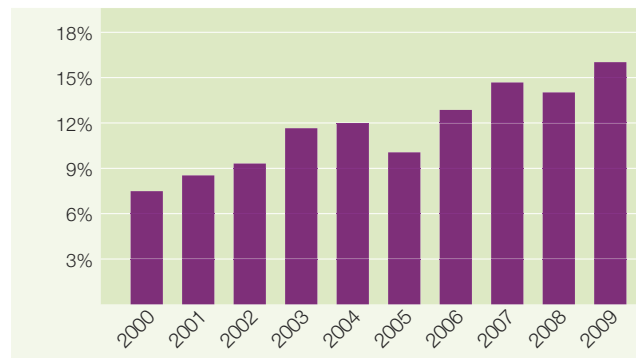
TABLE 2:
Significant Increase in Social Proposal Votes Above 20% 2000-2009

Vote Results	# Proposals 2000	# Proposals 2009
50-59.9	0	2
40-49.9	0	7
30-39.9	1	24
20-29.9	5	33
10-19.9	21	21
<10	123	93

TOP VOTES

Most shareholder proposals are part of a multi-year process of educating management and investors about an issue and pushing laggard companies to address the issue. Consequently, certain issues tend to dominate the proposal process for a few years at a time. For the fourth year in a row, sexual orientation non-discrimination, climate change, and political campaign donations comprised the Top 10 votes and accounted for the largest number of proposals filed on any issue (see Table 1).

GRAPH 1:
INCREASE IN AVERAGE VOTE FOR SOCIAL PROPOSALS 2000-2009



donations come to the forefront of mainstream media, the issues become important to a broader group of investors as well. Table 2 shows that the number of social proposals that received votes in the 20-50% range increased significantly over the last 10 years. These votes serve as further evidence that social, environmental and reputational risks are being viewed as legitimate concerns by mainstream investors.

TRENDS
MAINSTREAM SUPPORT FOR SOCIAL PROPOSALS

Historically, social proposals have received single-digit votes. Yet, those votes alone were often enough to educate, motivate, or pressure a company to take action. The results from the 2009 proxy season show that an increasing number of social proposals are receiving double-digit votes. Last year more than 1/3 of the social proposals voted on received above 20% support. As issues such as climate change, sustainability, and political

The average vote for social proposals has more than doubled over the last decade (Graph 1). This stronger showing of voter support has had an impact on companies, many of which are now more willing to engage in dialogues with shareholders. Increased dialogues have led to a decrease in proposals actually going to a vote. In 2009 less than half of the social proposals filed actually made it on the proxy (Graph 2) as most were withdrawn by proponents (a small percentage of proposals were omitted by the SEC).

GRAPH 2:
DECREASE IN SOCIAL PROPOSALS GOING TO A VOTE 2000-2009



MUTUALLY BENEFICIAL DIALOGUES

The goal of shareholder advocates is to change a company's policy or practice. Most shareholders prefer to do this through a good-faith dialogue with the company. If a dialogue is not going well or the company is unresponsive shareholders may decide to file a proposal to underscore the importance of the issue. The act of filing a proposal can by itself raise the company's responsiveness to the issue and lead to a dialogue and/or change in policy or practice. While shareholder proposals receive most of the media attention, it is the behind-the-scenes dialogues that allow investors and management

to learn from each other and often to find common ground. A successful, collaborative dialogue results in a productive action thus reducing the likelihood of future proposals on that issue.

For example, last year As You Sow filed proposals with General Electric, Home Depot, and Lowe's urging them to label product packaging with information about mercury content in compact fluorescent light (CFL) bulbs and safe clean-up methods in case of breakage. The proposals were later withdrawn based on productive dialogue with each company. A dialogue with Wal-Mart led it to be the first to take action on the proposal's request for labeling with new packaging expected to hit their shelves in June 2010. Lowe's new packaging labels are also expected in stores this summer. GE is taking the issue to an even higher level by working with As You Sow to promote a nationwide requirement for labeling CFL bulbs for mercury content and special clean-up information.

Meanwhile, those companies that generally refuse to dialogue with investors, such as ExxonMobil on climate change impacts and sexual orientation non-discrimination, Home Depot on equal employment opportunity, and Caterpillar regarding the use of its bulldozers in human rights violations in Palestine, often end up facing years of proxy fights, contentious annual meetings, and negative media.

PREVIEW OF 2010

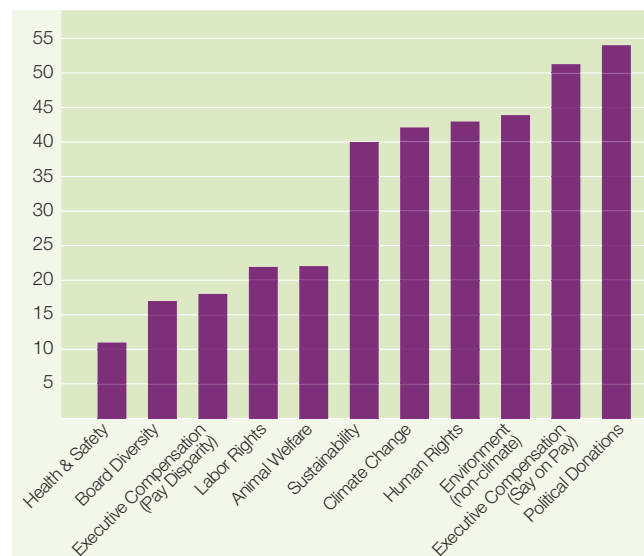
The fallout from the financial crisis continues to add to shareholder concerns about excessive executive compensation. Not surprisingly, the largest single issue proxy vote in 2010 will call for an advisory vote on executive compensation — more commonly known as Say on Pay. Social proposals focusing on the environment, health, labor, and political donations have been the dominant themes over the past several years. This remains true in 2010.

HOT ISSUES

Say on Pay — Executive Compensation: For the fourth year in a row, Say on Pay is the dominant governance issue as unions and SRI led the effort to encourage curbs on excessive executive pay. Although generally considered a governance issue, Say on Pay is a crossover issue that was initiated in the U.S. several years ago by the American Federation of State, County and Municipal Employees (AFSCME), and Walden Asset Management to address pay discrepancy between executives and average workers. Say on Pay advisory votes indicate how shareholders view management performance. These non-binding proposals were introduced into the U.S. from the U.K. and quickly gained popularity. In 2009, over 100 Say on Pay proposals were filed, making it the largest number of proposals ever filed on any single issue in a given year. Additionally, nearly 300 TARP participants were required to hold a management-sponsored advisory vote in 2009, and will be required to do so again this year. In 2010, over 80 Say on Pay proposals are expected to be filed, while over 60 non-TARP companies have agreed to hold an advisory vote. Many of this year's votes are expected to receive majority support (Governance pg. 18).

Political Donations: With nearly 60 proposals filed for the fourth year in a row, political donations continues to be the largest single social issue generating proposals. The recent Citizens United Supreme Court decision affirming that the government cannot bar political spending by corporations in candidate elections will likely dramatically increase public and shareholder concern about the tie between corporate political spending and unchecked corporate influence on government policies and regulatory agencies. This effort takes on increased importance because public disclosure by companies on which campaigns they donate to, and their justification for it, may serve as a brake on excessive corporate influence. Companies may choose to reduce overall political activity in an effort to not alienate stakeholders on the right or the left. The Center for Political Accountability (CPA) coordinates these proposals which are filed by a large cross section of investors (Political Donations, pg. 8).

**GRAPH 3:
Social Proposals Filed by Category 2010**



Sexual Orientation Non-discrimination: Beginning with a 1992 breakthrough shareholder battle began at Cracker Barrel Old Country Store that resulted in litigation, congressional hearings, and a majority 58% proxy vote — this effort has evolved into one of the most effective shareholder campaigns of the last decade. NYC Pension Funds continues its leadership role in this campaign and more than 200 companies have now faced these proposals. Many companies have been particularly eager to avoid having proxy fights on this issue and nearly half of this year's proposals have already been withdrawn as companies have agreed to engage in dialogues (Labor pg. 16).

Climate Change: This multi-year, multi-stakeholder effort is led by ICCR and CERES. The two were instrumental in launching a large-scale global warming shareholder campaign, and also in developing the Investor Network on Climate Risk (INCR) — an alliance of 60 institutional investors with collective assets totaling more than \$5 trillion. Pressure from INCR and the investor-driven Carbon Disclosure Project — representing assets of \$57 trillion — has resulted in hundreds of companies worldwide agreeing to chart their carbon footprint and to plan emissions reductions. At least 40 proposals were filed with 35 different companies directly addressing climate change. Nearly 30 more proposals cover related issues such as the impacts of oil, gas, coal and nuclear operations, and opportunities for renewable energy (Environment pg. 8). Another 20 sustainability reporting proposals (see Sustainability pg. 17) focus on climate change and the carbon disclosure project. Overall — nearly 95 proposals were filed that call on companies to strengthen their reporting on the risks and opportunities from climate change and evolving regulation.

NEW ISSUES

New issues raised this year include proposals on concentrated animal feed operations, antibiotics used in animal feed, childhood obesity, derivatives trading, Gulf Coast wetlands restoration, coal ash disposal, executive compensation at companies receiving TARP funds, health care and pay disparity, hydraulic fracturing used in natural gas drilling, internet behavioral advertising, lower fossil fuel projections, rainforest impacts, overdraft abuses, water withdrawal rates, and warning labels for glue traps. Those highlighted below will be among the most interesting to watch.

Troubled Asset Relief Program (TARP): The recent financial crisis has resulted in the destruction of trillions of dollars of wealth and untold suffering and hardship across the world. Taxpayers have been forced to extend hundreds of billions of dollars in assistance and guarantees to financial institutions and corporations. Several new proposals focus on those companies receiving TARP government funds. Shareholders are wondering if the taxpayer bailout of Wall Street will bring about needed reform, or if it is still 'business as usual.' Shareholders are challenging these companies about reckless investment strategies, and compensation incentives that prompted short-term compensation benefits at the expense of long-term shareholder value.

Hydraulic Fracturing: Hydraulic fracturing is a process in which a mix of water, chemicals and particles are injected underground to create fractures through which gas can flow for collection. It is estimated that 60-80% of natural gas wells drilled in the next decade will require hydraulic fracturing. Fracturing operations can have significant impacts on surrounding communities, including the potential for increased toxic spills and degradation of water and air quality. Many new drilling operations will be within range of the water supplies of major metropolitan centers such as New York City, leading to heightened media attention and strong public and political opposition.

Coal Ash: Coal ash is a by-product of burning coal that contains arsenic, mercury, heavy metals and other toxins. The toxins in coal ash have been linked to cancer, organ failure, and other serious health problems. Coal ash is often stored in enormous quantities in landfills, impoundment ponds or abandoned mines — all of which are currently less regulated than landfills accepting household trash. The financial risk from improper coal ash waste disposal was highlighted by the Tennessee Valley Authority's 1.1 billion gallon coal ash spill in 2008 that covered over 300 acres in eastern Tennessee with toxic sludge and has an estimated total cleanup cost of \$1.2 billion.

Internet Privacy — Behavioral Advertising: Major web advertising companies including Google, Yahoo and Microsoft now routinely track online user activities and aim ads at users based on their web browsing histories, a practice called behavioral advertising. Privacy advocacy groups have raised questions about whether companies that track and store huge amounts of personal data on web user movements have adequate controls in place to protect sensitive information from unauthorized access. As online use expands into video games and mobile phones there are concerns about improper targeting of children and youth, often the most active users on the Internet. Legislators and regulators acknowledge that technology is racing ahead of our ability to keep up with privacy concerns.

Social Proposals

Social proposals ask companies to evaluate and change their practices with regards to human rights, labor, the environment and other issues on which business practices have an impact. Over the past three decades, these proposals, dialogues, and proxy votes have pushed companies to break new ground in fostering more progressive and responsible corporate practices. Some issues addressed in social proposals include: adopting nondiscrimination policies in employment, increasing disclosure of environmental liabilities and health risks, stopping environmentally damaging projects, redesigning toxic products, persuading companies to leave countries engaged in human rights abuses, and improving the wages, benefits, and conditions of workers.

This year's social proposals have been grouped together in broad categories to make it easier for readers to find common areas of interest.

ANIMAL WELFARE

Animal welfare continues to be a major topic with 21 proposals already filed this year. PETA remains the most active grassroots group involved in shareholder activism over the last half dozen years – filing another 10 animal welfare proposals this year. The remaining proposals were filed by the Humane Society and the Physicians Committee for Responsible Medicine (PCRM).

Humane Slaughter: Of the 12 proposals filed regarding farmed animal welfare, PETA filed seven asking Buffalo Wild Wings, Jack in the Box, McDonald's, O'Charley's, Steak n Shake Company, Tyson Foods, and Wal-Mart to require their suppliers to switch to controlled atmosphere killing, a less cruel form of slaughter.

Animal Welfare Improvements: Another PETA proposal asks Hormel for overall animal welfare improvements for all supplier farms, including phasing out the use of cruel gestation crates for all pigs, banning electric shock devices, and improving training. These recommendations were based on a PETA undercover investigation into a Hormel supplier farm. The Humane Society filed three proposals asking DineEquity, McDonald's and Wal-Mart about the feasibility of phasing out the use of eggs from hens that are confined to cages.

Animal Sales: PETA is also asking Pet Smart to ban the purchase of animals for sale from distributors who have violated or are under investigation for violations of the Animal Welfare Act. A proposal at Medtronic Inc. asks the company to report to shareholders on the feasibility of phasing out Medtronic's use of live animals for sales and other training exercises.

Glue Traps: PETA proposals with Home Depot and Lowe's ask the companies to wrap all glue traps sold in their stores with a warning label stating that consumers may find animals stuck in the traps alive and struggling and of the further danger that these traps pose to companion animals, wildlife, and human health.

Animal Testing: PCRM filed four proposals pertaining to animal use in pharmaceutical development and testing. Abbott Laboratories, Bristol-Myers Squibb, Merck, and Pfizer are being asked to report on animal use in the annual Corporate Responsibility Report including information on the species, numbers, and general purpose of animal use (e.g., research and development, efficacy testing, or toxicity testing) and efforts the company has undertaken in the preceding year, along with future goals, towards reducing and replacing animal use. A Humane Society proposal at Abbott asks specifically to phase out chimpanzee experiments.

CONTRIBUTIONS / LOBBYING

Both progressive and conservative shareholders seek increased disclosure and transparency regarding corporate charitable giving, political donations, and lobbying — although for significantly different agendas.

Charitable Contributions: Twelve proposals call for a report detailing the company's charitable donations. PCRM filed proposals at American Airlines, AMR, Best Buy, Delta, Starbucks, Sears, Target, Walgreens, and Wal-Mart, asking for details of charitable contributions since 2004 and the feasibility of policy changes including one that minimizes donations to charities that conduct animal experiments.

The National Legal and Policy Center (NLPC), a conservative activist group, is asking Colgate-Palmolive to detail its charitable giving due to its concerns that contributions may be going to the National Action Network founded by the Rev. Al Sharpton. This seems to be a continuation of NLPC's five-year shareholder effort to cut off charitable giving to other minority and immigrant support groups as previous proposals have targeted the Rev. Jesse Jackson's Rainbow Coalition and the Mexican American Legal Defense and Educational Fund.

Human Life International, an anti-abortion group which also opposes same-sex marriages, filed a similar proposal at Wells Fargo. The proponents state their concern that the company has contributed to Planned Parenthood, the Human Rights Campaign, and the Gay, Lesbian Alliance against Defamation. An individual investor filed a charitable contribution proposal at PepsiCo, which also states concerns about funding for gay rights groups. Unnamed investors filed proposals that called for “No Funds to Reject or Support Homosexuality,” which essentially targets support for gay rights; and a similarly titled proposal was also filed at Cascade Financial (both were eventually omitted by the SEC).

Political Donations: The Center for Political Accountability (CPA) continues to coordinate its well-organized effort to bring transparency to corporate political contributions. Of the 60 companies already contacted by shareholders this year, 47 received proposals, while 13 opted for dialogues with the CPA and its partners.

Soft Money Contributions, Trade Associations: Of the CPA affiliates, New York City Pension Funds took the lead with 12 companies, followed by Kansas City, Miami, and Philadelphia Firefighters which combined for nine proposals. Amalgamated Bank, the Teamsters and nearly two dozen SRIs, faith-based investors, and foundations also filed proposals this year. All of the proposals ask companies to disclose all of their political spending including soft money contributions and payments to trade associations and other tax exempt organizations, such as 501(c)(4) groups. The proposals also call for companies to implement board oversight of their corporate political contributions and to disclose related oversight policies and procedures.

Companies with pending proposals include Allstate, Amazon.com, AIG, BBT, Boeing, Burlington Northern Santa Fe, Charles Schwab, Citigroup, Conoco Phillips, Coventry Health Care, CVS Caremark, DTE Energy, Express Scripts, Ford Motor, Goldman Sachs, Google, Halliburton, Health Net, Hess, Illinois Tool Works, Lowe’s, Norfolk Southern, Nucor, Regions Financial, Republic Services, Southwestern Energy, United Health Group, Valero Energy, Wal-Mart, Waste Management, WellCare Health Plans, and Wellpoint.

Lobbying: A somewhat similar proposal, but separate from the CPA effort, was filed by the NLPC at both PepsiCo and Wal-Mart. NLPC asks for disclosure but focuses on funds used for lobbying. The companies are asked for a report describing how they identify, evaluate, and prioritize legislative and regulatory public policy advocacy activities.

Political Transparency: Long-term shareholder advocate Evelyn Davis filed four somewhat different proposals relating to corporate — governmental links. Two proposals ask Bank of America and Ford Motor to disclose prior government service by key staff. Another two ask Citigroup and JP Morgan Chase to affirm political non-partisanship.

ENVIRONMENT

Environmental issues account for the widest variety of issues and filers, with climate change concerns comprising the majority of environmental proposals. The well coordinated climate change shareholder campaign is specifically targeting industries including the airline, agriculture, automobile, banking, building, coal, electric power, forestry, information technology, manufacturing, oil & gas, and retail sectors.

CLIMATE CHANGE REPORTS

Business Risks and Management: The Needmor Fund, Calvert Asset Management, Connecticut State Treasurer, Northwest & Ethical Investments, CalSTRS, and the Christopher Reynolds Foundation along with faith-based investors, have filed proposals at Conoco Phillips, Dover, Exxon Mobil, Great West Life, Murphy Oil, Suncor, and Chevron, respectively, asking for a report on how the companies are assessing the impacts of climate change on their business. Several of these proposals also recommend that the companies participate in reporting mechanisms such as the Carbon Disclosure Project. The business risk from climate change proposal was originally filed at Dover where it received a 40% vote in 2009 and 32% in 2008. Calvert is also asking Expedia and Kroger to report on climate change management procedures and policies. Proponents point out that many companies are already conducting internal assessments of present and future business risks and opportunities posed by climate change, and some such as AES, Dow, DuPont, Exelon, Ford, Intel, PG&E, and Xcel are adding sections in their 10k reports to address this.

COAL ASH WASTE DISPOSAL

As You Sow and Green Century Capital Management filed five new proposals asking CMS Energy, First Energy, MDU Resources Group, Southern and Xcel Energy to report on efforts to reduce environmental and health hazards associated with toxic coal combustion waste (coal ash) and to protect utilities from financial and regulatory risk. Coal Ash is the second largest waste stream in the United States. An increasing number of studies and reports underscore that current practices for storing, managing, reusing, and disposing of coal ash are insufficient to protect human and environmental health.

According to the EPA, coal ash has contaminated water in 24 states. The EPA's draft risk assessment found extremely high risks to human health from the disposal of coal ash in landfills and waste ponds. For example, ash from fluidized-bed combustors has four times higher mercury content than coal, and boron is leaked from ash ponds into surface water at concentrations up to 2,000 times higher than levels estimated to be safe for aquatic life. Recent reports by the *New York Times* and others have drawn attention to the impacts on the nations' waterways as a result of leaking from coal ash storage sites or direct discharges into surrounding rivers and streams. Cleanup and mitigation costs for breaches of coal ash dams and environmental and health leachate from dry storage have cost utility companies in the billions of dollars (see New Issues pg. 6).

CONCENTRATED ANIMAL FEED OPERATIONS (CAFOs)

Environmental Impacts / Pollution: The General Board of Pensions of the United Methodist Church, American Baptist Home Mission Society and other faith-based investors filed two proposals at Tyson Foods. One asks the company to report on how it will reduce environmental impacts from both company owned farms and contract animal farms along its supply chain. The other asks what steps the company is taking to prevent water pollution from company owned and contracted facilities. Tyson is the world's largest processor and marketer of chicken, beef and pork. CAFOs are known to emit pollutants such as ammonia, arsenic, hydrogen sulfides, and airborne pathogens. Efforts to mitigate the environmental impacts of CAFOs have been considered by many state and local governments, ranging from banning new CAFOs to testing for emission levels of ammonia and other pollutants. In a ruling that may have significant implications — given that Tyson sources livestock from more than 6,000 contract farmers — a federal court ruled that Tyson also shared responsibility for pollution steaming from CAFOs owned by their contract farmers in Kentucky. Tyson and its contract farmers also have a pattern of repeated water pollution violations that have resulted in tens of millions of dollars in fines, penalties and attorney fees.

ENERGY

Energy Independence: A proposal by the Midwest Capuchin Franciscans at ExxonMobil cites the volatility of the overseas supplies and asks ExxonMobil about its role in making available sequestration, geothermal, and other technologies needed to enable the U.S. to become energy independent in an environmentally sustainable way.

Risk of Lower Fossil Fuel Demand: Long time shareholder advocate Neva Goodwin is asking ExxonMobil to consider strategic planning scenarios that account for lower fossil fuel demand rates than those which the company is currently projecting over the next 20 years. ExxonMobil is emphasizing oil and gas production based on the assumption that energy demand will increase 40% by 2030 and that oil will account for 94% of transportation energy in 2030. The International Energy Agency, among others, offers other scenarios in which developing countries seek to avoid the impacts of climate change by adopting non-carbon based energy technologies; or conversely that they suffer from climate change impacts which will inhibit economic growth and energy demand.

ENVIRONMENTAL JUSTICE

Toxic Pollution Impacts on Communities: The Episcopal Church is asking ExxonMobil, and Trillium Asset Management and the Missionary Oblates of Mary Immaculate have asked PPG Industries to report on how they ensure accountability for environmental impacts in the communities in which they operate. The proponents contend that both companies are among the worst U.S. corporate polluters in terms of the amount and toxicity of pollution and the numbers of people exposed to it. Specifically, the proposals ask the companies about public reporting and integration of community environmental accountability into their current codes of conduct and ongoing business practices. The proposal also asks about the extent to which corporate activities have negative health effects on individuals living in economically disadvantaged communities.

Exxon Mobil's refinery in Baton Rouge, LA, is the second largest emitter of toxic pollutants among all U.S. EPA-regulated refineries. Its Joliet, IL, refinery is the largest source of toxic air and water emission in that state. PPG is a global supplier of industrial coatings with over 140 facilities worldwide. A recent analysis by RiskMetrics ranks PPG as "worst in sector for Toxic Release Inventory emissions normalized by U.S. sales." A report links PPG's Lake Charles, LA, facility emissions to documented medical conditions afflicting residents of neighboring Mossville, LA. PPG is named as a source for over 60% of chemicals identified and associated with medical ailments, the highest correlation rate of the five industrialized plants in the study.

Remediate Midlands, Michigan: The Sisters of Mercy of Detroit re-filed their proposal at Dow asking for a report on its remediation efforts to address dioxin spills at its Midland, MI, plant. The EPA has charged Dow with delaying cleanup of downstream waterways and found significant deficiencies in the company's work plans. Dow's contamination stretches more than 50 miles through two river systems to the Saginaw Bay, which empties to Lake Huron, making it one of the largest contamination sites in the country. Dow faces a class action lawsuit by 2,000 residents seeking legal damages that could total \$100 million.

GLOBAL WARMING PRINCIPLES

The AFL-CIO leads this effort to have companies adopt principles to stop global warming based on six activities: reducing emission levels guided by science; set short and long term enforceable emissions targets; supporting state and local efforts to address global warming; establishing a transparent market-based system to reduce carbon emissions; using revenues from carbon markets to support the transition to clean technology; providing incentives for emissions reductions; and offering effective deterrents so that countries contribute their fair share to this effort. Proposals were filed at 3M, American Express, Best Buy, CVS Caremark, Exxon Mobil, Home Depot, Safeway, Target and Wal-Mart.

GULF COAST WETLANDS RESTORATION

The Domestic and Foreign Missionary Society of the Episcopal Church, the Presbyterian Church USA and 10 other faith-based investors filed proposals at Conoco Phillips and Exxon Mobil asking them to adopt policies to address the environmental hazards oil and gas operations in coastal Louisiana by preventing further harm and aiding in the restoration of lost wetlands. The direct and indirect effects of oil and gas exploration, recovery, and processing are responsible for 40-60% of documented wetland loss. These activities along with 10,000 miles of canals dredged throughout the coastal zone have disrupted the natural hydrologic regime of the Mississippi Delta. The combined impacts have robbed two million residents of coastal Louisiana of vital storm protection provided by wetlands. As a result, cities like New Orleans are now almost completely exposed to the Gulf of Mexico. Minor storms that had relatively minor effect 20 to 30 years ago now cause serious flooding due to the loss of storm protection afforded by wetlands.

GREENHOUSE GAS (GHG) EMISSIONS

Emissions Reduction: New York City Pension Fund, faith-based investors, foundations, and SRIs have filed greenhouse gas (GHG) emission proposals at 24 oil, gas, coal, homebuilder, and electric power companies. Twenty proposals ask companies to adopt quantitative goals for reducing total greenhouse gas emissions from the company's products and operations. The only proposal to go to vote so far — at Toll Brothers — received a strong 30%. Four other proposals ask companies to report on how they are reducing GHG emissions. Proposals are still pending at 10 companies: CMS Energy, Conoco Phillips, Dynegy, Dominion Resources, Exxon Mobil, Lennar, Massey Energy, Mirant, Ryland Group, and Standard Pacific.

Climate Change Skeptic: An opposite view is presented in a new proposal from an individual shareholder who states that Ford Motor should neither fund nor undertake any energy-savings projects that are solely concerned with CO₂ reduction. The proposal lists a number of statistics that support the views of those who believe that rapid climate change is not man-made, and that, in fact, global warming is not occurring. The proponent states that the warmest year in the last 129 years was 1934, and that the ice pack in Antarctica is growing in both mass and thickness.

HYDRAULIC FRACTURING

As You Sow, the Park Foundation, Green Century Asset Management, the New York State Common Retirement Fund, and six SRIs and faith-based investors have filed a new proposal asking Cabot Oil & Gas, Chesapeake Energy, El Paso, Encana, EOG Resources, EQT, ExxonMobil, Hess, Range Resources, Ultra Petroleum, and the Williams Companies, to report on the environmental impacts of the company's hydraulic fracturing operations used in natural gas drilling. The proposals also ask the companies to take measures to reduce or eliminate hazards to air, water and soil quality,

Proponents point to a surge of political opposition that can impact company finances and operations unless they switch to less toxic fracturing fluids. For example, New York state is home to one of the largest natural gas reserves that companies are looking to tap into. Yet a 2009 New York City study found hydraulic fracturing posed "an unacceptable threat to the unfiltered, freshwater supply of nine million New Yorkers and cannot safely be permitted within the New York City watershed." Chesapeake Energy was pressured into "voluntarily" refraining from drilling within that watershed. State agencies in New York, Pennsylvania, West Virginia and Colorado are all proposing new regulations on natural gas extraction. Congress is also considering legislation that would reinstate the EPA's authority to regulate hydraulic fracturing (see New Issues pg. 6)

MOUNTAIN TOP REMOVAL

Financing: Trillium Asset Management and Loyola University have asked Bank of America and JP Morgan Chase, respectively, to assess the impacts of financing Mountain Top Removal on its clients and local communities, and on the adoption of a policy barring future financing of companies engaged in these operations. Mountain Top Removal has devastating impacts on the environment and local communities. Coal mining operations will literally blast away mountain tops to expose coal beds. This is followed by the dumping of tons of rubble into the valleys below which fills streams and destroys water resources. Proponents point out that JP Morgan Chase has numerous policy commitments such as to assume "a leadership role in the financial services industry by helping to reduce greenhouse gas emissions in our value chain" and that Bank of America has already set GHG reduction goals for its facilities and indirect GHG goals within its energy and utility portfolio. Yet both banks continue to provide financing for companies engaged in Mountain Top Removal and coal mining despite these operations' significant contribution to long-term GHG emissions.

NUCLEAR ENERGY

Extension of Operating License: The Sisters of Notre Dame of St Louis and six other faith-based investors are asking Ameren (Union Electric) to disclose the company's evaluation of risks and benefits of applying for a 20 year extension of their operating license as opposed to letting the license expire as scheduled in 2044. The proponents point out the cost of operation and maintaining nuclear power plants as they age, the industry wide shortage of trained replacement employees, the high probability that the Yuca Mountain waste storage site will never be licensed, and the lack of permanent waste storage sites. They also raise liability issues pointing to a 2005 National Academy of Sciences report that presented new evidence that the impact of these radiation releases, no matter how small, is cumulative, irreversible, long lasting, and potentially dangerous.

Nuclear Waste Reduction: An individual investor is asking PG&E to report on the company's efforts to reduce the release of radioactive materials into the air and water during routine nuclear power plant operations.

OIL SANDS

CalSTRS, 20 foundations, SRIs, and faith-based investors are asking Conoco Phillips to report on the environmental impact from its expanding oil sand operations. Oil sands extraction is environmentally damaging, requiring the draining of wetlands, diversion of rivers, deforestation, and the dumping of acutely toxic pollutants resulting in 11 million liters of contaminated water leaking into the groundwater system, surrounding soil, and surface water per year.

This process is also destroying Canada's boreal forest, which provides critical climate regulation and carbon storage for the entire planet. The boreal forest stores more than 186 billion tons of carbon — equivalent to 913 years' worth of Canada's greenhouse gas emissions. Oil sands have made Alberta the largest emitter of industrial pollutants in Canada and are the fastest growing source of Canada's greenhouse gas emissions, generating three times the amount during production as conventional oil.

PESTICIDES

Trillium Asset Management is asking Chipotle Mexican Grill to report on how the company is addressing pesticide use reduction in its supply chain. They also ask that the report identify methods to counteract the negative impacts that pesticides impose on farm workers, adjacent communities, and the environment. A reduction in pesticide use can lessen these burdens and production costs. Reduced pesticide use and reduced worker exposure to pesticides can yield health benefits for employees and reputational benefits to the company.

RAINFOREST IMPACTS

The New York City Pension Fund filed proposals at International Paper, Valero Energy and Weyerhaeuser, asking the companies to report on the impact of their global operations on rainforest sustainability. It is estimated that the deforestation of temperate and tropical rainforests accounts for nearly 20% of the world's greenhouse gas emissions. Loss of the ecosystem services provided by forests is estimated to be costing the global economy \$2 – \$5 trillion annually. The proposal is in keeping with the goals of the Forest Disclosure Project, a recent initiative sponsored by the UK government and supported by investors representing over \$1 trillion in assets, which has called on global corporations to report on the impact of their operations on the world's rainforest.

RECYCLING

Beverage Container Recycling Goals: As You Sow and Walden Asset Management filed a proposal asking PepsiCo to develop quantitative goals for higher rates of bottle and can recycling. The company's main competitors Coca-Cola and Nestle Waters North America already established public, quantitative beverage container recycling goals. Coca-Cola set a goal of recovering 50% of its plastic and aluminum bottles by 2015, and Nestle Waters set an industry goal of 60% recovery of PET bottles sold by 2018. As this publication went to print, Pepsi agreed to set a take back goal of 50% by 2018 and the proposal was withdrawn.

Beverage Container Recycled Content: As You Sow filed a similar proposal at Starbucks that, in addition to recovery goals, also asked the company to utilize increased recycled content goals for its packaging. Starbucks has made no commitment to use recycled content in its Ethos brand water bottles and the company received an "F" in the 2008 beverage container recycling scorecard and report *Waste & Opportunity* published by As You Sow.

Paper Products / Sustainable Forestry: Domini Social Investments filed proposals at book publisher International Paper and at R.R. Donnelley & Sons, a leading manufacturer of paper products and packaging, asking the companies to report on their use of Forest Stewardship Council (FSC) certified fiber to increase the amount of post-consumer recycled fiber in its products. Using certified and/or recycled fiber would reduce both the need for virgin materials and the companies' emissions of greenhouse gases. FSC is based on international standards for responsible forest management and is generally recognized by the environmental community as the best forest certification standard. While the overall paper

recovery rate in the U.S. is 56% percent, activists are concerned that the bulk of the collected paper goes to low-end uses such as tissue and cardboard and not enough is used in printing and writing paper.

WATER SCARCITY

Disclose Water Withdrawals: Green Century Asset Management filed a proposal at NiSource, asking the company to publicly disclose the amount of water withdrawn in its thermoelectric production and how those measurements compare to less water-intensive renewable energy methods. The U.S. Department of Energy (DOE) states that electric power plants are the second largest user of freshwater in the country. Each day the electric power industry withdraws 190 billion gallons of water, or 39% of all U.S. freshwater withdrawals. The DOE further states that water scarcity is increasing and that less water-intensive methods of power generation exist.

Financial Risks: Northwest & Ethical Investments filed a proposal at Potash, asking for a report on how the company is assessing the physical, regulatory, and reputational risks associated with water. Potash relies extensively on the availability of water for the production of potash, phosphate, and nitrogen. Climate change is altering hydrological cycles causing increased draughts in some areas and increased flooding in others. This may lead to higher costs for access to water and pre-treatment, operational disruptions, conflicts with local communities, and regulatory changes.

Water Management Reform Implementation: The Sisters of St. Joseph of La Grange, IL, and six other faith-based investors filed a proposal at Massey Energy asking for a report on the company's progress in implementing the reforms required under its EPA settlement. In 2008 Massey paid a \$20 million civil penalty for violations at Massey's coal mines in West Virginia and Kentucky. This was the largest civil penalty ever levied against a company for wastewater discharge permit violations. In addition to the penalty the company was required to invest \$10 million to develop and implement procedures to prevent future violations including a comprehensive environmental compliance program audited by a third party.

HEALTH & SAFETY

Pension funds, unions, SRIs, faith-based investors, and foundations have filed 11 proposals asking companies to report on toxics or product safety. Four proposals focus on tobacco, three on mercury in dental fillings, and one each on: aircraft maintenance safety, antibiotics in animal feed, Bisphenol A used in food packaging, and a new proposal on child obesity.

AIRCRAFT SAFETY

The International Brotherhood of Teamsters raise the issue of air safety in a proposal asking both Continental Airlines and Alaska Airlines to adopt policies requiring all contract aircraft maintenance and repair facilities to meet the same standards as company-owned repair facilities. These companies outsource nearly half of their aircraft maintenance work, and Federal Aviation Administration (FAA) certificated contract repair stations—particularly those outside the U.S.—are subject to less stringent maintenance standards than airline-owned stations. Supervisors and inspectors who sign off on maintenance work at foreign repair stations are not required to hold FAA repairman certificates or Airframe and Power plant licenses nor are mechanics working on the aircraft at these facilities. Foreign repair stations have no standards with respect to personnel background checks, drug and alcohol testing, access to aircraft, and parts inventory thereby creating security vulnerabilities.

ANTIBIOTICS IN ANIMAL FEED

The Adrian Dominican Sisters and Trinity Health have filed a proposal at Tyson Foods asking the company to phase out the routine use of antibiotics in animal feed. They also ask Tyson to implement animal raising practices that would not necessitate the routine use of antibiotics. The USDA has determined that much of the antibiotics use in animal feed provide little therapeutic benefit to the animals. The use of antibiotics in animal feed facilitates the development and spread of resistant pathogens that may impact the efficacy of antibiotics for human medicine. Given these concerns, the FDA, since 2003, has required drug sponsors to show that new antibiotics are safe with respect to resistance. Yet most antibiotics currently in use were approved prior to 2003, raising concerns about their contribution to antibiotic resistance.

BISPHENOL A (BPA)

As You Sow, Domini Social Investments, and Trillium Asset Management have asked Coca Cola to report on the company's response to "public policy challenges associated with BPA" citing new scientific, regulatory, and reputational risks. Bisphenol A (BPA), commonly used in polycarbonate plastic (such as water bottles) and aluminum can linings, is known to mimic estrogen in the body. Studies also link BPA, even at low doses, to potential changes in brain structure, the immune system, and male and female reproductive systems, as well as changes in tissue associated with increased rates of breast cancer. Exposure to BPA by infants and pregnant women are among the greatest concerns to experts. The U.S. Congress as well as some states and cities have proposed legislation banning BPA in certain food and beverage packages. Canada's health agency has already banned BPA-containing baby bottles.

As You Sow and Green Century Capital Management contacted 20 other publicly traded companies on this issue and released *Seeking Safer Packaging* — a scorecard ranking these companies on their use of BPA and their commitment to finding alternatives. Coca Cola received an 'F' grade.

CHEMICAL SECURITY

Green Century filed a proposal asking Occidental Petroleum to report on ways of reducing potential harm from catastrophic chemical releases. Across the U.S., thousands of facilities use, store and transport extremely hazardous substances in large quantities that pose major risks to surrounding communities, employees and the environment. Four Occidental Chemical plants put at least one million people at risk in the event of a major chemical release caused by accident or terrorist attack. Proponents believe that the number of people at risk can be lowered by switching to less hazardous chemicals, reducing the quantities of hazardous chemicals stored at facilities, reengineering processes used at facilities and locating facilities outside of high-population areas.

CHILDHOOD OBESITY

The Sisters of Charity of the Blessed Virgin Mary and the Sisters of St. Francis of Philadelphia are asking McDonald's to assess the public concerns linking fast food to childhood obesity, diet related diseases and other impacts on children's health. Proponents point to growing public, scientific, and political concerns that could impact the company's finances and operations. A 2009 survey found that 59% of those polled believe the fast food industry is responsible for the increase in diet-related diseases and health conditions. The Centers for Disease Control claims that one in three U.S. children born in the year 2000 will be diagnosed with type 2 diabetes as a result of childhood obesity. The National Academy of Science's Institute of Medicine recommended that local governments adopt zoning practices that restrict fast food restaurants near schools and playgrounds. In 2009, "The Healthy Kids Act" was introduced in Congress with the intent of curbing childhood obesity.

MERCURY IN DENTAL FILLINGS

Boston Common Asset Management, the Dominican Sisters of Hope, and one half-dozen other faith-based investors are asking Danaher and Dentsply International to identify options for eliminating mercury from its products to reduce harmful exposure to the environment and dental consumers. Dental amalgam is a pre-Civil War substance composed of approximately 50% mercury, a virulent reproductive and neurological toxicant. In sharp contrast to dentistry, medicine generally transitioned away from using mercury by the end of the nineteenth century. Today, the FDA even bans mercury in applications for animals. The most common dental filling material today is resin composite, which is both safer and more profitable than mercury-based amalgam.

TOBACCO

Tobacco, Poverty and Food: Faith-based investors continue their decades-long leadership in raising crucial issues with the tobacco industry. The Sisters of St. Francis of Philadelphia, Trinity Health, the Midwest Capuchin Franciscans and other faith-based investors asked Altria and Phillip Morris International if the companies should continue marketing to communities with poverty levels exceeding 50%. Due to their addiction to the nicotine in cigarettes, smokers in these communities spend less money on food and a larger percentage of available funds on tobacco as compared with more affluent communities. Studies show that the highest rates of food insecurity (25%) exist among children living in low-income households with smokers.

Advertising: The Midwest Capuchin Franciscans have asked Reynolds American to include more public information about the range of devastating health impacts of smoking. These include details of health hazards to mainstream smokers, negative impacts from second-hand smoke, hazards from 'light' and 'ultra light' products, and acute nicotine poisoning which affects laborers who pick tobacco (also see Human Rights pg. 14).

Sales in Drug Stores: NYC Pension Funds has asked CVS Caremark to report on how the company is responding to rising regulatory, competitive, and public pressures to halt sales of tobacco products. The proponent points out the incongruity of pharmacies dispensing medication and health products while simultaneously selling cigarettes and other tobacco products that are a leading cause of illness and premature death in the country. In the United Kingdom, France, Italy, and many Canadian provinces tobacco products are not sold in pharmacies. Boston and San Francisco were the first U.S. cities to ban the sale of tobacco products in pharmacies, and other cities are considering similar legislation.

HUMAN RIGHTS

Issues of human rights have been a fulcrum for shareholder activism since faith-based investors opposed South African apartheid more than 30 years ago. This year, a wide cross-section of investor groups have filed human rights proposals addressing concerns about the financial crisis and predatory lending practices, free speech, censorship and privacy, corporate policies and operations in countries known for violating human rights, military sales, and water rights and scarcity.

COUNTRY SELECTION

Myanmar / Burma: The International Brotherhood of Teamsters and faith-based investors are asking Chevron to report on the criteria for investment, continued operations, and withdrawal from countries with systemic human rights violations and/or where there is a call for economic sanctions by human rights and democracy advocates. Chevron is a partner in the Yadana gas-field and pipeline which is the largest investment project in Burma. Human rights organizations have documented egregious human rights abuses by Burmese troops employed to secure the pipeline area including forcible relocation of villagers, mass rape, and the use of forced labor on infrastructure related to the pipeline project. Millions of dollars from the pipeline go to support the oppressive Burmese regime.

FARMERS RIGHT TO SAVE SEEDS

As You Sow, the Sisters of Charity and other faith-based investors have asked DuPont, one of the largest seed companies in the world, to amend its Human Rights policy to adhere to the International Treaty on Plant Genetic Resources for Food and Agriculture. The treaty recognizes farmers' traditional rights to save seeds, a right that ensures an equitable flow of financial benefits in developing countries. These countries are responsible for the overwhelming majority of the world's seed conservation and development, breeding and adapting more than one million varieties a year. DuPont's patents on seeds, if enforced, could restrict traditional seed sharing. At least 1.5 billion individuals depend on small scale farming for their livelihoods.

HUMAN RIGHTS POLICY

Faith-based investors are continuing their three decades of leadership in pushing for human rights. Proposals at Caterpillar (this latter effort is led by the NGO Jewish Voice for Peace), Chevron, Halliburton, Hewlett-Packard, Honeywell, KBR, and Motorola call for the adoption, development, and/or review of human rights policies because each operates in countries with well-documented human rights abuses such as China, Burma, Malaysia, Russia, Colombia, Israel, and the occupied Palestinian territories. Harrington Investments has asked Google to establish a Human Rights Board Committee to address its policies in countries with human rights abuses and two individual investors have made a similar request (with a focus on China) to Yahoo and Boeing.

INTERNET PRIVACY

The Internet has become a defining infrastructure of our economy and society. Internet service providers (ISPs) serve as gatekeepers to the web by providing access, managing traffic, insuring communication, and forging rules that shape, enable, and limit the public's use of the Internet. Shareholders have raised concerns about privacy, freedom of expression, and a free and open Internet with more than a dozen ISPs beginning in 2009.

Behavioral Advertising: As You Sow and Northwest & Ethical Investments filed a proposal with Google asking the company to develop principles for online advertising that go beyond current company statements and to address collection of sensitive information in areas such as health, finance, ethnicity, race, sexual orientation, and political activity for the purposes of behavioral advertising. As You Sow also filed a similar proposal at Yahoo! (see New Issues pg. 6)

Freedom of Expression: Trillium Asset Management re-filed a proposal at Century Tel asking for a report on its policies and practices regarding the public's expectations of privacy and freedom of expression on the Internet. Last year's proposal received a strong 30% vote. Network management practices have come under public scrutiny by consumer and civil liberties groups, regulatory authorities, and shareholders. Class action lawsuits in several states are challenging the propriety of ISPs' network management practices.

Net Neutrality: Trillium Asset Management and NYC Pension Funds filed proposals at ATT, Comcast, EarthLink, Knology, Qwest, Nextel, Sprint and Verizon (the later co-filed with As You Sow) asking them to report on company policies and the challenges presented by a free and open Internet (also referred to as "net neutrality"). Content filtering technology and censorship issues have raised widespread interest in this subject. The FCC has received hundreds of letters from organizations and from hundreds of federal and state legislators on this issue. Congress is now considering the Internet Freedom Preservation Act.

NATIVE LAND RIGHTS

Ethical Funds has asked Enbridge about the legal and regulatory risk of beginning operations in First Nations Territories that will impact the traditional territories of approximately 100 aboriginal communities. Enbridge's proposed \$4.5 billion Northern Gateway Project in Western Canada takes place in areas where comprehensive aboriginal territory claims have not been settled and the aboriginal groups have not ceded title to their lands. In cases where there is dispute between aboriginal, provincial, and federal governments, companies risk project delays and even cancellation without the free, prior, and informed consent of local and aboriginal communities.

MILITARY SALES

Foreign Military Sales: Faith-based investors have asked Boeing and ITT to report on their criteria for foreign sales and contracts. Proponents asked how the companies choose business partners and ensure that sales go to designated customers and are not smuggled or used for third-party sales. They also want to know if foreign sales are to governmental or local security forces, and if sales include dual use of non-military equipment for military purposes. ITT shareholders are concerned that products are being used in human rights violations or ending up in hostile hands.

Ethical Criteria for Military Contracts: Boeing is also being asked to amend its code of conduct and ethical criteria to ensure that contractors meet human rights and fair labor standards and to conduct proper environmental impact reviews and toxic waste management practices.

PREDATORY LENDING

Payday Loans: A proposal at Cash America asks for a report on predatory lending practices, particularly in regards to consumer cash day advances or 'payday loans' whose typical rate is 400% although half of all borrowers believe the rate to be under 30%.

Overdrafts: Calvert Asset Management, along with five faith-based investors filed proposals at BB&T Financial and Capital One Financial, asking them to report on their overdraft practices and the impacts these have on borrowers. According to consumer protection organizations, financial institutions are engaged in abusive practices that maximize banking overdraft fee revenue, charging exorbitant fees that bear no relationship to the cost of covering an overdraft, and automatically enroll customers in the most expensive overdraft option without their consent. Research found that approximately 80% of consumers would rather have their debit card transaction denied than have it covered for a fee. Based on 2008 FDIC data, banks and credit unions collected nearly \$24 billion in overdraft fees.

SLAVE LABOR

Brazil: Domini Social Investments and several faith-based investors are asking Nucor to review and implement additional policies in response to several years of published reports that pig iron used to make steel was produced under forced labor conditions in the Brazilian Amazon. Most recently, the U.S. State Department reported that Brazil is "a source country for men and boys trafficked internally for forced labor" and noted that "some boys have been identified as slave laborers in ... the production of charcoal for pig iron."

SPACE WEAPONS

The Mercy Investment Program, the Sisters of Loretto, and a dozen other faith-based investors have asked General Dynamics and Lockheed Martin to report on their involvement in a space-based weapons program. Proponents believe outer space is the common heritage of all, to be used for peaceful purposes and the well-being of all peoples. They believe space-based weapons research and project development contributes to the insecurity of governments worldwide and is leading to a new arms race. The proposal asks about the companies' participation in research, development, and promotion of space weapons. It also inquires as to the amount of the companies' own funds (as opposed to government funding) spent on in-house research and development for the space program in comparison to its non-military contracts. Concern is also raised over the environmental and social impacts of space weapons.

TOBACCO HARVESTING

The Midwest Capuchin Franciscans, Trinity Health, and 10 other faith-based institutions are asking Altria, Reynolds American, and Phillip Morris International to create procedures to implement internationally agreed-upon core human rights conventions in the countries where they operate and to find ways to ensure that suppliers are enforcing these standards. A key problem of workers harvesting tobacco is acute nicotine poisoning, commonly referred to as Green Tobacco Sickness, which occurs when the skin absorbs nicotine from touching moist tobacco plants. Non-smoking tobacco harvesters show similar nicotine levels as active smokers. Phillip Morris is also being asked about the use of child labor in Malawi.

WATER RIGHTS

Access and Affordability: NorthStar Asset Management filed proposals asking Connecticut Water Service, ExxonMobil, Ecolab, and Intel to create a policy concerning the human right to water — addressing issues such as physical accessibility and affordability of water. The ExxonMobil proposal cites its Canadian oil sand operations which uses 60 million gallons in Alberta alone. This water is not returned to the local community and is ultimately unusable for other purposes. Over-consuming and depleting community groundwater are counter to the UN High Commissioner for Human Rights report that defines the scope of the human rights obligations related to equitable access to sufficient, accessible, and affordable safe drinking water for personal and domestic use.

Proponents recognize Intel as a leader in water reclamation programs and their winning of water efficiency awards. But they also point out that the company uses vast quantities of water in its semiconductor manufacturing process (7.8 billion gallons of water in 2008) and operates in water-scarce areas of the world like Israel and the American Southwest. Water access has become a major issue in many parts of the world that the company operates in, and they believe that adopting a human right to water policy will enhance the company's reputation and reduce the risks of adverse publicity, consumer boycotts, divestment campaigns, and lawsuits.

LABOR

A number of shareholder labor proposals have seemingly been around for decades. These include equal employment opportunity, international labor standards, and the McBride Principles — all of which are up for proxy votes again this year. The issue of discrimination based on sexual orientation was first raised in 1999, but it is only in the last five years that this issue became a large scale shareholder campaign and one that continues to garner some of the highest votes for any social proposal.

EQUAL EMPLOYMENT OPPORTUNITY (EEO)

Trillium Asset Management and 14 faith-based investors have filed their ninth EEO proposal at the steadfast holdout Home Depot. The proposal calls for an EEO report regarding race and gender diversity and a description of any affirmative action or management training programs geared for women or minorities. The last five Home Depot shareholder votes in favor of an EEO diversity report averaged 28% support. Meanwhile, Home Depot continues to ignore shareholder requests while over the past 13 years it paid out more than \$100 million to settle discrimination lawsuits.

LABOR STANDARDS

International Labor Organization (ILO): ILO Standards prohibit discrimination and forced labor, provide overtime pay, and guarantee workers' rights to form unions. For nearly two decades shareholders have been asking companies to adopt these standards as a means to improve working conditions throughout the supply chain. A large number of U.S. companies are purchasing materials, components, or products manufactured in countries or regions where human rights abuses and unfair labor practices have been alleged or are well documented. Yet many companies have still not adopted ILO codes or the monitoring and enforcement of existing codes remains poor.

MacBride Principles: NYC Pension Funds and the Minnesota State Board of Investment have asked Raytheon and Yum Brands to implement the MacBride Principles regarding religious employment bias in Ireland. Employment discrimination was cited as a major source of sectarian violence in Northern Ireland. Dr. Sean MacBride, a founder of Amnesty International and Nobel Peace Prize winner, proposed several equal employment opportunity principles to serve as guidelines for corporations operating in Northern Ireland.

Vendor Standards: The Amalgamated Bank, F&C Investments, the General Board of Pension of the United Methodist Church, and an individual investor filed proposals at Urban Outfitters, Abercrombie & Fitch, Fred's, and Mattel, respectively, about ensuring safe and equitable factory conditions. Proposals ask the companies to adopt, monitor, and report on ILO standards through their supply chains.

SEXUAL ORIENTATION NON-DISCRIMINATION

Sexual Orientation and Gender Identity: Sexual orientation discrimination has prompted more than a decade of shareholder proposals. Twenty-one states, the District of Columbia, and more than 180 U.S. cities and counties have laws prohibiting employment discrimination based on sexual orientation. National public opinion polls consistently find more than three-quarters of Americans support equal rights in the workplace for gay men, lesbians, and bisexuals.

The Unitarian Universalists Association, New York Pension Funds, and SRIs are leading this year's effort asking that the companies' equal employment opportunity policy explicitly prohibit discrimination based on sexual orientation and gender identity and to substantially implement the policy. In 2009 the average vote for this proposal was 34.72%, up from 26.6% in 2008, and it included the highest vote of 2009 — a majority 52% vote at D.R. Horton.

Seven companies are facing this proposal for the first time. These include Avista, Conoco Phillips, Crosstex Energy, Gardner Denver, Lincoln Electric Holdings, Questar, and Toro. Multi-year refilings include Home Depot's second time facing this proposal (albeit its first proposal was in 2001), third year filings at Verizon and Wal-Mart, a fourth year filing at Commercial Metals (44% vote in 2009), a sixth year refiling at Leggett & Platt (42% vote in 2008), and a staggering eleventh year refiling at Exxon Mobil despite 40% votes in 2009 and 2008.

Rights for Ex-Gays: A twist to the issue of sexual orientation bias comes from the Parents and Friends of Ex-Gays and Gays, a NGO that defines the ex-gay community as men and women with unwanted same-sex attractions who leave homosexuality. They claim numerous instances of intolerance against ex-gays and have filed a proposal at Walt Disney asking the company to amend its sexual orientation policy to explicitly include ex-gay status.

SUSTAINABILITY

The concept of 'sustainability' continues to gain support among corporations and their shareholders. Currently, more than 1,500 companies worldwide publish sustainability reports that communicate the companies' activities on environmental, labor, and human rights issues. Nearly 40 proposals have been filed in each of the last five years asking companies to produce sustainability reports. This year there is a noticeable emphasis in sustainability reporting proposals which specifically emphasize additional detail on climate change or related issues.

Global Reporting Initiative: These proposals ask for the company's definition of sustainability (the seminal UN report Our Common Future defines it as "the ability to meet present needs without impairing the ability of future generations to meet their needs") and for a report on the social and environmental impacts of its operations. Eighteen proposals ask that the company follow the reporting template of the Global Reporting Initiative (GRI). The GRI is a multi-stakeholder process that has developed globally applicable sustainability reporting guidelines. Guidelines have been developed for voluntary use by companies for reporting on the economic, environmental, and social (ESG) dimensions of their activities, products, and services.

Eight proposals have specific requests for reporting priorities. Proposals at Agrium, Chesapeake Energy, and Community Health Systems call for the use of ESG criteria. Those at Aqua America and Valmont Industries specifically ask for a discussion of sustainable water use. Proposals at Ann Taylor Stores and J. Crew ask about vendor standards (sweatshops) in the supply chain. A proposal at SanDisk asks about goals to reduce the use of PVC plastics in products and packaging.

This year's effort is led by Calvert Asset Management (eight proposals) and New York City Pension Funds (six proposals). Two dozen foundations, SRIs, unions, pension funds, and faith-based investors also field at least one proposal. Proposals are pending at AK Steel, Aqua America, Boston Properties, Chesapeake Energy, Chico's FAS, Graftech Int., EQT, Google, J. Crew, J.M. Smucker, MGM Mirage, St. Jude Medical, and SanDisk.

Carbon Disclosure Project: Twenty proposals emphasize the issue of global warming. They go a step beyond the GRI and ask for a report that also utilizes the Carbon Disclosure Project (CDP) as a means to specifically report on greenhouse gas emissions and efforts to reduce those emissions. CDP is a collaborative engagement of 385 institutional investors with combined assets under management of U.S. \$57 trillion. CDP has sent questionnaires to more than 3,000 of the world's largest corporations requesting information on their greenhouse gas emissions, the potential risks and opportunities that climate change presents, and strategies for managing those risks and opportunities. Walden Asset Management filed five proposals and Calvert Asset Management and CalSTRS filed three each. An assortment of foundations, unions, pension funds, and faith-based investors filed the balance of the proposals on this issue. Proposals are pending at Federal Realty Investment Trust, Gentex, KBR, Layne Christensen, SunTrust Bank, Tutor Perini, Vulcan Materials, and Wynn Resorts.

Governance Proposals

Several hundred corporate governance proposals are filed every year and thus deserve a separate *Preview* of their own. This section focuses on those governance proposals most associated with social issues related to a foundation's mission such as diversity, labor rights, or the environment. New proposals targeting TARP companies are also included here as these proposals are filed both for their financial merit as well as for the ethical obligations of these companies to the U.S. taxpayers who are shouldering the burden of financially supporting those companies.

BOARD DIVERSITY

The Calvert Group, CalSTRS, the Domestic and Foreign Missionary Society of the Episcopal Church, and the General Board of Pension of the United Methodist Church, and a half dozen other pension funds, SRIs and faith-based investors filed 17 proposals to ensure that more women and minority candidates are recruited for corporate boards. A small number of S&P 500 companies still have all white male boards, and proponents believe that many corporations have benefited both financially and from the perspectives brought to corporate boards by well-qualified women and people of color.

A growing body of academic research shows that there is a significant positive relationship between a firm's value and the percentage of women and minorities on its boards. This view is strongly supported by many large institutional fund managers who consider the diversity of a firm's board before investing. A recent study conducted by Catalyst demonstrates that companies with higher representation of females on their boards financially outperformed those with lower representation in three categories: average return on equity, average return on sales, and average return on capital. In fact, the study goes on to demonstrate a correlation between having three or more female directors and higher-than-average financial performance. Board diversity proposals are pending at El Paso, Exco Resources, Netflix, Nutri Systems and Muller Industries — which faced this proposal the last two years with an average vote of 42%.

EXECUTIVE COMPENSATION

Advisory Vote (Say on Pay): The American Federation of State, County and Municipal Employees (AFSCME) and Walden Asset Management have organized a diverse investor network — including 70 pension funds, labor funds, SRIs, foundations, faith-based institutions, and individual investors — which has already filed 'Say on Pay' proposals at more than 50 U.S. corporations. The proposal seeks a policy allowing shareholders to vote on non-binding resolutions on executive compensation packages presented in each company's annual proxy statement. The proposal was submitted at a wide range of non-TARP (and a few ex-TARP) companies where pay has been excessive or where there has been a perceived misalignment between pay and performance over the past three to five years.

Link to Social Criteria: The Sisters of St. Francis of Philadelphia, Benedictine Sisters of Mount St. Scholastica, DuPont workers, and Northwest & Ethical Investments filed proposals at the United Health Group, DuPont, and the Potash Corporation of Saskatchewan, asking that executive compensation be linked to social responsibility and environmental performance as well as to financial criteria. Proponents point to cases in which compensation is awarded for meeting financial goals even as the companies continue to perpetuate unlawful discrimination or where environmental damage has resulted in costly fines, protracted litigation, or reputational damage. In 2008 Potash gave its CEO the maximum incentive award (part of a \$17 million compensation package) even though nearly 25% of the compensation criteria were not met, common stock performance fell short of the sector average, and worker safety performance such as lost time due to injuries rose 60%. The company suffered one worker fatality that year as well.

Health Care Benefits and Pay Disparity: Mercy Investments, the Sisters of the Presentation of the Blessed Virgin Mary, and more than a dozen other faith based groups along with a few foundations, have asked 22 companies (up from three in 2009) for a report comparing the salary, benefits, bonuses, and all other forms of compensation of top executives with those of the companies' lowest paid workers. They further seek an analysis of the gap between the two groups and the rationale justifying this trend. They also ask for an evaluation of whether top executive compensation packages are excessive and should be modified and for an explanation of whether the issues of sizable layoffs or the level of pay of our lowest paid workers should result in an adjustment of executive pay to "more reasonable and justifiable levels." According to *Business Week*, S&P 500 CEOs had to work approximately 3 hours in 2007 "to earn what a minimum-wage worker earned for the full year." A 2007 study of Fortune 500 firms showed top executives' pay averaged more than 364 times the pay of the average U.S. worker.

Compounding this disparity, many employers have shifted a greater share of the overall health costs onto employees and their families. Consequently, nineteen proposals ask specifically for reporting on health care benefits. Health care and pay disparity proposals still pending are at 3M, Allstate, American International Group, Amgen, CIGNA, General Electric, Goldman Sachs, JP Morgan Chase, Lincoln National, McKesson, Medco Health Solutions, State Street, Travelers Companies, and Unum.

PROXY VOTING REVIEW

UFE/Responsible Wealth has filed a proposal asking State Street Bank to review its proxy voting policies, taking into account State Street's own corporate responsibility and environmental positions and the fiduciary and economic case for the shareholder resolutions presented. In 2007, State Street was managing \$80 billion in assets and is responsible for voting proxies of companies in which it holds stock on behalf of clients. State Street's corporate social responsibility report repeatedly touts its commitment to sustainability, environmental protection, and positive working conditions. Yet its proxy voting record opposes these issues as it shows State Street uniformly votes against any shareholder proposals on social and environmental issues. For example, in 2008 over 50 proposals were filed at companies facing a potential, significant business impact from climate change. Most simply asked for increased disclosure, noting that thousands of companies globally report on their carbon emissions and steps they are taking to reduce them. State Street voted against all such resolutions yet, ironically, State Street reports its own greenhouse gas emissions in its own CSR Report and further describes the company's active role in addressing climate change.

TROUBLED ASSET RELIEF PROGRAM (TARP)

New proposals targeting TARP companies raise questions regarding the continued practice of high risk trading, compensation incentives for executives to focus on short term results at the expense of the long term interest of the company and its stockholders, and the social obligation of companies to the U.S. economic security given their unprecedented bailout by U.S. taxpayers.

Derivatives Trading: The Missionary Oblates of Mary Immaculate, Sisters of Charity of St. Elizabeth New Jersey, Maryknoll Sisters, and more than a dozen other faith-based investors have asked the Bank of America, Citigroup, Goldman Sachs, and JP Morgan Chase are being asked to report on their policies concerning the use of collateral on all over-the-counter derivatives trades and to ensure that the collateral is maintained in segregated accounts and is not rehypothecated. Very high degrees of leverage in derivatives transactions contributed to the timing and severity of the global financial crisis. There are many concerns about the practice of rehypothecation — the ability of derivatives dealers to redeploy cash collateral that gets posted by one of its trading partners. The U.S. financial system was brought to the brink of collapse by the absence of a system and structure to monitor counterparty risk leading numerous experts and the U.S. Treasury Dept. to call for appropriate capitalization and collateralization of derivative transactions.

Economic Security Bylaw: A proposal by Harrington Investments is asking Bank of America and Citigroup, two companies which have received federal assistance under TARP, to create a Board Committee on U.S. Economic Security. The Committee would review whether company policies are supporting U.S. economic security while meeting the Board's responsibilities to its shareholders. The proponents believe that the financial crisis leading to the massive taxpayer bailout of the U.S. financial system was the result of years of irresponsible lending and business practices across the U.S. economy, including speculative derivatives trading and a general lack of management and board oversight. The U.S. government had decided not to take voting shares in those companies it bails out, prompting this call for shareholders to monitor these companies' obligation and role in long term U.S. economic security. This proposal is also unique in that it calls for change to a company's by-laws which would make it a binding proposal.

Incentive Awards: The AFL-CIO has asked the Bank of New York Mellon and Morgan Stanley to adopt a policy requiring a five year lock-up period for senior executive's equity incentive awards. During that period the executives may redeem or sell no more than one-fifth of their equity incentive awards in each of the next five years. The proponents believe that skewed incentive compensation programs promote short term decisions that enabled executives to cash out hundreds of millions of dollars in compensation but weaken the long-term health of the company and its shareholder value. In 2009, U.S. Treasury Secretary Timothy Geitner urged that, "Companies should seek to pay top executives in ways that are tightly aligned with the long-term value and soundness of the firm."

Non-Deductible Pay: The AFL-CIO has filed 2010 resolutions asking the Bank of America, Fifth Third Bancorp, Key, PNC Bank, and Wells Fargo, to report on the amount of remuneration of senior executives being non-deductible for federal income tax purposes, how much non-deductible pay is costing the company in terms of its higher taxes, and the rationale of paying such non-deductible compensation to executives. The proponents are concerned that despite TARP standards for executive compensation, many financial institutions are reverting to pre-crisis compensation practices for executive officers. In September 2009, the Institute for Policy Studies reported that the CEOs of the 20 banks that received the most TARP funds were paid 37% more on average than the average for top executives at S&P 500 companies for the preceding year.

Retirement Compensation: The AFL-CIO is asking Citigroup to adopt a policy requiring senior executives to retain 75% of all equity-based compensation for at least two years following their retirement from the company. Equity-based compensation is an important component of compensation for senior executives at many major corporations. Proponents believe that requiring executives to hold a significant portion of these shares after they depart from the company will force them to focus on the company's long term value. They aim to avoid scenarios whereby companies artificially prop up their stock prices over the short term so as to allow senior executives to cash-out of option positions and make other potentially negative or risky short term decisions. The Business Roundtable, U.S. Chamber of Congress, Council of Institutional Investors and the Conference Board have all endorsed the idea of holding equity holding requirements for senior executives.

Aligning Investment and Mission

American foundations with endowments totaling more than \$550 billion have made significant contributions to almost every social issue imaginable. Environmental protection, health, education, and equal rights, among many other causes, have all benefited from philanthropic support. Yet foundations are exercising only a small portion of their assets toward fulfilling their missions (typically five percent annually through grantmaking). One can only imagine the enormous positive impact foundations would have if they tapped into the potential embedded in the remaining 95%.

For most foundations this 95% is largely held in investments in U.S. companies. A small but growing movement has been developing ways for foundations to use their investments to add value to their grantmaking and to achieve goals to which traditional forms of grantmaking are not suited. With hundreds of billions of their dollars invested in the stock market, foundations are major investors who can play a key role in advancing the movement to align investment and mission. The four most common strategies for aligning investment and mission are proxy voting, shareholder advocacy, screened portfolios, and mission/program-related investing.

The following sections briefly introduce these four strategies. We reference some foundations involved in these activities as well as reports and resources that can help explain these initiatives. By using their values to help guide investment policies, foundations can add to the performance of their endowments while supporting the social goals that are at the heart of their missions.

PROXY VOTING

Proxy voting is part of an investor's basic fiduciary responsibility on existing investments. Consequently, it is a logical entry point for foundations wishing to align investment and mission. The proxy statement is the principle document used by companies seeking approval from shareholders on issues relating to corporate governance or other issues to be voted on by shareholders. Voting on shareholder proposals to help influence companies to be more fiscally, socially, and/or environmentally responsible is the most fundamental way an investor can both exercise fiduciary responsibility and weigh in on social and environmental issues. Proxy votes have ushered in many progressive corporate practices such as nondiscrimination in employment, reformulation of toxic products, disclosure of environmental liabilities, and improved factory working conditions.

As You Sow along with Rockefeller Philanthropy Advisors, and the Jessie Smith Noyes, Nathan Cummings, Needmor, and Rose foundations have been among the leaders in encouraging foundations to use this basic fiduciary tool to enhance their missions and to protect the endowments on which their grantmaking depends. Several foundations have made special efforts to vote proxies based on their own carefully developed proxy voting guidelines. These include the William Bingham Foundation, Boston Foundation, Educational Foundation of America, Ford Foundation, Jennifer Altman Foundation, Park Foundation, Quixote Foundation, Rockefeller Brothers Fund, Rockefeller Family Fund, Skoll Foundation, and the V. Kann Rasmussen Foundation. Several of these guidelines are publicly available.

SHAREHOLDER ADVOCACY

Shareholder advocacy uses the power of stock ownership to promote change in corporate practices. If proxy voting is the first stage of shareholder advocacy, then the next is filing a shareholder proposal and/or conducting a shareholder dialogue with senior company management. To become a filer of a proposal, a shareholder must hold at least \$2,000 worth of shares continuously for at least one year prior to the proposal filing date and agree to hold the shares through the Annual General Meeting. A productive dialogue generally leads to the withdrawal of a proposal. Dialogues involve the exchange of information between top executives at the company and the shareholders. The filing and dialogue process are often an important first step in getting the company to take concrete action on an issue or in making sure they follow up with earlier promises.

For three decades shareholders have effectively utilized shareholder proposals and dialogues to influence corporate practices. As a result, a well established shareholder network already exists which helps to coordinate and gain support for shareholder proposals, and which can help introduce new advocates to this process. As You Sow is the foundation most engaged in shareholder advocacy, having filed its first shareholder proposals in 1996 and annually engaging dozens of major companies through proposals and dialogues. In 2010, at least one dozen foundations filed shareholder proposals or sponsored corporate dialogues on topics including energy efficiency, executive compensation, greenhouse gas emissions, political contributions, sexual orientation, sustainability reporting, and toxic chemicals. These foundations included As You Sow, Brainerd Foundation, Educational Foundation of America, Edward W. Hazen Foundation, Lemmon Foundation, Max and Anna Levinson Foundation, Merck Family Fund, Park Foundation, Pride Foundation, Christopher Reynolds Foundation, and Russell Family Foundation.

SCREENED INVESTMENTS

Nearly all investments are screened in some way, whether it is based on asset class, investment style, traditional financial criteria, or environmental, social, and governance (ESG) considerations. Screening portfolios for various ESG considerations allows foundations to add or remove investments to better represent the foundations' values. The Chronicle of Philanthropy reported that 25% of the top 50 private foundations utilize some type of social screen. For example, the Educational Foundation of America has utilized ESG screens for more than one decade and reports that its investments have consistently outperformed major indexes including the S&P 500, Dow Jones, and Russell 1000. The Social Investment Forum reports that nearly one out of every nine dollars under professional management in the U.S. today is involved in at least one form of socially responsible investing.

At a minimum, Socially Responsible Investment (SRI) involves screening portfolio holdings based on ESG criteria established by SRI firms or clients. Screening may entail using both positive and negative screens. For example, positive screens (which have been gaining favor over negative screens) may focus on companies that adopt clean technologies, offer non-toxic products, have strong environmental practices, or conduct operations that respect human rights. Negative screens aim to avoid investing in companies whose products and practices are harmful to individuals, communities, or the environment. Exclusion of tobacco companies has traditionally been the most widely employed screen followed by exclusion of companies marketing alcohol. Positive and negative screens are not mutually exclusive. Investors may use both approaches simultaneously to help align their portfolios with their values. Many SRI firms also commit to investing a minimum amount of assets in community investing projects and use shareholder advocacy to improve the social and environmental policies and practices of companies they hold. RBC SRI Wealth Management and Walden Asset Management are the most active SRIs in filing proposals and engaging in advocacy for foundations.

MISSION / PROGRAM RELATED INVESTMENTS

Mission-related investing (MRI) directs a portion of a foundation's assets into projects or companies that reflect the mission of the foundation and at the same time generate financial returns. The study *Compounding Impact: Mission Investing by U.S. Foundations* (Resources pg. 21) identifies 92 foundations that have made \$2.3 billion in such investments over the past 30 years. However, the biggest surge of MRI programs has occurred during the last five years. While the Ford, MacArthur, and Packard Foundations have historically accounted for the majority of MRI, smaller foundations now account for 44% of all new spending.

The term MRI can be confusing as it is often used as an umbrella term for any investment seeking to make a positive environmental or social impact. It is also often used interchangeably with Program-Related Investments (PRI), yet there are, in fact, legal and accounting differences between MRI and PRI. MRIs are distributed from a foundation's endowment or assets and are not specifically required to be of social benefit and often strive for market returns. Several leading foundations now refer to MRI as 'Market Rate Investment' to make it easily distinguishable from the often below market rate PRIs. MRI's can range from investments in "clean tech" companies to organic boutiques. The Rudolf Steiner, Jessie Smith Noyes, and KL Felicitas Foundations are among the leaders in this field.

PRIs are typically low-interest loans for housing, education, and business, and they are usually disbursed from a foundation's granting funds, consequently financial gain may not be their primary goal. The F.B. Heron Foundation, Annie E. Casey Foundation, and the Meyer Memorial Trust launched PRI Makers to provide guidance for those interested in these types of investments (Resources, pg. 21).

Resources

Foundation Reports

A Brief Guide to the Law of Mission Investing for U.S. Foundations uses uncomplicated language to outline factors that foundation decision-makers should consider in making their mission investments. By FSG Social Impact Advisors with support from the David and Lucile Packard Foundation and the Meyer Memorial Trust. 2008
www.fsg-impact.org/ideas/pdf/TheLawandMissionRelatedInvestingBrief.pdf

A Toolkit for Foundations and Individual Investors: Harnessing Your Investments to Help Solve the Climate Crisis describes positive steps available to investors of any asset class who seek to leverage their investments in response to climate change. By CERES, INCR, and the Environmental Grantmakers Association. 2008
www.ceres.org/Document.Doc?id=383

Beneath the Skin: Hidden Liabilities, Market Risk and Drivers of Change in the Cosmetics and Personal Care Products Industry identifies financial risks to investors in the cosmetics industry — a largely self-policed industry in which regulatory action by the U.S. Food and Drug Administration is typically triggered only by reporting from the companies themselves. By the Rose Foundation and the Investor Environmental Health Network (IEHN). 2006
<http://rosefdn.org/downloads/Beneath%20the%20Skin%20Report.pdf> www.iehn.org

Beyond 5%: The New Foundation Payout Menu profiles foundations that have adopted strategies of increasing pay out, spending down, investing in for-profit social enterprises, and unusual structures such as providing extensive free consulting to grantees, and developing an online network beyond non-profit and for-profit enterprises. By the French American Charitable Trust, Northern California Grantmakers and the New York Regional Association of Grantmakers. 2009
http://www.ncg.org/s_ncg/bin.asp?CID=9349&DID=24751&DOC=FILE.PDF

Compounding Impact: Mission Investing by U.S. Foundations is a study of the program-related investments (PRI) of 92 U.S. foundations. It documents \$2.3 billion of such investments made over the last 40 years. The report estimates mission investments' annual growth rate averaged 16.2% over the last five years, up sharply from the preceding 30-year period. The report says that most investments consist of either market-rate investments or below market-rate investments. By FSG Social Impact Advisors with support from the David and Lucile Packard Foundation. 2007
www.fsg-impact.org

Fiduciary Guide to Toxic Chemical Risk examines the financial dimensions of toxic chemical risk. The report looks at how to quantify such risk, the danger to shareholder value, and a comprehensive set of actions that can be taken by investors to translate the long-term threats and opportunities associated with toxic chemical issues into prudent portfolio stewardship. By the Rose Foundation, Investor Environmental Health Network, Mercer Consulting, and the Global Development and Environment Institute. 2007
<http://rosefdn.org/downloads/Toxic%20Chemical%20Risk%20Report.pdf>

Innovative Financing for Sustainability offers a legal framework for the integration of environmental, social, and governance issues into institutional investment. By the United Nations Environmental Program Finance Initiative. 2005
www.unepfi.org/fileadmin/documents/freshfields_legal_resp_20051123.pdf

Investing for Impact: A Snapshot of EGA Members' Leveraged Investment Strategies documents the resources and information utilized by a diverse cross-section of grantmaking institutions that have begun to use asset-based investment strategies to advance their philanthropic missions. By the Center for Social Philanthropy and the Environmental Grantmakers Association. 2008
www.socialphilanthropy.org

Mission in the Marketplace: How Responsible Investing Can Strengthen the Fiduciary Oversight of Foundation Endowments and Enhance Philanthropic Missions discusses four strategies that help foundations further leverage their assets and enhance mission: social screening, shareholder advocacy, community investing, and social venture capital. By the Social Investment Forum Foundation. 2007
www.socialinvest.org/pdf/research/Mission%20in%20Marketplace%20-%20Resource%20Guide.pdf

Mission Investing for Small Foundations is aimed at helping smaller foundations use their investments to maximize impact on their program goals and financial gains, namely by eliminating the barriers between investing and grantmaking. By the Association for Small Foundations. 2008
www.smallfoundations.org/site/pp.asp?c=fvKRI7MPJqF&b=4809257

Mission Possible: Emerging Opportunities for Mission-Connected Investment presents the case that mission-connected investment, or MCI, by even a few large foundations holds great potential. It details opportunities for foundations interested in MCI. By the New Economics Foundation. 2008
www.neweconomics.org/gen/z_sys_PublicationDetail.aspx?pid=253

Mission-Related Investing for Foundations and Non-Profit Organizations: Practical Tools for Mission/Investment Integration introduces and defines MRI and describes an implementation process complete with resources and a glossary. By Trillium Asset Management. 2007
www.nafoa.org/pdf/Mission-Related-Investing.pdf

Risk, Return and Social Impact: Demystifying the Law of Mission Investing by U.S. Foundations discusses and analyzes laws that deal with mission investing by foundations, particularly the laws of Oregon, California, and New York. It also covers pertinent IRS regulations, case laws, and Uniform Laws. By FSG Social Impact Advisors, with support from the David and Lucile Packard Foundation and the Meyer Memorial Trust. 2008
www.fsg-impact.org/ideas/pdf/TheLawandMissionRelatedInvestingFull.pdf

Solutions for Impact Investors: From Strategy to Implementation is designed for investors who may have made social purpose investments but not yet connected them to an overall investment strategy, and traditional investors struggling with whether – and how – to integrate ‘impact investing’ (addressing major social and environmental problems while also earning a return) into existing asset allocation models. By Rockefeller Philanthropy Advisors with major support from the KL Felicitas Foundation and the Rockefeller Foundation. 2009
<http://rockpa.org/pdfs/impactinvesting.pdf>

Philanthropy’s New Passing Gear: Mission-Related Investing — A Policy and Implementation Guide for Foundation Trustees is a comprehensive, practical guide that translates the concepts, ideas, and philosophy of MRI into useable policies and practices for foundation trustees to help ensure the effective launch of an MRI program and its integration with existing policies and processes. By Rockefeller Philanthropy Advisors, underwritten by the F.B. Heron Foundation with additional support from the Flora Family Foundation and the Woodcock Foundation. 2008
<http://rockpa.org/wp-content/uploads/2008/01/MRI.pdf>

Primer for the Responsible Investment Management of Endowments Tool Kit was created to assist trustees, officers, and directors of foundations to better understand and integrate socially responsible investment. By the European Foundation Centre, European Social Investment Forum and the Bellagio Forum for Sustainable Development. 2006
<http://bfsd.server.enovum.com/en/content/view/192/>

Program-Related Investing and the Indianapolis Charter Schools Facilities Fund is an in-depth case study profiling an innovative program-related investment (PRI) designed to stimulate private investment in charter school facilities and support the Annie E. Casey Foundation’s education reform objectives in Indianapolis. By the Annie E. Casey Foundation. 2007
www.aecf.org/~media/Pubs/Other/P/ProgramRelatedInvestingandtheIndianapolisChar/accion.pdf

Questions and Answers for Foundations on Proxy Voting is a 14-page fact sheet answering common questions asked by foundations about proxy voting as well as some less common and more complicated issues such as voting commingled funds, delegating voting authority, and providing voting guidance to investment managers. By the Nathan Cummings Foundation and CERES. 2006
www.nathancummings.org www.ceres.org

Unlocking the Power of the Proxy: How Active Foundation Proxy Voting Can Protect Endowments and Boost Philanthropic Mission is a how-to guidebook that makes the case for proxy voting and shows how developing and implementing a proxy voting policy can be done simply and efficiently. With more than 10,000 copies distributed, *Unlocking the Power of the Proxy* has helped move foundations to consider the impacts of their investments and to vote their proxies. By As You Sow Foundation and Rockefeller Philanthropy Advisors. 2004
www.asyousow.org/publications/powerproxy.pdf www.rockpa.org

Related Articles and Books

50 Simple Things You Can Do to Save the Planet asks America's top environmental groups to describe their 'steps to success' in the fight to save the earth. Included is a section on shareholder activism. By John Javna, et. al. Hyperion. 2008 <http://50simplethings.com/invest/index.html>

A Duty to Monitor Proxy Voting articulates the duty of investment committee members to ensure that the proxy votes they place reflect the mission of the beneficiaries of the portfolios. By Blaine Aikon, Investment News. 2008 www.investmentnews.com/apps/pbcs.dll/article?AID=/20080512/REG/152757137/1004

Compelling Returns: A Practical Guide to Socially Responsible Investing. This book offers practical advice for institutional investors, such as foundations and endowments, that may be interested in SRI solutions, and details why you should care about these types of strategies. By Scott Budde, Wiley Publishing. 2008

Investing for Social and Environmental Impact addresses the emerging industry of impact investing, how the industry might evolve, and strategies for accelerating its impact. By the Monitor Institute. 2009 www.monitorinstitute.com/impactinvesting/documents/InvestingforSocialandEnvImpact_ExecSum_000.pdf

Meshing Proxy with Mission is a series of articles by the Chronicle of Philanthropy that reviews foundations' experiences with proxy votes such as establishing board policies, getting financial managers to vote accordingly, and using shareholder proposals to support grantee efforts. 2006 www.philanthropy.com/free/articles/v18/i14/14000701.htm

Mobilizing Assets, Maximizing Impact: Fully Leveraging Philanthropic Capital for Environmental Change chronicles the trend of philanthropic institutions employing their capital to further their charitable goals including examples from the philanthropic community and a primer on the subject. By Joshua Humphreys, Environmental Grantmakers Association Journal, Fall, 2008 www.ega.org/news/docs/final_EGA.pdf

Reframing Endowment as a Tool for Community Leadership: How Social Investing Could Change How Community Foundations Think About Their Financial Assets. This article discusses the possible impact of innovative approaches to social investing. By Gabriel Kasper, et. al. The Future of Community Philanthropy, 2007 www.communityphilanthropy.org/downloads/CF_FutureMatters_Spring07.pdf

Socially Responsible Investing: A Foundation's Duty? explores the ethical and legal responsibilities of nonprofit board members to their foundation's mission when making investments. By Bodi Luse, On Philanthropy. 2007 www.onphilanthropy.com/site/News2?page=NewsArticle&id=6909

Selected Services, Organizations, and Investor Campaigns

Bellagio Forum for Sustainable Development provides a 60-page tool kit to help foundation trustees understand and integrate responsible investment practices into endowment management (Reports, pg. 21). www.bfsd.org

Carbon Disclosure Project is the world's largest institutional investor collaborative on the business implications of climate change. CDP provides a coordinating secretariat for institutional investors with a combined \$57 trillion of assets under management. On their behalf it seeks information on the business risks and opportunities presented by climate change and greenhouse gas emissions data from the world's largest companies. CDP has become the gold standard for carbon disclosure methodology and process. CDP's website is the largest repository of corporate greenhouse gas emissions data in the world. www.cdproject.net

The Center for Social Philanthropy is an innovative research and consulting group providing the philanthropic community with resources, data for leveraging philanthropic assets more fully for long-term, sustainable social and environmental impact. The Center's key strategies of "Fully Leveraged Philanthropy" include mission-related investing, program-related investments, and active ownership initiatives, such as proxy voting and shareholder engagement. www.socialphilanthropy.org

Center for Political Accountability is a non-partisan organization created to bring transparency and accountability to corporate political spending and to inform shareholders about corporate political expenditures. www.politicalaccountability.net

CERES is the largest U.S. coalition of investor groups, environmental organizations, and investment funds that engages directly with companies on environmental and social issues. They coordinate investor networks, develop investor educational materials, and founded the Global Reporting Initiative, a widely used template for measuring a company's environmental, social, and economic performance. www.ceres.org

Confluence Philanthropy is a network of practitioners that builds capacity and provides technical assistance to enhance the ability of foundations and nonprofits to pursue mission-related investing strategies. Confluence will be launching PRI, proxy voting, and shareholder advocacy services in 2011. www.confluencephilanthropy.org

Co-Op America provides information on selected shareholder campaigns and proxy votes as well as educational information on advocacy and social investing. www.coopamerica.org

Corporate Library provides a comprehensive website with a focus on governance proposals and issues, corporate responsibility news, and financial analysis. www.thecorporatelibrary.com

Environmental Grantmakers Association serves as the membership organization for progressive environmental philanthropy and provides learning opportunities and peer resources on aligning mission and investment strategies. www.ega.org

Equality Project utilizes shareholder activism to support and help monitor the adoption of employee nondiscrimination policies on sexual orientation and gender identity in the workplace. www.equalityproject.org

Friends of the Earth's Green Investments Program features an online guide to shareholder activism *Confronting Companies Using Shareholder Power*, which describes the basics of filing and writing proposals. www.foe.org/international/shareholder

Foundation Partnership for Corporate Responsibility provides information and technical assistance to foundations that want to become more active as shareholders on social and environmental issues. The list of foundations is private, and there is no obligation to participate in any action. www.foundationpartnership.org

Genetically Engineered Sugar Beets is an investor campaign launched by ICCR to urge top U.S. restaurant, food, beverage companies to oppose spring planting of genetically engineered sugar beets. www.dontplantgmobeets.org

Interfaith Center on Corporate Responsibility (ICCR) is the country's leading shareholder advocacy organization. It is comprised of nearly 300 religious institutional investors with \$110 billion in combined assets. ICCR lists its shareholder proposals, posts articles by members, and provides a guide to its member's proxy proposals and tips on writing and filing proposals. www.iccr.org

Investor Environmental Health Network is a coalition of SRIs, faith-based investors, and foundations with combined assets of \$41 billion, who are working to ensure that the companies in which they invest are reducing risks associated with the toxic chemicals used in their products. www.iehn.org

Investor Network on Climate Risk is a \$5 trillion network of investors that promotes better understanding of the financial risks and opportunities posed by climate change. www.incr.com

Moxy Vote is a \$5 trillion network of investors that promotes better understanding of the financial risks and opportunities posed by climate change. www.moxyvote.com

More for Mission is a campaign that assists foundations looking to increase the percentage of endowment allocated to mission investments. Their website provides resources including relevant links, a glossary, and message boards with related events. www.moreformission.org

Proxy Democracy is a resource that provides information about proxy ballots to encourage shareholders and mutual fund owners to create positive change in the companies in their portfolios. www.proxydemocracy.org

Proxy Stewardship Project seeks to address the challenges of passive proxy voting on environmental, social, and governance issues by asset managers widely used by philanthropic and educational endowments. The project provides a platform for engagement and dialogue between endowments and their investment managers and consultants. For more information please contact Neva Goodwin of Tufts University (neva.goodwin@tufts.edu) or Joshua Humphreys of Harvard University (jh@socialphilanthropy.org).

Proxy Preview is an annual publication that focuses on upcoming social and environmental shareholder proposals. It was initiated to help foundations and endowments better align investment and mission but it is useful for other organizations or individual shareholders. The *Proxy Preview* is published by As You Sow Foundation with support from Jessie Smith Noyes Foundation, Educational Foundation of America, Foundation Partnership for Corporate Responsibility and the Singing Field Foundation. www.asyousow.org www.rockpa.org

PRI Makers is a grantmaker affinity group for networking, professional development, collaboration, and outreach to funders currently making or interested in learning about PRIs. Their database includes 1,400 fully searchable records of PRIs and other social investments. www.primakers.net

RBC SRI Wealth Management Group works with foundations, organizations and private investors who seek comprehensive investment strategies that simultaneously meet their financial objectives and support their vision for social change. Their consulting strategies include money manager due diligence, Investment Policy Statement construction, asset allocation, qualitative ESG analysis, customized screening, community investing, clean tech investing, private equity, PRIs and shareholder engagement. <http://www.rbcfc.com/sri/>

Responsible Endowments Coalition is a diverse network of students, alumni, and faculty from across the country dedicated to advancing socially and environmentally responsible investment in college and university endowments. www.endowmentethics.org

Risk Metrics Group is the nation's largest proxy analyst and voting service. Risk Metrics has several divisions, but its Social Issue Service was developed by the not-for-profit Investor Responsibility Research Center (IRRC), which was founded by a consortium of foundations and universities. www.riskmetrics.com/issgovernance/research/socialissues.html

Say on Pay is an ad-hoc joint effort by AFSCME and Walden Asset Management to coordinate the filing of the proposal seeking an advisory shareholder vote on executive compensation. www.waldenassetmgmt.com www.afscme.org

SocialFunds.com offers a database of shareholder resolutions and news on SRI activities. www.socialfunds.com

Social Investment Forum is an SRI trade association which provides reports on industry initiatives, community investing, shareholder advocacy, divestment and screening, trends, and performance. It features shareholder news and proposals, web resources, action alerts, and an extensive links section. www.sriadvocacy.org

Sustainable Agriculture & Food Systems Funders (SAFSF) aims to strengthen, diversify, and expand the community of grantmakers that focus on sustainable agriculture and food systems. SAFSF has launched a study group open to any funders interested in deeper learning and sharing around Finance & Investing for Social Change. <http://www.safsf.org/>

Sustainable Endowments Institute provides research, educational publications, and workshops on the sustainability investment practices of university endowments. They also publish an annual College Sustainability Report Card. www.endowmentinstitute.org

Take Action! offers a series of invitation-only gatherings which provide an intimate venue for trustees, CEOs, CFOs, and investment staff of foundations, family offices, major pension plans and other institutional investors to discuss 'impact investing' — premium and market-rate investments that create social and environmental value. www.takeactionforimpact.com

Transparent Democracy is a free online proxy ballot guide where shareholders can see how organizations and people they trust recommend how they vote and where organizations and people can publish their recommendations. www.transparentdemocracy.org

United for a Fair Economy conducts the Responsible Wealth Project, a network of over 750 business leaders, investors and other wealthy individuals who work to build a fairer economy through shareholder activism, support for the living wage, and fair taxation work. <http://www.faireconomy.org/>

UC Berkeley — Moskowitz Research Program is part of the Haas School of Business and offers a website covering the latest academic studies exploring the link between SRI and financial performance. www.sristudies.org

Veris Wealth Partners works with foundations, non-profit organizations, family offices, and individual investors who seek to align their mission and their values with their investment and philanthropic assets. Veris offers customized SRI investments, sustainable investments, community investing, and shareholder engagement advice and assistance. www.veriswp.com

Spring Proxy Votes

Upcoming votes for social and selected governance proposals as of March 31, 2010

Please note that some proposals listed here may not be listed on your proxy statement. Changes occur constantly as nearly half of social proposals are withdrawn by the filers in exchange for company dialogues or due to a change in company practices. A small number may also end up omitted by the company in accordance with the Securities and Exchange Commission rules. Companies generally announce the date of their annual general meeting 4-6 weeks before the meeting. Consequently not all vote deadlines were available at the time of printing.

Company	Proposal	Meeting date
3M	Environment — Adopt Principles to Stop Global Warming	May 2010
3M	Governance — Executive Comp. — Health Care Benefits and Pay Disparity	May 2010
Abbott Laboratories	Governance — Executive Comp. — Say on Pay	April 23, 2010
Abercrombie & Fitch	Labor — International Labor Organization Standards	June 9, 2010
AK Steel Holding	Sustainability — Report	May 2010
Alaska Air Group	Health & Safety — Aircraft Safety	May 2010
Allstate	Contributions — Political Donations	May 2010
Allstate	Governance — Executive Comp. — Health Care Benefits and Pay Disparity	May 2010
Allstate	Governance — Executive Comp. — Say on Pay	May 19, 2010
Altria Group	Health & Safety — Tobacco Marketing in Poor Communities	May 2010
Altria Group	Human Rights — Adopt Policy — Tobacco Farm Workers	May 2010
Amazon.com	Contributions — Political Donations	May 25, 2010
Ameren	Environment — Nuclear Waste — Operating License	April 27, 2010
American International Group	Contributions — Political Donations	June 2010
American International Group	Governance — Executive Comp. — Health Care Benefits and Pay Disparity	June 2010
Amgen	Governance — Executive Comp. — Health Care Benefits and Pay Disparity	May 12, 2010
AMR	Contributions — Charitable Giving	May 2010
Aqua America	Sustainability — Report	May 2010
AT&T	Governance — Executive Comp. — Say on Pay	April 30, 2010
Avista	Labor — Sexual Orientation Non-Discrimination	May 2010
Ball	Governance — Executive Comp. — Say on Pay	April 28, 2010
Bank of America	Contributions — Disclose Prior Government Service	April 28, 2010
Bank of America	Governance — Executive Comp. — Say on Pay	April 28, 2010
BB&T	Contributions — Political Donations	April 27, 2010
BB&T	Human Rights — Abusive Overdraft Practices	April 27, 2010
Boeing	Contributions — Political Donations	April 26, 2010
Boeing	Governance — Executive Comp. — Say on Pay	April 26, 2010
Boeing	Human Rights — Report on Foreign Military Sales	April 26, 2010
Boeing	Human Rights — Develop Military Contracting Criteria	April 26, 2010
Boston Properties	Sustainability — Report	May 18, 2010
Bristol-Myers Squibb	Animal Welfare — End Animal Testing	May 4, 2010
Buffalo Wild Wings	Animal Welfare — Controlled Atmosphere Killing	May 2010
Burlington Northern Santa Fe	Contributions — Political Donations	December, 2010
Cabot Oil & Gas	Environment — Natural Gas — Hydraulic Fracturing Impacts	April 2010
Cash America International	Human Rights — Predatory Lending	April 2010
Caterpillar	Human Rights — Review / Amend Policy	June 9, 2010
CenturyLink	Governance — Executive Comp. — Say on Pay	May 7, 2010
CenturyTel	Human Rights — Internet Privacy	May 2010
Charles Schwab	Contributions — Political Donations	May 2010
Chesapeake Energy	Environment — Natural Gas — Hydraulic Fracturing Impacts	June 2010
Chesapeake Energy	Governance — Executive Comp. — Say on Pay	June 12, 2010
Chesapeake Energy	Sustainability — Report — ESG Criteria	June 2010
Chevron	Environment — Report on Financial Risks of Climate Change	May 26, 2010
Chevron	Governance — Board of Directors — Environmental Oversight	May 26, 2010
Chevron	Human Rights — Report on Payments to Host Governments	May 26, 2010

Company	Proposal	Meeting date
Chevron	Human Rights — Country Selection Standards	May 26, 2010
Chevron	Human Rights — Establish Board Committee — China Sales	May 26, 2010
Chico's FAS	Sustainability — Report	June 2010
Chipotle Mexican Grill	Environment — Pesticide Reduction in Supply Chain	May 2010
CIGNA	Governance — Link Executive Pay to Social Criteria	April 2010
Citigroup	Contributions — Affirm Political Nonpartisanship	April 20, 2010
Citigroup	Contributions — Political Donations	April 20, 2010
Citigroup	Governance — Economic Security Bylaw	April 20, 2010
CMS Energy	Environment — Coal Ash Waste Disposal	May 21, 2010
CMS Energy	Environment — Greenhouse Gas Emissions Reduction	May 21, 2010
CoBiz Financial	Governance — Executive Comp. — Say on Pay	May 21, 2010
Coca-Cola	Governance — Executive Comp. — Say on Pay	April 21, 2010
Coca-Cola	Health & Safety — Toxic Chemicals in Products — Bisphenol A (BPA)	April 21, 2010
Comcast	Human Rights — Free & Open Internet	May 20, 2010
Connecticut Water Service	Human Rights — Right to Water	May 2010
ConocoPhillips	Contributions — Political Donations	May 2010
ConocoPhillips	Environment — Environmental Impact / Financial Risks from Oil Sands Operations	May 2010
ConocoPhillips	Environment — Greenhouse Gas Emissions Reduction	May 2010
ConocoPhillips	Environment — Environmental Impacts & Gulf Coast Wetlands Restoration	May 2010
ConocoPhillips	Environment — Reduce Toxic Pollution	May 2010
ConocoPhillips	Labor — Sexual Orientation Non-Discrimination	May 2010
Constellation Brands	Governance — Executive Comp. — Say on Pay	July 23, 2010
Coventry Health Care	Contributions — Political Donations	May 20, 2010
Crosstex Energy	Labor — Sexual Orientation Non-Discrimination	May 7, 2010
CVS Caremark	Contributions — Political Donations	May 12, 2010
Delta Air Lines	Contributions — Charitable Giving	June 2010
Dentsply International	Health & Safety — Mercury in Dental Fillings	May 2010
DineEquity	Animal Welfare — Cage Free Eggs	May 2010
Dominion Resources	Environment — Greenhouse Gas Emissions Reduction	May 2010
Dominion Resources	Governance — Executive Comp. — Say on Pay	May 18, 2010
Dow Chemical	Environment — Community Impacts from Toxic Pollution	May 13, 2010
Dow Chemical	Governance — Executive Comp. — Say on Pay	May 13, 2010
DTE Energy	Contributions — Political Donations	May 6, 2010
Duke Energy	Contributions — Report on Climate Change Lobbying	May 6, 2010
Dynegy	Environment — Greenhouse Gas Emissions Reduction	May 21, 2010
E.I. Du Pont De Nemours	Governance — Executive Comp. — Say on Pay	April 28, 2010
E.I. Du Pont De Nemours	Human Rights — Farmers Right to Save Seeds	April 28, 2010
EarthLink	Human Rights — Free & Open Internet	May 2010
Ecolab	Human Rights — Right to Water	May 6, 2010
Edison International	Governance — Executive Comp. — Say on Pay	April 22, 2010
El Paso	Environment — Natural Gas — Hydraulic Fracturing Impacts	May 19, 2010
El Paso	Governance — Board Diversity	May 19, 2010
Eli Lilly	Governance — Executive Comp. — Say on Pay	April 19, 2010
EMC	Governance — Executive Comp. — Say on Pay	April 29, 2010
EOG Resources	Environment — Natural Gas — Hydraulic Fracturing Impacts	April 28, 2010
EQT	Sustainability — Report	April 21, 2010
EXCO Resources	Governance — Board Diversity	June 2010
Exelon	Contributions — Political Donations	April 2010
Express Scripts	Contributions — Political Donations	May 5, 2010
ExxonMobil	Environment — Adopt Principles to Stop Global Warming	May 26, 2010
ExxonMobil	Environment — Natural Gas — Hydraulic Fracturing Impacts	May 26, 2010
ExxonMobil	Environment — Energy Independence through Renewables	May 26, 2010
ExxonMobil	Environment — Report on Financial Risks of Climate Change	May 26, 2010
ExxonMobil	Environment — Risk of Lower Long Term Fossil Fuel Demand	May 26, 2010
ExxonMobil	Environment — Environmental Impact / Financial Risks from Oil Sands Operations	May 26, 2010
ExxonMobil	Environment — Environmental Impacts & Gulf Coast Wetlands Restoration	May 26, 2010

Company	Proposal	Meeting date
ExxonMobil	Environment — Greenhouse Gas Emissions Reduction	May 26, 2010
ExxonMobil	Governance — Executive Comp. — Say on Pay	May 27, 2010
ExxonMobil	Human Rights — Right to Water	May 26, 2010
ExxonMobil	Labor — Sexual Orientation Non-Discrimination	May 26, 2010
Federal Realty Investment Trust	Sustainability — Report — Climate Change & Carbon Disclosure Project	May 2010
Ford Motor	Contributions — Disclose Prior Government Service	May 13, 2010
Ford Motor	Contributions — Political Donations	May 13, 2010
Ford Motor	Environment — No Funds for CO2 Reduction (Climate Change Skeptic)	May 13, 2010
Ford Motor	Governance — Executive Comp. — Say on Pay	May 13, 2010
Freds	Labor — Vendor Standards	June 2010
Freeport-McMoRan Copper & Gold	Governance — Board of Directors — Environmental Oversight	June 2010
Gardner Denver	Labor — Sexual Orientation Non-Discrimination	May 2010
General Dynamics	Human Rights — Space Weapons	May 2010
General Electric	Governance — Executive Comp. — Health Care Benefits and Pay Disparity	April 28, 2010
General Electric	Governance — Executive Comp. — Say on Pay	April 28, 2010
Gentex	Sustainability — Report — Climate Change & Carbon Disclosure Project	May 2010
Goldman Sachs Group	Contributions — Political Donations	May 2010
Goldman Sachs Group	Governance — Executive Comp. — Pay Disparity	May 2010
Google	Contributions — Political Donations	May 2010
Google	Human Rights — Internet Privacy — Behavioral Advertising	May 2010
Google	Sustainability — Report	May 2010
Graftech International, Ltd.	Sustainability — Report	May 2010
Halliburton	Contributions — Political Donations	May 19, 2010
Halliburton	Governance — Executive Comp. — Say on Pay	May 20, 2010
Halliburton	Human Rights — Review / Adopt Policy	May 19, 2010
Health Net	Contributions — Political Donations	May 2010
Hess	Contributions — Political Donations	May 2010
Hess	Environment — Natural Gas — Hydraulic Fracturing Impacts	May 2010
Home Depot	Animal Welfare — Put Warning Labels on Glue Traps	May 2010
Home Depot	Environment — Principles to Stop Global Warming	May 2010
Home Depot	Governance — Executive Comp. — Say on Pay	May 28, 2010
Home Depot	Labor — Equal Employment Opportunity	May 2010
Honeywell International	Human Rights — Review / Amend Policy	April 26, 2010
Illinois Tool Works	Contributions — Political Donations	May 7, 2010
Intel	Human Rights — Right to Water	May 19, 2010
Intel	Sustainability — Establish Board Committee	May 19, 2010
International Business Machines	Governance — Executive Comp. — Say on Pay	April 27, 2010
International Coal Group	Environment — Greenhouse Gas Emissions Reduction	May 2010
International Paper	Environment — Sustainable Paper Products	May 10, 2010
ITT	Human Rights — Report on Foreign Military Sales	May 2010
J.Crew Group	Sustainability — Report — Vendor Standards	June 2010
Johnson & Johnson	Governance — Executive Comp. — Say on Pay	April 22, 2010
JPMorgan Chase	Contributions — Affirm Political Nonpartisanship	May 2010
JPMorgan Chase	Environment — Implement Carbon Principles — Risks of Financing Coal Plants	May 2010
JPMorgan Chase	Governance — Link Executive Pay to Social Criteria	May 2010
KB Homes	Governance — Executive Comp. — Say on Pay	April 2010
KBR	Human Rights — Review and Adopt Policy	May 2010
KBR	Sustainability — Report — Climate Change & Carbon Disclosure Project	May 2010
Kimco Realty	Environment — Greenhouse Gas Emissions Reduction	May 5, 2010
Kroger	Environment — Climate Change Management	June 2010
Layne Christensen	Sustainability — Report — Water and Climate Change	June 2010
Leggett & Platt	Labor — Sexual Orientation Non-Discrimination	May 13, 2010
Lennar	Environment — Greenhouse Gas Emissions Reduction	April 14, 2010
Lincoln National	Governance — Executive Comp. — Health Care Benefits and Pay Disparity	May 2010

Company	Proposal	Meeting date
Lockheed Martin	Human Rights — Space Weapons	April 22, 2010
Lowe's	Animal Welfare — Put Warning Labels on Glue Traps	May 2010
Lowe's	Contributions — Political Donations	May 2010
Marathon Oil	Governance — Executive Comp. — Say on Pay	April 28, 2010
Massey Energy	Environment — Greenhouse Gas Emissions Reduction	May 2010
Massey Energy	Environment — Report on Implementation of Water Management Reforms	May 2010
McDonald's	Animal Welfare — Cage Free Eggs	May 20, 2010
McDonald's	Animal Welfare — Controlled Atmosphere Killing	May 20, 2010
McDonald's	Governance — Executive Comp. — Say on Pay	May 27, 2010
McDonald's	Health & Safety — Childhood Obesity	May 20, 2010
McKesson	Governance — Executive Comp. — Health Care Benefits and Pay Disparity	July 28, 2010
MDU Resources Group	Environment — Coal Ash Waste Disposal	April 27, 2010
Medco Health Solutions	Governance — Executive Comp. — Health Care Benefits and Pay Disparity	May 2010
Medtronic	Animal Welfare — No Animal Purchases from Distributors with Legal Violations	August, 2010
MGM Mirage	Sustainability — Report	August 2010
Mirant	Environment — Greenhouse Gas Emissions Reduction	May 2010
Motorola	Human Rights — Review / Amend Policy	May 3, 2010
Mueller Industries	Governance — Board Diversity	May 2010
Mylan	Governance — Executive Comp. — Say on Pay	May 7, 2010
Nabors	Governance — Executive Comp. — Say on Pay	June 2, 2010
Netflix	Governance — Board Diversity	May 2010
Norfolk Southern	Contributions — Political Donations	May 13, 2010
Nucor	Contributions — Political Donations	May 2010
Nucor	Human Rights — Report on Slave Labor	May 2010
Nutri/Systems	Governance — Board Diversity	May 2010
NVR	Environment — Greenhouse Gas Emissions Reduction	May 2010
NYSE Euronext	Contributions — Political Donations	April 29, 2010
O Charleys	Animal Welfare — Controlled Atmosphere Killing	May 2010
Occidental Petroleum	Environment — Hazardous Materials	May 7, 2010
PepsiCo	Environment — Beverage Container Recycling	May 5, 2010
PetSmart	Animal Welfare — No Animal Purchases from Distributors with Legal Violations	June 2010
Pfizer	Animal Welfare — End Animal Testing	April 22, 2010
PG&E	Contributions — Charitable Giving	May 12, 2010
PG&E	Environment — Nuclear Waste Reduction	May 12, 2010
Philip Morris International	Health & Safety — Tobacco Marketing in Poor Communities	May 2010
Philip Morris International	Labor — No Child Labor in Tobacco Harvesting	May 2010
Plum Creek Timber	Governance — Executive Comp. — Say on Pay	May 6, 2010
Power Financial	Governance — Board Interlocks	May 13, 2010
Power Financial	Human Rights — Investment Criteria	May 13, 2010
PPG Industries	Environment — Community Impacts from Toxic Pollution	April 15, 2010
Pulte Homes	Governance — Executive Comp. — Say on Pay	May 12, 2010
Questar	Governance — Executive Comp. — Say on Pay	May 18, 2010
Qwest Communications International	Governance — Executive Comp. — Say on Pay	May 12, 2010
Qwest Communications International	Human Rights — Free & Open Internet	May 2010
R. R. Donnelley & Sons	Environment — Sustainable Paper Products	May 20, 2010
Range Resources	Environment — Natural Gas — Hydraulic Fracturing Impacts	May 2010
Raytheon	Governance — Executive Comp. — Say on Pay	May 28, 2010
Raytheon	Labor — MacBride Principles	May 27, 2010
Regions Financial	Contributions — Political Donations	May 13, 2010
Republic Services	Contributions — Political Donations	May 2010
Reynolds American	Health & Safety — Tobacco — Health Consequence Disclosure	May 7, 2010
Reynolds American	Human Rights — Review Policy — Tobacco Farm Workers	May 7, 2010
Rite Aid	Governance — Executive Comp. — Say on Pay	June 24, 2010
Ryland Group	Environment — Greenhouse Gas Emissions Reduction	April 28, 2010
Ryland Group	Governance — Executive Comp. — Say on Pay	April 28, 2010

Company	Proposal	Meeting date
Safeway	Environment — Adopt Principles to Stop Global Warming	May 19, 2010
Sandisk	Sustainability — Report — PVC	May 2010
Sempra Energy	Governance — Executive Comp. — Say on Pay	April 30, 2010
Southern	Environment — Coal Ash Waste Disposal	May 26, 2010
Southern	Environment — Greenhouse Gas Emissions Reduction	May 26, 2010
Southwestern Energy	Contributions — Political Donations	May 2010
Sprint Nextel	Governance — Executive Comp. — Say on Pay	May 12, 2010
Sprint Nextel	Human Rights — Free & Open Internet	May 11, 2010
St. Jude Medical	Sustainability — Report	May 7, 2010
Standard Pacific	Environment — Greenhouse Gas Emissions Reduction	May 2010
State Street	Governance — Executive Comp. — Pay Disparity	May 19, 2010
SunTrust Banks	Sustainability — Report — Climate Change & Carbon Disclosure Project	April 27, 2010
Supervalu	Governance — Executive Comp. — Say on Pay	June 25, 2010
Target	Contributions — Charitable Giving	June 9, 2010
Target	Environment — Principles to Stop Global Warming	June 9, 2010
Target	Governance — Executive Comp. — Say on Pay	May 28, 2010
Time Warner Cable	Governance — Executive Comp. — Say on Pay	May 28, 2010
Travelers Companies	Governance — Executive Comp. — Health Care Benefits and Pay Disparity	May 2010
Tutor Perini	Sustainability — Report — Climate Change & Carbon Disclosure Project	May 2010
TW Telecom	Governance — Executive Comp. — Say on Pay	June 4, 2010
Ultra Petroleum	Environment — Natural Gas — Hydraulic Fracturing Impacts	May 2010
United Technologies	Governance — Executive Comp. — Say on Pay	April 14, 2010
UnitedHealth Group	Contributions — Political Donations	June 2010
UnitedHealth Group	Governance — Executive Comp. — Say on Pay	June 2, 2010
Unum Group	Governance — Executive Comp. — Health Care Benefits and Pay Disparity	May 2010
Urban Outfitters	Labor — International Labor Organization Standards	May 2010
Valero Energy	Contributions — Political Donations	April 29, 2010
Valero Energy	Environment — Impacts on Rainforest	April 29, 2010
Vectren	Governance — Executive Comp. — Say on Pay	May 19, 2010
Verizon Communications	Labor — Sexual Orientation Non-Discrimination	May 2010
Vulcan Materials	Sustainability — Report — Climate Change & Carbon Disclosure Project	May 14, 2010
Waddell & Reed Financial	Governance — Executive Comp. — Say on Pay	April 7, 2010
Wal-Mart Stores	Animal Welfare — Controlled Atmosphere Killing	June 2010
Wal-Mart Stores	Contributions — Political Donations	June 2010
Wal-Mart Stores	Contributions — Political Donations	June 2010
Wal-Mart Stores	Contributions — Charitable Giving	June 2010
Wal-Mart Stores	Environment — Adopt Principles to Stop Global Warming	June 2010
Wal-Mart Stores	Governance — Executive Comp. — Say on Pay	June 5, 2010
Wal-Mart Stores	Labor — Sexual Orientation Non-Discrimination	June 2010
Waste Management	Contributions — Political Donations	May 11, 2010
WellCare Health Plans	Contributions — Political Donations	July 2010
Wellpoint	Contributions — Political Donations	May 18, 2010
Wellpoint	Governance — Executive Comp. — Say on Pay	May 20, 2010
Wells Fargo	Contributions — Charitable Giving	April 27, 2010
Wells Fargo	Governance — Executive Comp. — Say on Pay	April 27, 2010
Williams Companies	Environment — Natural Gas — Hydraulic Fracturing Impacts	May 20, 2010
Wynn Resorts Ltd	Sustainability — Report — Climate Change & Carbon Disclosure Project	May 2010
Xcel Energy	Governance — Executive Comp. — Say on Pay	May 19, 2010
Yahoo!	Human Rights — Internet Privacy — Behavioral Advertising	June 2010
Yahoo!	Human Rights — Establish Board Committee — China Sales	June 2010
Zions Bancorporation	Governance — Executive Comp. — Say on Pay	June 2, 2010

There is no such thing to my mind... as an innocent stockholder. He may be innocent in fact, but socially he cannot be held innocent. He accepts the benefits of the system. It is his business and his obligation to see that those who represent him carry out a policy which is consistent with the public welfare.

Louis Brandeis

