Executive Council Committee on Corporate Social Responsibility

Members

Ms. Sarah Lawton, Chair	California, VII	2024
The Rev. Canon Brian Grieves, Vice-Chair	Hawaii, VIII	2024
Ms. Janet Brown	California, VII	2024
The Rev. Richard Burnett	Southern Ohio, V	2024
The Rt. Rev. Douglas Fisher	Western Massachusetts, I	2024
Chancellor Lawrence Hitt, II	Colorado, VI	2024
Ms. Diane Polard	New York, II	2024
The Rev. Kirsten Spalding	California, VIII	2024
The Rt. Rev. John Harvey Taylor	Los Angeles, VIII	2024
The Rev. Winnie Varghese	New York, II	2024
The Rev. Diana Wilcox	Newark, II	2024
Ms. Julia Ayala Harris	Oklahoma VII	2024
The Most Rev. Michael Curry	North Carolina, IV	2024

Changes in Membership

This term for this CCSR runs from January 2023 through December 2024, reflecting the corporate engagement year. Part of this report reflects the work carried out by the previous committee between 2021 and 2023:

The Rt. Rev. Douglas Fisher, Chair, Western Massachusetts, I

The Rev. Canon Brian Grieves, Vice-Chair, Hawaii, VIII

Mr. Casey Clark, New York, II

The Very Rev. Mark Goodman, Rio Grande, VII

Mr. Paul Neuhauser, Iowa, VI

Ms. Diane Pollard, New York, II

The Hon. Byron Rushing, Massachusetts, I

The Rev. Kirsten Spalding, California, VIII

The Rt. Rev. John Harvey Taylor, Los Angeles, VIII

The Rev. Gay Clark Jennings, Ex-Officio, Ohio, V

The Most Rev. Michael Curry, Ex Officio, North Carolina, IV

Meetings

Since the committee's last Blue Book report, CCSR has met several times via Zoom:

June 10, 2021, September 16, 2021; March 8, 2022; June 30, 2022; and September of 2022 (the former committee).

The newly formed committee met via Zoom on January 30, 2023, September 13, 2023, and September 26, 2023. The newly formed committee also had the opportunity to meet in person in Cleveland, Ohio from March 25-27, 2023, and we used that time to introduce new members to this work and to provide an overview of our work in progress.

Representation at General Convention

Deputy Sarah Lawton and Bishop Douglas Fisher are authorized to receive non-substantive amendments to this Report at the General Convention.

Acknowledgements

The committee is indebted to Mercy Investment Services for its consulting expertise led by Ms. Pat Zerega and Mary Minette. At this time, we would like to congratulate Ms. Zerega on her retirement in the Fall of 2023 and to welcome Ms. Minette as our primary consultant going forward. The committee is also indebted to Mr. Samuel Jones and Mr. Richard Stazinski of Heartland Initiative, for their guidance in implementing our human rights investment screen and the Church's No Buy policy on military contracting.

The committee would like to acknowledge Ms. Janet Brown, the Liaison to the Investment committee, and Ms. Diane Pollard, the Liaison to the Executive Council.

Volunteer consultant and past member of CCSR, Mr. William McKeown, Esq., provided many hours of support to the work of the committee; and longtime and founding member of CCSR, now volunteer consultant, Mr. Paul Neuhauser, Esq., continued to provide expert support to the committee in 2023 on developing proxy voting guidelines. The committee is deeply grateful to both Bill and Paul for their longtime work, ongoing commitment, and significant support to the work of CCSR.

The committee also salutes the Church Pension Group and their liaison to our committee, Christopher Rowe, for their active involvement with CCSR in the areas of climate change, human trafficking and board diversity, and support on proxy voting guidelines.

Last, but by no means least, the committee heartily thanks the Treasurer, Mr. Kurt Barnes, the Director of Management and Banking, Margareth Crosnier de Bellaistre, the Director of Government Relations, Ms. Rebecca Linder Blachly, and the staff of the General Convention Office for their unfailing staff assistance, without whom the committee simply could not function.

Mandate

2015 - AN/FFM 008

Resolved, That the Executive Council, meeting in Linthicum Heights from November 15-18, 2015, establish the Executive Council Committee on Corporate Social Responsibility to be responsible for researching the social responsibility records of corporations whose stock is held in DFMS portfolios and recommending appropriate courses of action based on the positions established by General Convention and Executive Council. The procedures for this committee will be as follows: With the approval of Council, it will be responsible for developing shareholder resolutions on social justice issues to be submitted to companies in which the Church invests its funds. CCSR will also review similar resolutions being offered by other churches or advocacy groups and recommend whether the Episcopal Church should support them. These recommendations will be forwarded to the Executive Council through the Standing Committee on Advocacy and Networking. As new issues come up during the triennium, CCSR will forward its recommendations to the next meeting of Executive Council. Membership will consist of nine members, including at least one bishop, one priest or deacon and one lay person; one member of FFM, one member of the Investment Committee, and one member of A&N. Members will be nominated by the Presiding Officers of the Executive Council jointly and elected by Executive Council.

Overview of CCSR's Work

Mission and History

The Committee on Corporate Responsibility (CCSR) of Executive Council strives to assure that the investments of The Episcopal Church align with the values of Jesus Christ.

With the help of CCSR, for over half a century The Episcopal Church has sought positive financial returns on its investment assets while investing those assets responsibly and ethically, consistent with the Church's understanding of the Gospel. Over these years, General Convention and Executive Council, with support from CCSR, have developed criteria and other guidance for responsible and ethical investing by the Church. Specifically, the Church has sought to assure that its assets are invested to support and advance environmental sustainability, justice, and human rights at home and globally, consistent with the Church's teachings as expressed in Convention and Council resolutions.

To support and advance such teachings in the context of investment, the Church has used and uses such means as engagement with companies through dialogue, filing and voting on shareholder resolutions and in elections of directors, divestment and affirmative investment, including ESG (Environment, Social, Governance) investing, and, more broadly, participation in boycotts and sanctions campaigns, as with South Africa. The Church, therefore, takes both passive and active approaches to making its investments align with its understanding of the mind of Christ.

General Convention and Executive Council have direct corporate oversight responsibility for the management of the investment portfolio, valued at approximately $500 million, owned for the Church by the Domestic and Foreign Missionary Society of the Episcopal Church (DFMS), the corporate mission arm of The Episcopal Church. Within The Episcopal Church many other institutions own and manage separate portfolios of investment assets ranging in value from a few thousand to a few billion dollars. While DFMS does not own these other investment asset portfolios, and General Convention and Executive Council do not have direct corporate oversight responsibility for them, General Convention and Executive Council have broad responsibility, on behalf of the Church for providing guidance, consistent with the Church's teachings as expressed in Convention and Council resolutions, to the Church institutions that do own those assets. Accordingly, General Convention and Executive Council may make investment management decisions for DFMS and may also make recommendations for investing, consistent with those decisions, to other institutional investors in the Church. General Convention or Executive Council may also assign CCSR specific tasks relating to investing by the Church.

Each triennium CCSR addresses assignments received from General Convention or Executive Council and reviews the DFMS portfolio to identify recommended actions in support of those policies. Experienced investment consultants engaged by DFMS advise CCSR in their work.

CCSR then proposes, for the consideration of Council, shareholder engagement and action plans for DFMS or other Church institutional investors. Thereafter CCSR helps DFMS, and on occasion other investors, to execute those recommendations. In so doing CCSR engages with ecumenical and interfaith partners, including the Interfaith Center on Corporate Responsibility (ICCR) and the Church of England.

CCSR was established in response to the call to action from the churches in South Africa in the time of race-based apartheid in that country. In 1969, Executive Council appointed an ad hoc committee on the feasibility of applying ethical criteria to investments in companies doing business in South Africa. In 1970, that initial committee recommended to Council that an ongoing committee be created to address the Church's concern that our investments be in line with our moral charge as followers of Jesus, specifically at that time regarding apartheid.

That same year, Executive Council created a Committee on Social Criteria for Investments, which later became the CCSR. Ably led by its chair, Robert Potter, and with crucial legal advice from Paul Neuhauser, that initial Committee within a year had launched the first ever shareholder resolution campaign about ethical concerns, focusing on South Africa.[1] That resolution was filed by DFMS in January 1971, calling on General Motors to cease business in South Africa, drawing great attention from the press and public. In May 1971, our Presiding Bishop, The Most Reverend John Hines, presented DFMS's resolution at the annual meeting of General Motors, making that meeting ground zero for public awareness of ethical investing.

At the same time as the General Motors action, DFMS filed additional resolutions calling upon two copper mining companies, American Metal Climax and Kennecott Copper, to address the environmental and social effects of their efforts to mine copper in Puerto Rico. Those resolutions were in response to a direct request by the Diocese of Puerto Rico.

Soon thereafter DFMS, led by Paul Neuhauser, became one of the founding members of the Interfaith Center on Corporate Responsibility (ICCR), which to this day gathers faith-based investors to be an ethical voice within the corporate world. TEC, through DFMS and CCSR, continues as an active member of ICCR.

Annual Workplan

CCSR submits an annual DFMS workplan to Executive Council, which Executive Council reviews and approves each fall. Following approval, CCSR engages consultants at Mercy Investment Services and the Heartland Initiative to aid in completing the work for DFMS across the corporate advocacy year, which normally stretches from the fall into the late spring. In several additional areas, committee members work independently of our consultants, particularly in the area of health care access for reproductive and gender-affirming care. We are also planning to investigate the issues of mining and Indigenous land rights. In both these cases, we are pursuing work with coalitions of faith investors.

[1] "For Five Decades, a Faithful Voice for Justice," History of ICCR, https://www.iccr.org/about-iccr/history-iccr; retrieved September 19, 2023.

We also work alongside the staff at The Episcopal Church's Office of Government Relations (OGR), as many of the issues on corporate policy overlap with OGR's work in public policy.

Engagement Strategies

We begin our work in dialogue with corporations whose shares we own, often in partnership with other investors, primarily those that are faith-based. Depending on how that dialogue proceeds, we may also file shareholder resolutions, leveraging the strength of our investment to add additional incentive for the companies to respond to our concerns. In some cases, we are the lead investor in these filings, the ones driving the effort, and other times we follow the lead of our partners. Sometimes the very act of filing the resolutions leads to further dialogue and a response from the company sufficient for us to withdraw the filing. Other times, our resolutions proceed to a vote at the company's annual general meeting. Since most votes at corporate meetings are overwhelmingly in favor, even a significant minority vote can put pressure on the company to make changes, or at least to engage in further dialogue.

We understand that this work requires a long-term view in which change happens over many years, even decades, and so we remain steadfast in our commitment to our mission until it is complete.

Our areas of engagement in this period were: **Human Rights, Health and Health Care** (including gun safety, opioids, and health access), **Care of Creation, and Corporate Governance**. A detailed report on our company engagements for the years 2021, 2022, and 2023 can be found following this overview section, covering our work since our last Blue Book Report was filed in the Fall of 2020.

Other Work

In addition to our annual workplan for dialogues and resolutions, CCSR has been working in several other areas:

1. **Defense of Sustainable, Responsible, Ethical Investing and the Freedom to Invest**

In response to a deeply funded campaign by some corporations, including fossil fuel companies, some state legislatures are considering legislation in various forms to prohibit the consideration of climate-related or human rights and conflict-related financial risk in the portfolios and business operations of state and local government investors. Even though these proposals are aimed at government investors and not Church investors, if passed and implemented, such actions would greatly affect our work, and indeed all corporate advocacy in the areas of climate change and human rights. The ambiguities and uncertainties created, and the potential legal risk would dampen the willingness of large investor groups and investment management companies to include ethical or sustainability risk considerations in their investment decisions, however important considering those risks in fact may be to reaching sound investment decisions.

These legislative and other actions are especially aimed at fossil fuel divestment campaigns but are modeled on legislation aimed at divestment actions concerned with the Occupied Palestinian Territories and other conflict zones. In 2018, the General Convention passed 2022-C013,[2] "Freedom of Speech and the Right to Boycott," affirming our opposition to legislation that would penalize non-violent boycotts or divestment. We are deeply concerned about the chilling effect these state actions and political pressure on large investment management firms may have on our work on fossil fuels and human rights, including in the Occupied Palestinian Territories.

We are monitoring this issue via ICCR, and we are participating as a faith-based organization in the Freedom to Invest campaign coordinated by the non-profit investor network CERES Global. To deepen our Church's discussion of and commitment to this issue, CCSR proposes a resolution to General Convention; please see the resolution at the end of this report.

2. No Buy List:

CCSR routinely reviews the five areas that have been identified by the General Convention or Executive Council for exclusion (or divestment in the case where the Church is already invested):

- Tobacco
- Fossil Fuels
- Military Contracting
- Private Prisons
- Human Rights

In our review of the No Buy List in this period, CCSR focused on three areas in particular: military contracting, fossil fuels, and human rights:

a. **Military Contracting:**

[2] 2022-C013: https://2022.vbinder.net/resolutions/126?house=HD&lang=en

The following resolution was proposed by CCSR and adopted by the Executive Council in June 2023 which clarified the existing policy and brought TEC's policy more into line with our denominational partners:

> *Resolved, that the Executive Council Committee on Corporate Social Responsibility, meeting in Cleveland, Ohio from March 25-27, 2023, recommend to Executive Council to amend the 2003 military contracting policy as follows:*
>
> > *"Resolved, that the Executive Council hereby adopts a policy on disinvestment, to be reviewed and implemented annually by Council's Committee on Corporate Social Responsibility, which will place on the No Buy List any company (a) among the top five U.S. defense contractors, measured in dollar volume of sales, or b) any company among the top 50 defense contractors that receives more than fifty percent of its revenues from military contracts, and be it further*
> >
> > *Resolved, that Council directs CCSR to add companies that make controversial weapons—cluster bombs, anti-personnel land mines, chemical and nuclear weapons—not under the above to the No Buy list, in conformance with past General Convention and Council resolutions, and be it further*
> >
> > *Resolved, that a copy of this resolution be sent to any company from which this Church disinvests in accordance with this policy; and be it further*
> >
> > *Resolved, that other church investors, including the Church Pension Fund, congregations, and dioceses, be urged to adopt a similar policy to the extent permissible under laws governing fiduciaries."*

We brought this resolution to Executive Council based on existing General Convention resolutions related to controversial weapons systems such as chemical and nuclear weapons. We are aware that new weapons systems have been developed, such as blinding laser systems and lethal autonomous weapons, that are also used against civilian populations. We are submitting a resolution to further clarify our No Buy policy regarding all weapons systems that are used in such a way as to cause mass death, harm, and destruction to civilian populations. Please see our resolution at the end of this report.

b. **Fossil Fuels:** In the area of fossil fuels, we note that several fossil fuel companies remain in the equity portfolio of the Church while also being on the No Buy List. This is part of a transition to full exclusion or divestment called for by the 2015 General Convention. Chevron, now the largest oil company in the United States, Phillips Petroleum, and Marathon are the primary remaining companies. CCSR, having reviewed this matter, and noting that it has been eight years since the original divestment resolution, and further noting that the Church of England Pensions Board has now also divested of all fossil fuel companies (June 2023), recommends that the remaining fossil fuel companies still in the DFMS investment portfolio, be finally divested by December 31, 2024. We are putting forward a resolution to General Convention on this matter. Please see our resolution at the end of this report.

c. **Human Rights:** CCSR recommended and Executive Council approved of adding the following companies to its No Buy Human Rights Investment Screen[3]:

- Bezeq Israeli Telecommunications Corp (Occupied Palestinian Territories, providing cellular phone, internet, satellite service to maintain occupation through the Israeli Civil Administration)
- Daimler Truck Holding AG (Russian weapons against Ukraine, weapons to Myanmar junta)
- Mivne Real Estate (does business with the Israeli Civil Administration which maintains the Occupied Palestinian Territories)
- Raiffeisen Bank International (business with Russia/Belarus)
- Southern Copper Corporation (Mexican Preventative Federal Police, private security, paramilitaries with pattern of murders, suppression of human rights, labor rights and violent suppression of protests)

We discussed adding several other companies to the list, but decided we should begin with dialogue, offering the following companies an opportunity to respond, before any decision with regard to adding them to the No Buy List: AXA SA, (active in conflict-affected and Occupied Palestinian Territories, Myanmar, Congo, Saudi Arabia, Yemen), Li Ning Co Ltd (forced labor of Uyghurs in China, forced labor in North Korea), and Hilton Worldwide Holding Inc (hotel built on the site of a razed mosque in Xinjiang Uyghur Autonomous Region, China).

3. **Economic Justice Loan Committee** (EJLC). EJLC maintains a $7 million revolving loan fund with a focus on impact investing for social and environmental good. EJLC works with CCSR under its mandate but provides its own Blue Book Report through the Executive Council.
4. **Advocacy Account, formerly known as the 100 Shares List:** CCSR notes it maintains a separate portfolio of minimum shares in companies with which it is engaging or provides a list of those companies to the money managers so that if they are considering selling the shares in the DFMS portfolio a minimum number be kept for CCSR's advocacy work.

[3] https://www.episcopalchurch.org/wp-content/uploads/sites/2/2023/09/Exhibit-D-No-Buy-List-June-2023.pdf

5. **Proxy Voting**: CCSR is grateful to the Church Pension Fund for providing services that allow DFMS to vote proxies in compliance with the TEC's ethical policies (shareholder resolutions filed by TEC or other organizations). This list is reviewed at intervals by CCSR and CPG as a joint effort, although the two entities sometimes have different policies relating to the multiple proxy subjects.

6. **CCSR Information Campaign:** The work that we do is a part of the Church's gospel mission in the world, and serve as a model for diocesan and parish based investing, as well as an example of where the church is living what it preaches. CCSR welcomes opportunities and invitations to speak with dioceses, parish, and other institutional investors who would like to know more about our approach to this work.

With that in mind, we have launched an information campaign to highlight our work and provide tools for similar advocacy.

   a. With support from the Executive Council, Trinity Church Wall Street, the Diocese of Western Massachusetts, and the Church Pension Fund, CCSR produced a short video[4] of our work, "The CCSR Story," was produced as part of a planned event celebrating the 50th anniversary of CCSR. This was scheduled to be presented at General Convention in 2022 and has now been rescheduled for General Convention in 2024. The committee thanks Mr. Peter Swanson for his excellent production services. We commend this video to the whole Episcopal Church—please share it widely! Our work is often hidden, or at least quiet, and we would love for it to be better known across the Church.

   b. We will be engaging in a communication effort, offering workshops, webinars, presentations, exhibits, and more over the next few years at conferences and other meetings of the larger church. We hope to provide tools for similar work, and to ensure that more people know that their church is actively engaged in the work of Jesus in ways they may not have realized.

7. **Collaboration With Other Investors:** Our work is strengthened when we join together. As can be seen in the report, we partner with the Church Pension Fund and with the investment managers for the Church of England. There are also some dioceses and parishes that align their investments with the DFMS / Episcopal Church investment strategies, including our approach to ethical, sustainable investment. We welcome conversation with any diocese or parish interested in pursuing such alignment.

[4] https://www.episcopalchurch.org/video/the-ccsr-story

Summary of Work

Report on Work Accomplished, 2021-2023

Note: We are reporting on our work since this committee's last Blue Book report was filed in Fall 2020.

Acronyms commonly used:

CCSR – The Executive Council's Committee on Corporate Social Responsibility

TEC – The Episcopal Church

DFMS – The Domestic and Foreign Missionary Society, the corporate entity that owns and manages property for TEC

ICCR – The Interfaith Center on Corporate Responsibility, the ecumenical and interfaith body of which TEC is a founding member. Most shareholder activity by CCSR is coordinated with ICCR

SEC – Federal Securities and Exchange Commission which sets regulatory shareholder guidelines

ESG – Environment, social and governance categories for making ethical investments.

EJLC – Economic Justice Loan Committee

CCLA—Churches, Charities and Local Authorities Investment Management Limited, the investment management company for nearly 13,000 Church of England parishes, dioceses, cathedrals and other Church of England bodies; CCLA is predominantly owned by its church and not-for-profit clients and manages over £2.7bn of Church of England assets.

2021 Engagements

The Domestic and Foreign Ministry Society of The Episcopal Church (DFMS) advocacy work consists of multiple engagement methods including company dialogues, filing resolutions, and sending letters. For the 2021 proxy year, DFMS conducted 38 engagements at 36 different companies, and filed nine resolutions, seven of which have been withdrawn due to agreement with the company. This report provides a summary of activity in the 2021 proxy year by Mercy Investment Services, Inc., our contractor for socially responsible advocacy efforts.

Human Rights

Objective – Sex Trafficking: Engage travel companies such as hotel, airline, and trucking companies on compliance with best practice standards to mitigate labor trafficking, and child and women sexual trafficking.

McDonalds (Dialogue)

A letter of inquiry was sent outlining investors' concerns about human trafficking and how companies in the restaurant sector can help prevent trafficking and assist victims. The letter requested a dialogue to discuss in greater detail how the company can be a part of the trafficking solution. No response at this point.

Objective – Human Rights: Engage companies on efforts to ensure compliance with human rights standards in their own workforce, supply chains, including outsourced labor brokers, requirements in subcontractor contracts, compliance audits and performance/improvement measurement.

Delta Airlines (Dialogue)

Delta Airlines issued a statement from CEO Ed Bastian noting the company's opposition to the new voting rights legislation in Georgia that includes new requirements that will make it harder for Black and Brown communities to vote. The memo also noted Delta's efforts to engage elected officials to remove some of the most egregious measures from the bill and acknowledged that the bill and others like it are a response to unfounded claims of voter fraud during the 2020 elections. The company reiterated its commitment to support voting rights and that it will continue the get-out-the-vote efforts throughout the country. Delta also continued to look at human trafficking efforts within the airline and started an to donate miles to Polaris to help victims and survivors of trafficking rebuild their lives.

Mid-year update included a call with Delta to discuss their progress in addressing human rights issues and developing a formal policy, its ongoing adaptation to the COVID-19 situation and plans to resume operations, and its efforts on DEI issues. Anti-trafficking training remains mandatory for all pilots and flight attendants and Delta's reached near 100% completion for its customer service and technical operations teams. Although it had limited engagement with NGOs and legislators during the pandemic, it planned to continue those partnerships and resume joint events and initiatives, such as providing internships to trafficking survivors and engaging with Congress. Delta has a general policy against human rights abuses and noted willingness to assess expanding the scope and welcomed resources from investors on human rights policies.

United Airlines (Resolution)

After no response to attempts to engage in dialogue with investors, DFMS was lead filer on a resolution requesting that the Board of Directors prepare a report on the company's management systems and processes to implement the commitments outlined in its human rights policies. Call with United discussed the human rights disclosure proposal. The company explained that since the adoption of its human rights policy in 2014 it has taken a targeted approach to implementing it and has focused on areas where it can have the most impact, like trafficking prevention. United acknowledged that it needs to improve its ESG disclosure, and this is something investors can expect in 2021, starting with an updated CSR report this spring. The company shared updates on how it has been addressing human rights issues, including an update on its trafficking prevention training program and the work of its procurement team on embedding clearer expectations on human rights within supplier/vendor contracts. It is open to and interested in having more regular engagements with shareholders and in expanding its work and disclosure on ESG issues. Shareholders withdrew the proposal based on the updates shared during the March call, as well as the following commitments: 1) continued engagement with investors, including two additional dialogues in 2021; and 2) the company will explore ways to increase disclosure of the company's efforts to prevent human trafficking and address human rights risks in the supply chain.

Objective – Conflict Affected and High-Risk Areas: Engage companies operating in areas of civil and/or labor strife or racial disparagement (e.g., Democratic Republic of Congo, Israel/Palestine, Peru, Indonesia, and U.S.) on due diligence processes and/or enhancing their capacity to deal with potential human rights violations, in either case to help assure they are not directly or indirectly financially benefiting armed groups or engaged in repressive practices impacting indigenous peoples. Develop Human Rights Screen for Israel/Palestine and all occupied areas as well as areas of conflict.

ABB Ltd. (Dialogue)

The lead sold the stock and Mercy Investment Services took over that role. The Business and Human Rights Resource Centre (BHRCC) referred the company to Mercy. We hoped the engagement would restart quickly, with the understanding that if the company failed to respond, pressure would be needed in 2022.

Booking Holdings (Dialogue)

DFMS supported ongoing efforts to engage the company on the development of a global human rights policy, including a specific component for conflict-affected and high-risk areas (CAHRA). Bookings has engaged Business for Social Responsibility (BSR) to do a human rights review (not a full impact assessment) and develop a corresponding policy. The company noted they do see conflict entailing higher risks and is developing plans on how to address these operational contexts and has agreed to ongoing investor engagement, including an opportunity to review and provide detailed feedback on the draft policy. A call provided updates on the company's progress at developing a CAHRA specific component as part of a broader human rights policy. BSR developed a policy grid and timeline for the company on how to move forward.

Chevron Corporation (Resolution)

A letter was sent asking for dialogue concerning the human rights and operational risks associated with activities in CAHRA, following the company's acquisition of Houston-based Noble Energy. DFMS was the lead filer on a shareholder resolution asking for an assessment and report on the company's approach to these materials risks. DFMS received a letter indicating the company has challenged the resolution with the SEC based on substantial implementation. Investors withdrew the resolution in return for three dialogues this year around how the company will consider conflict risks. Particular focus of the dialogues would be how such risks are identified, assessed, prevented, mitigated, and disclosed through ongoing development and revision of corporate policies and practices. Following the February 1 military coup in Myanmar, where Chevron is working in partnership with Total and the Myanmar Oil and Gas Enterprise, a call was arranged by DFMS to discuss the company's risk mitigation efforts with senior Chevron staff. In light of the lackluster company response, growing momentum among global investors concerning Myanmar, and Chevron's recent decision to shut down the Tamar gas pipeline in the Eastern Mediterranean due to the recent escalation of the Israeli-Palestinian conflict, the DFMS-led coalition began considering specific asks of the company related to both of these operations and a broader conflict.

Expedia (Resolution)

Following a year of no movement, a resolution was filed calling for Expedia to assess and report to shareholders, on the company's policies and procedures to address the human rights risks associated with business activities in conflict-affected and high-risk areas (CAHRA). In the first meeting, the company shared how it assesses risk to travelers and attempts to mitigate conflict-related risks by abiding by various sanctions regimes. The company stated that it will consider human rights reporting and how it fits in with its code of conduct. The resolution was withdrawn after the company shared its draft Human Rights Policy, requested and received analysis of the policy from investors, and agreed to continue the dialogue concerning the ongoing refinement of the policy. Company later reported that the board adopted the new Global Citizenship statement at its June 9 board meeting and that it would be available on the company website soon.

General Mills (Dialogue)

Pillsbury frozen baked goods are produced in a factory located in the Atarot Industrial Zone, part of Israeli-occupied East Jerusalem. International and Palestinian advocacy organizations are concerned about how these business activities may violate international humanitarian and human rights law and financially incentivize the occupation. Investors are determining how best to engage the company concerning the issue in light of the boycott initiated by advocacy organizations.

Heidelberg Cement AG (Dialogue)

DFMS supported ongoing efforts to engage the company regarding enhanced human rights due diligence in CAHRA. Discussions to date have revealed the company is assessing these issues, but using internal staff, mainly performing desk audits, is doing so in a reactive, *ad hoc* manner based on open conflict, and is not consistently applying international humanitarian law. The company does not provide specific training on this issue, and there are no planned engagements with NGOs on the ground. It does reassess conflict and other human rights risks every three years. A follow-up email thanked the company for dialogue and asked for country assessments concerning human rights risks. Concerning one high-risk area, international nonprofit Inclusive Development International facilitated a virtual meeting for investors to engage with community leaders from the Indonesian NGO JM-PPK. The organization is leading a growing international campaign concerning Heidelberg Cement's planned limestone quarry and cement plant in Central Java, which threatens local communities' homes, water, health, and cultural/religious practices. After the company stopped responding to requests for calls and additional information, the lead submitted a countermotion at the annual shareholders meeting on May 6, calling for adequate and transparent human rights due diligence in CAHRA, especially in light of the pending German Supply Chain Act, which makes such processes and disclosures mandatory. Lead followed up with company post AGM where comments were made regarding a desire to continue to engage in points made in the countermotion.

TripAdvisor (Dialogue/ Resolution)

Shareholders met with the corporate secretary to get an update on the next steps concerning its recent materiality assessment. At the end of the meeting, the report was shared, and the investor group reviewed and circulated comments to one another. The firm that did the materiality assessment is not seen as an expert in human rights work, and the assessment appears to reflect that lack of knowledge. Follow-up discussion focused on the coalition's concerns that the consultants were not familiar with human rights issues; it was only a desk audit not reflecting the risks of stakeholders on the ground, and the report itself was sloppy. The company agreed to look at the possibility of creating a human rights policy first, then a subsequent human rights impact assessment. A follow-up proposal filed by partner Mercy Investment Services requested the Board of Directors to develop and adopt a comprehensive Human Rights Policy stating the company's commitment to respect human rights throughout its operations and value chain, and describing steps to identify, assess, prevent, mitigate, and, where appropriate, remedy adverse human rights impacts connected to the business. The company shared a first draft of its global human rights policy, which failed to meet current best practice and did not address shareholders' specific concerns related to CAHRA. Nevertheless, it was decided to withdraw the resolution in exchange for serious discussions around how to further refine and implement the policy, including in areas with heightened risk. Investors sent an email concerning Myanmar hotels and how the new company policies address the human rights issue and requesting another dialogue. No answer was received as of the end of June 2021.

Health and Health Care

Objective – Gun Safety: As a public health issue, engage gun manufacturers to adopt more smart technologies for weapons and retailers to restrict which weapons they sell and under what conditions; engage both to adopt the Sandy Hook Principles, which protect the rights of gun ownership and the rights of citizens to be safe and secure; and to report on their lobbying activities and expenses for gun rights.

Smith & Wesson Brands Inc. (f/k/a American Outdoor Brands Corporation) (Dialogue)

The company uses an off-cycle proxy year, which means actions of the resolution filed in Spring 2020 move into the following proxy year activities, which start in July. The company sent a no action letter to the SEC which was responded to by the lead filer. The company produced a Corporate Stewardship Policy, which although not the human rights policy investors sought, investors believed it reflects a good faith attempt by the company to engage with shareholders regarding their concerns and the resolution was withdrawn. The company indicated it would consider further dialogues around a human rights policy and investors are considering next steps. DFMS co-filed a new proposal in April 2021 requesting the company adopt a comprehensive policy articulating its commitment to respect human rights, which includes a description of proposed due diligence processes to identify, assess, prevent and mitigate actual and potential adverse human rights impacts.

Objective – Gun Safety: Engage industries such as credit card companies, shipping companies, and financial institutions on their impact on the epidemic of gun violence in the United States.

Mastercard and Visa (Dialogue)

Dialogues were held based on the letter shareholders sent in January 2021 about untraceable firearms purchases. Each company maintains it only facilitates legal transactions and can't see every purchase a customer makes.

Objectives – Opioid epidemic: Engage opioid manufacturers and distributors about their corporate policies on the marketing or promotion of drugs that lead to addition and how the company takes responsibility for these practices; Engage pharmaceutical companies that manufacture antidotes to opioids about their pricing practices.

AbbVie (Dialogue)

AbbVie merged with Allergan, which had a Board Report on oversight of opioids. An email sent to AbbVie asked if it plans to continue sale of opioid products and if so, whether it will engage in similar Board Oversight of opioid sales. AbbVie responded that it was assessing the Allergan business lines and followed-up after its assessment by replying that it had started the process to discontinue the three branded opioid products that were remaining at Allergan when the company was acquired. Once the discontinuation process is complete, it will no longer have any opioid products. On a call about the independent chair proposal, investors asked the company to set aside adequate funds for potential settlement of Allergan opioid claims.

Johnson & Johnson (Resolution)

DFMS co-filed a resolution with the Illinois Treasurer's Office requesting Johnson & Johnson issue a report to shareholders describing the governance measures JNJ has implemented since 2012 to monitor and manage more effectively the financial and reputational risks related to the opioid crisis. Shareholders followed-up by asking JNJ to add information about opioid sales outside the U.S. and add metrics recommended by SASB. The resolution was withdrawn based on substantially complete board oversight report and a promise to continue dialogue about the matter.

Viatris (f/k/a Mylan N.V.) (Dialogue)

Viatris acknowledged that it did not adopt the Mylan Opioid Board Oversight Report when it became Viatris, but assured investors that it will work internally to prepare a Viatris draft report and get it approved. It reported that Viatris' filing deadline was not yet set, but it will inform investors in advance. The corporate secretary promised that Viatris would have a new opioid oversight policy by June 30 and that the policy would include the changes shareholders suggested for the Mylan policy and would seek shareholders' input on the new policy.

Walgreens Boots Alliance, Inc. (Dialogue)

Investors sent a letter to the chair of Walgreen's compensation and leadership performance committee asking about incentive pay practices that exclude, or are adjusted to exclude, the impact of costs associated with opioid litigation and settlements. Company responded with a letter saying its incentive program determination follows a rigorous process to understand all the impacts of its business, to ensure programs are aligned with Walgreen's business objectives.

Care of Creation

Objective – Water and Healthy Communities: Engage companies on science-based water stewardship targets and the human right to water, in their operations and their supply chains.

Coca-Cola (Dialogue)

Company issued its 2020 ESG report that details the latest statistics from its water replenishment program: 170% of the water used in manufacturing was returned to nature and communities in 2020, either directly, or through support for water access programs. The report also launched Coca-Cola's new 2030 water strategy to increase water security in high-risk areas of operations with a more context-based approach and to reduce water risk in its agricultural supply chain.

Constellation Brands (Dialogue)

A letter was sent to the company outlining investor concerns about the company's management of water risk and requesting dialogue. A call with company's ESG director discussed company's approach to water risk after its experience with community opposition to its proposal to expand its brewery in Mexicali. Company noted that it followed all local rules and regulations and consulted with the government about its plans (we noted there was nothing about community consultation) and was defensive when asked what it had learned from its experience. The company is about to issue its first company-wide targets (early June 2021) and since the Mexicali problems it has centralized its sustainability practices and is reporting regularly to the board on progress. The company believes it has always "done the right thing" but failed to talk about it and knows that investors are looking for more information. It has begun to look at water risk in supply chains and recently joined the Sustainable Agriculture Initiative. It believes it has internal processes that respect human rights but admits that it lacks a formal policy and thinks it is something to investigate; investors recommended some peer company examples and NGOs that could assist with that.

Objective – Climate Change and a Healthy Environment: Engage companies to adopt science-based targets for reducing greenhouse gas emissions, adopt technologies to monitor and reduce methane emissions, adopt new and cleaner energy technologies, promote efficiency, promote transparency in reporting, and protect consumers, particularly low-income consumers.

Ameren (Dialogue)

Investors sent a letter to the company asking for more detailed reporting on how it supports public policies that align with the goals of the Paris Agreement to reduce emissions and transition to cleaner sources of energy. A call with the company discussed climate lobbying disclosure. Company is working on a new climate risk report to be released this spring. The company pointed to its political spending disclosures as among the best; investors noted Ameren's leadership and urged similar disclosure of its lobbying activities through trade associations and other organizations. Company understands risk in relationships with 501(c)4 organizations after the FirstEnergy scandal and board is having "very robust" discussions. Company asked to see examples of climate lobbying disclosures.

Chevron Corporation (Dialogue)

Call with company to discuss the need for more ambitious short-term and medium-term targets outlined in the company's recent climate report. Also suggested improvements to the company's disclosure of its climate lobbying efforts, a push for a stronger effort to address scope 3 emissions, and a discussion of the company's future price assumptions and accounting practices. Investors also asked for a conversation with some of the company's independent directors to get a better sense of their ongoing oversight of climate issues; the company was amenable to trying to arrange this with the engagement leads.

Delta Airlines (Dialogue)

A letter was sent to the CEO and board chair introducing the Climate Action 100+ benchmark and net zero emissions pledge. Climate Action investors met with company to discuss its carbon neutral goal and plans to implement. Company reported plans are moving forward, but items that have costs associated with them may be delayed due to COVID impact on business. Company is not considering a science-based target (SBT) at this time because it needs to rely on carbon offsets at least in the short/medium term because of limits in technology and sustainable biofuel supplies; but will work to limit offsets over time. Company reported it is working to develop metrics and incorporate goals into executive compensation, but probably won't get that done until after COVID impact recedes. A call with the company discussed its plans to increase use of biofuels and how it is considering sustainability impacts of current and potential biofuel feedstocks, particularly biodiversity and land use impacts. It is working with industry groups globally, including participation from the Roundtable for Sustainable Biomaterials and ISCC. The industry is very early in the process but is trying to include sustainability as things develop. Federal and state incentives will be a critical part of scaling up supplies and trade associations are working in that space. In a second call with company, discussion focused on its climate lobbying activities and disclosure. Company noted that trade association policy positions do not always reflect Delta's own position, but that it has pushed them, and that pressure is reflected in recent announcements on net zero emissions and biofuels subsidies. Company believes its disclosure of payments and its own lobbying activities is adequate for investors to understand what the company supports.

Phillips 66 (Resolution)

DFMS co-filed a proposal requesting that the Board of Directors conduct an evaluation and issue a report within the next year describing if, and how, Phillips 66's lobbying activities (direct and through trade associations) align with the goal of limiting average global warming to well below 2 degrees Celsius (the Paris Climate Agreement's goal). The report should also address the risks presented by any misaligned lobbying and the company's plans, if any, to mitigate these risks. A call was held with the company to discuss the proposal. It believes that its lobbying disclosures are better than many of its peers but is concerned that a report focused on climate lobbying would focus on a single moment in time, becoming outdated quickly. Investors asked for more information on how the company interacts with its trade associations around climate policy and for it to report on how it is or isn't aligned, as well as on steps taken where there is misalignment. Company indicated its willingness to put some expanded information in its CSR report, but it is not clear exactly what information that might include.

At the mid-year point, investors held a call with the company's ESG director and IR manager regarding the majority vote of 62.5% on the climate lobbying proposal. The company reported taking the advisory vote seriously and that it has started working on a report but did not have a publication date. It would likely be an electronic only report and the company would be convening an internal working group led by its government relations team. Investors made several suggestions about content and shared best practices and some examples and reports.

Valero Energy Corporation (Resolution)

In a call with the company's ESG manager, investors emphasized the importance of Task Force on Climate-Related Financial Disclosures (TCFD) reporting; company asserted that we are the only investors pushing TCFD with company and it is planning to use SASB standards for its upcoming reporting. Company is looking at targets and notes that new disclosure will show its leadership on biofuels and in other areas. Investors shared interest in better disclosure around lobbying activities and how company spending on lobbying and other political influence activities aligns with a lower carbon future and the goals of the Paris agreement. The company would like to have a deeper conversation about climate lobbying and understand better what investors would like to see. Investors noted there would be a proposal filed, but that dialogues should continue. DFMS and partners co-filed a proposal requesting that the Board of Directors conduct an evaluation and issue a report within the next year describing if, and how, Valero's lobbying activities (direct and through trade associations) align with the Paris Climate Agreement's goal of limiting average global warming to well below 2 degrees Celsius and how the company plans to mitigate risks presented by any misalignment. Another call followed the filing, and the company said it is considering what the future regulatory landscape will bring and had a recent strategic planning discussion of its board, looking at possible directions for the company. It is looking at revamping its lobbying disclosure on the website to make it more accessible and will be willing to do the reporting investors requested. The proposal was withdrawn after the company agreed to produce the report on climate lobbying activities requested and to update the information going forward. It also agreed to future dialogue on the issues.

In a call with General Counsel Rick Walsh, discussion focused on the company's investment in the Byhalia pipeline, a subject of criticism from groups in Memphis and elsewhere on environmental justice grounds. The project is a joint venture and the crude oil that it will deliver is not for Valero's use but will be a branch off an existing pipeline that it uses. Primary user will be Marathon Petroleum. Community stated it has a strong community engagement policy and tends to have good relationships with its fence line communities due to past experiences, but the engagement here was done by its partner, Great Plains. Great Plains tried to reach out to the community and reports it has also tried to plot the pipeline in a way that will impact the least people and the least environmentally sensitive areas but sees that mounting criticism may mean that the project will not be built. Company stated is looking for ideas and solutions; sees this as a growing concern for building new energy infrastructure. The company acknowledged it needs a constructive new way to approach these problems even if this project doesn't get built.

Mid-year follow-up conversation regarding the company's climate lobbying report: The company reported it is working on an update to its political spending web pages that will include the report and that it hopes to have it live by the end of summer. The company also reported it is working on an updated climate risk report; it will not be able to include the new IEA net zero scenario in data analysis because the data sets for the new scenario will not be available in time but will likely include information from the scenario in the narrative of the report. It will report verified Scope 1 and 2 emissions and begin reporting on some Scope 3, but methodology for estimating Scope 3 is not robust yet. The company will report against existing short-term targets.

Objective – Climate Change and a Healthy Environment: Engage companies, particularly in the energy and utility sector, to improve public disclosure and transparency in reporting presented by current and future company operations and products including company plans to manage carbon asset risk and comply with a regulatory scenario that holds global temperature rise below a 1.5/2-degree Celsius threshold.

NextEra (Dialogue)

Call was held to discuss the company's new ESG report and the Climate Action 100+ benchmarks, including the request that companies pledge to meet net zero emissions by 2050. Investors noted improved disclosure by the company, but would like to see TCFD compliance, including scenario analysis and noted that could lead the company to be more comfortable with long-range targets (its current emissions target only goes to 2050). Company stated it believes it is not getting credit for its strong investment in renewables through its competitive energy business; focus is on regulated assets, which are moving more slowly, but it will exit coal completely within two years. Mid-year update: A letter was sent to company CEO asking company to make a public commitment to net-zero emissions by mid-Century and to outline plans to achieve this goal.

Objective – Climate Change and a Healthy Environment: Engage financial institutions to ensure commercial lending and investment policies address socioeconomic and environmental concerns, particularly climate change, water stewardship, pipelines, financing in their lending practices.

American International Group (Resolution)

In a call with the company, investors again pushed for increased reporting of climate risk in its investing and insuring business. It is waiting on trade association work on industry scenario analysis for deeper dive into the question of risk. Investors suggested joining Climate Action 100+ to identify and better manage investment risk. DFMS co-filed a resolution requesting that the Board of Directors conduct an evaluation and issue a report within the next year describing if, and how, AIG's lobbying activities (direct and through trade and other associations) align with the goal of limiting average global warming to well below 2 degrees Celsius (the Paris Climate Agreement's goal) and how the company plans to mitigate risks presented by any misalignment. An online meeting was held with the independent director who said the company is coming out of major reorganization and lobbying activities are just restarting. He understands that investor expectations regarding disclosure are increasing, particularly regarding climate action, and it is looking at new commitments this year.

Objective – Climate Change and a Healthy Environment: With the Church Pension Fund, push for the addition of a sustainability expert on the board to advocate for positive impact on the environment in line with COP21.

FLIR Systems (Dialogue)

A letter was sent to FLIR regarding sustainability reporting and ESG issues, with a request to meet with the company. A call was held with company leadership to discuss the ESG issues raised. The company believes it has good sustainability practices and that its products are part of sustainability practices for many of its customers but knows that it needs to improve disclosures. It submitted its first report to CDP this year and have provided more information in its 2020 proxy and on its website. Investors suggested that more information about how its board oversees ESG would be a helpful piece to include, as well as to think about adding ESG to the charter of a relevant committee and identifying board members with expertise in sustainability issues. The company is thinking through an initial citizenship report that will focus on more than philanthropy efforts. It was announced the company is merging with Teledyne Technologies, and a special meeting of stockholders approved the merger in May.

General Dynamics (Dialogue)

A letter was sent to the company CEO requesting more information about the company's board and its oversight of sustainability issues. A response was received from the company CEO offering to set up a call with investors to further discuss the issues raised in the letter. The letter also noted that the company plans to charter a new sustainability committee this year and has appointed a new board member with significant sustainability experience and expertise.

Corporate Governance and Accountability

Objective – Diversity on Corporate Boards of Directors: Engage companies to address board diversity to include women and people of color.

Skechers (Dialogue)

A call was held with The Thirty Percent Coalition and Skechers. There was a brief discussion of Skechers perceived hurdles (small company, how to reward those men who had been there a long time and made significant contributions). Investors committed to sending them the Rooney rule language and the company would take that to the nominating committee. A follow-up email was sent with desired charter language.

2022 Engagements

The Domestic and Foreign Ministry Society of The Episcopal Church (DFMS) advocacy work consists of multiple engagement methods including company dialogues, filing resolutions, and sending letters. For the 2022 proxy year, DFMS conducted 39 engagements at 34 different companies, and filed nine resolutions.

Human Rights

Objective – Trafficking: Engage travel companies such as hotel, airline, and trucking companies on compliance with best practice standards to mitigate labor trafficking, and child and women sexual trafficking.

McDonalds (Dialogue)

Dialogue was held late summer with McDonalds to discuss a number of issues, including how the company could contribute to trafficking prevention. McDonalds shared that several of their carriers are already Truckers Against Trafficking (TAT) members and train their drivers on trafficking prevention. McDonald's agreed to follow-up with the number of drivers trained and number of TAT sponsors, as well as to have further conversations about how they can support trafficking prevention efforts. A follow-up call in the spring touched on some workforce issues following up on COVID concerns including paid sick leave. The company reported providing three sick dates throughout the system to all employees.

Airlines (Dialogue)

Dialogue with United covered updates on their trafficking prevention training, implementation of their human rights policy, and disclosure plans in their CSR reporting. The company reported that human trafficking prevention training is mandatory for their frontline staff (e.g., flight attendants, pilots, ticket agents) and in 2021 they trained about 20k employees.

Objective – Human Rights: Engage companies on efforts to ensure compliance with human rights standards in their own workforce, supply chains, including outsourced labor brokers, requirements in subcontractor contracts, compliance audits and performance/improvement measurement.

United Airlines (Dialogue)

United has also embedded its Human Rights Policy Statement into the annual ethics training. United reported that it has added provisions in supplier contracts to address human rights risks (e.g., debt bondage, ethical recruitment processes, no recruitment fees, etc.) and that site visits to supplier facilities are part of the vetting and compliance verification process.

Delta (Dialogue)

In Delta's DE&I progress report, the company highlights some of the initiatives and progress from 2021: creating a talent development pathway to support the advancement of internal employees and grow the pool of diverse talent; increasing the number of external Black candidates for manager and above positions; and converting more part-time reserve employees, 70% of whom are minorities, to full-time positions. The company reported engaging senior leadership in racial equity workshops where over 62,000 employees have completed at least one DE&I training course. Also, the company reported it will be creating an equity-focused pillar for community engagement initiatives and increased charitable contributions to equity-focused organizations. Lastly, the company spent $325 million with Black-owned businesses, 74% of the annual spending target.

In a mid-year update, Delta reported that it had released 2021 ESG report, including the results of Delta's biennial ESG materiality assessment that identified the top 20 material issues for the company, including DE&I, employee compensation and benefits, ethical conduct, and climate change management among others. To foster employee health and well-being, Delta reported enhancing its health care offerings and introduced a new co-pay plan with lower deductibles. The company reported that by the end of 2021, Delta had a 95% domestic employee vaccination rate, and in 2022, implemented a 4% across-the-board pay increase to employees below the Officer level. On DE&I, Delta began reporting its EEO-1 data and committed to closing the gap between frontline representation and leadership, with particular focus on advancing women, Black, and other underrepresented racial and ethnic groups. Delta converted part-time reserve employees, 70% of whom belong to underrepresented racial and ethnic groups, to full-time positions. The company also committed to doubling spending with Black-owned businesses to $690 million by 2025 and reported spending $315 million in 2021.

Delta reported expanding its work on sustainable sourcing and is working with EcoVadis, a sustainability platform, to assess ESG issues in supply chains. Delta also reported that it is integrating sustainable and responsible sourcing standards into its Supplier Code of Conduct, RFP process, and contract templates. The company noted it is continuing its anti-trafficking efforts through training and NGO partnerships.

In an additional call with Delta, the company reported on its trafficking prevention and human rights efforts, DE&I commitments, and ongoing COVID response. With pandemic restrictions easing, Delta resumed its engagements with external partners including Polaris, Wellspring Living, and federal agencies working on trafficking prevention. Wellspring Living provides holistic support to trafficking survivors and Delta has supported the organization through financial donations and internship opportunities. Thus far over 60,000 Delta employees have been trained on trafficking prevention and it remains a core component of regular staff training programs. Delta is working with EcoVadis, a third-party sustainability ratings platform, to rate Delta's suppliers on ESG issues and to be more proactive in vetting suppliers on potential risks.

On DE&I, Delta is using its Close the Gap strategy to identify and address systems, policies, and other barriers that contribute to diversity and equity gaps. The company reported making progress in increasing representation of women, black, and other underrepresented ethnic groups in four main leadership job categories. Delta conducted a full pay equity analysis in 2021 and made corrections for any identified disparities. Delta increased all starting wages to at least $15/hour and in May 2022, implemented a 4% increase across the whole pay scale.

Objective – High Risk and Conflict Affected Areas: Engage companies operating in areas of civil and/or labor strife or racial disparagement (e.g., Democratic Republic of Congo, Israel/Palestine, Peru, Indonesia, and U.S.) on due diligence processes and/or enhancing their capacity to deal with potential human rights violations, in either case to help assure they are not directly or indirectly financially benefiting armed groups or engaged in repressive practices impacting indigenous peoples.

ABB Group (Dialogue)

Heartland Initiative reported the company has been unresponsive to engagement attempts both from the previous coalition lead (Miller/Howard Investments) and the current leads (Mercy/DFMS), but Heartland planned to conduct a fresh round of research and analysis concerning the company's risk exposures in conflict-affected and high-risk areas and a final attempt will be made to expand the current investor coalition and engage the company on these risks. However, due to the war In Ukraine taking precedence further work was postponed to 2023.

Booking (Dialogue)

Heartland reported on the engagement led by Wespath, Booking Holdings hired BSR to develop a global human rights policy. Initial drafts, shared with the coalition, demonstrated the potential for a robust policy and set of corresponding practices, including on conflict-affected and high-risk areas, not only for the online tourism industry but across sectors. However, the last conversation with Booking staff indicated that internal challenges may threaten both the content and transparency of the new policy. Wespath agreed to send an email regarding our concerns and an update call for the coalition was planned.

Booz Allen Hamilton (Dialogue)

Heartland reported that the company developed an ESG & Annual Reporting Hub that will include reports based on the UN Guiding Principles on Business and Human Rights, the Global Reporting Initiative, and the Sustainability Accounting Standards Board, among others. In spite of this progress, significant concerns remain regarding Booz Allen's ongoing contracts with the Kingdom of Saudi Arabia and other rights-violating states. However, no future engagements were planned for 2023.

Chevron Corporation (Dialogue)

In January 2021, Chevron indicated that the company would be withdrawing from Myanmar, taking its lead from its operating partner on the Yadana pipeline, TotalEnergies, which made a similar statement that day. The company's decision prompted the investor coalition led by Mercy and DFMS to consider what would constitute a responsible exit from Myanmar and the company's ongoing need to address systemic risks related to conflict-affected and high-risk areas, especially in light of recent stories around its business activities in Equatorial Guinea and Kazakhstan. A call will be scheduled with Chevron to discuss these concerns in March. A follow up email was sent asking for dialogue to explore questions on movement out of Myanmar.

Company reached out concerning leaving Myanmar. No end date has been announced but they are looking for a responsible transition. Shareholders pushed for transparency in this process as well as a revision of their policy to account for needed enhanced due diligence in conflict areas. Staff indicated they would take this information forward.

Mid-year update: After shareholders spoke with Crude Accountability DFMS partners met with Chevron. The company owns 15% of the pipeline and 13% of the oil going through it is Russian. Concerns still exist here, and the company states they're working with BSR and Maplecroft on tools for CAHRA reviews. Although exploring a different route is certainly one possible outcome, that is extremely hard geographically and expensive. Chevron is seeking to look at a more systematic approach to the issue. They also indicated they were looking at SASB as to where there are the greatest gaps in disclosure. When questioned about Myanmar, they stated that they have not left yet. Company stated it is still concerned for safety of their people and the operator. There was no specified deadline, but company reported movement is occurring. In terms of Noble acquisition, that work is now set in the sustainability team to review.

Cisco Systems (Dialogue)

Heartland reported they are preparing an initial letter of engagement for Cisco Systems, to be sent by Wespath (lead) outlining human rights risks related to the company's partnerships with rights-violating states (e.g., Saudi Arabia, UAE), development of ICT infrastructure in occupied territories (e.g., Northern Cyprus, OPT, South Ossetia/Abkhazia), and forced labor in its supply chain (e.g., via companies in Xinjiang Uyghur Autonomous Region). In addition, efforts to solicit additional investor involvement in the engagement will begin in earnest in March 2022 with a letter to be sent in May/June.

Expedia Group (Dialogue)

Heartland reported they have learned that Expedia hired an ESG consultancy firm to develop the company's global human rights policy (mirroring Booking's process) and was subsequently interviewed by that firm. This represents a positive development for the coalition led by Presbyterian Church (USA) and adds more momentum to the possibility of a private roundtable on online tourism and human rights.

General Mills (Dialogue)

An introductory letter has been sent to company asking for dialogue concerning enhanced due diligence in conflict- affected and high-risk areas. Company responded with their latest human rights framework which led to a follow up with company highlighting risks and questions associated with OPT and other conflict affected and high-risk areas. Company agreed to meet in the spring of 2022.

After several attempts to get a meeting scheduled, the company agreed to a 1/2-hour call at the end of March 2022 to talk about human rights in conflict areas. The company's first response was to explain their current policy to identify salient human rights issues, including child and forced labor. ICCR partners' concerns about growing human rights issues in conflict areas were shared and the company said they understood the position but could not tell us any more at that time. In a later follow up, ICCR partners asked them to enhance their due diligence in conflict areas and look at the contradiction of policy to the OPT actions, specifically the presence of the factory in the Atarot Industrial Zone. The company acknowledged the conversation in an email and that they heard shareholders' concerns about the West Bank facility. They indicated they hope to provide news on that front in the next few months. They also indicated the company will evolve their approach to human rights and how to navigate high risk contexts. The email also shared the new 2022 Global Responsibility Report.

Heidelberg Cement (Dialogue)

Heartland reports the engagement resumed after Wespath filed a shareholder countermotion at the company's AGM in the summer of 2021. Since that time, the coalition provided examples of current best practice related to conflict-affected and high-risk areas, discussed specific company measures (prevention, mitigation, and reporting) that would address our concerns, and the steps the company is taking to prepare for the German Supply Chain Act. A company call should take place in the summer when a human rights staff member will have been hired and the reporting requirements for the Act have been finalized.

TripAdvisor (Dialogue)

Company reported last summer that it has adopted a final Human Rights policy. The company group is trying to codify their core values and they will touch on traveler safety, discrimination, criminal activity, animal welfare and right to speech. Next outreach was planned focus on the company's potential participation in a private roundtable and updates to their policy.

This company lags behind the other two engaged online tourism companies - Booking and Expedia - in terms of its global human rights policy and has remained unresponsive to successive requests for updates. Following the release of the Booking policy and advancement of Expedia's policy development process, ICCR partners agreed to reach out again to TripAdvisor to schedule an update call and discuss the company's potential participation in a private roundtable.

Western Digital (Dialogue)

Lead had followed up on summer call with examples of good Human Rights Risk Assessments (HRIA). Company responded saying they would get back, but never did; in February a second follow-up letter was sent asking for progress on HRIA and a time to set up a call. In a spring 2022 call, Western Digital was praised for conflict minerals report and that they did HRIA. Upon probing shareholders found out that it was a desk audit but they did contact eight outside organizations and twenty inside organizations, both supply chain and downstream groups. The review of EEO data was migrant and gender issues, then sexual violence due to location, health, and safety, then supply chain risks. Company stated they are not involved in the Xinjiang Uyghur Autonomous Region (XUAR) but can't verify how they got that data. Company was asked how they will implement recommendations from their contractor.

There was a follow up email sent to company asking how company identifies high risk areas, and how they evaluate governments compliance with human rights in countries they work; specifically, China and XUAR was noted as it seems difficult to audit there.

The company stated it has a due diligence policy but is not going to move further with it right now. Heartland suggested refocusing on a different policy. Despite progress and continuing concerns, it was felt that more change is possible with other companies, so work will be sunset for 2023.

Health and Health Care

Objective – Gun Safety: As a public health issue, engage gun manufacturers to adopt more smart technologies for weapons and retailers to restrict which weapons they sell and under what conditions; engage both to adopt the Sandy Hook Principles, which protect the rights of gun ownership and the rights of citizens to be safe and secure; and to report on their lobbying activities and expenses for gun rights; Determine when to invest in gun manufacturers to change corporate behavior; Engage industries such as credit card companies, shipping companies, and financial institutions on their impact on the epidemic of gun violence in the United States.

Sturm Ruger (Resolution)

DFMS filed a shareholder proposal with Sturm Ruger urging the Board of Directors to oversee a third-party Human Right Impact Assessment which assesses and produces recommendations for improving the human rights impacts of its policies, practices, and products, above and beyond legal and regulatory matters. An exempt solicitation was filed with SEC urging shareholders to vote for proposal #4 and the vote proposal was approved - 68.52% in favor.

Smith & Wesson (Resolution)

In 2021, shareholders filed a resolution with Smith & Wesson requesting that the company adopt a comprehensive human rights policy, including a due diligence process to assess adverse human rights impacts. Although the company strongly opposed the proposal, a substantial 44% of shareholders supported the resolution at the company's fall annual meeting. In December the new Corporate Secretary reached out to shareholders to schedule an introductory dialogue, and the ICCR gun safety group met with the company for introductions and to discuss the proposal and why a human rights policy with due diligence is necessary for any company and will follow up in more detail about the proposal.

This year, DFMS filed a proposal that the Board of Directors adopt a comprehensive policy articulating its commitment to respect human rights, which includes a description of proposed due diligence processes to identify, assess, prevent, and mitigate actual and potential adverse human rights impacts. In a meeting with the company to discuss the human rights due diligence proposal, the company noted concerns about opening themselves up to liability claims if they adopt UNGPs.

Investors said it is possible to have human rights due diligence processes while referencing other standards.

Mastercard (Resolution)

DFMS filed a proposal asking that the Board of Directors conduct an evaluation and issue a report within the next year describing if and how Mastercard Inc. intends to reduce the risk associated with the processing of payments involving its cards and/or its electronic payment system services for the sale and purchase of untraceable firearms. Mastercard has challenged the proposal on the grounds that it deals with matters related to the company's ordinary business operations. This proposal was challenged but the SEC was unable to support the challenge.

Objective – Opioid epidemic: Engage opioid manufacturers and distributors about their corporate policies on the marketing or promotion of drugs that lead to addiction and how the company takes responsibility for these practices.

AbbVie (Dialogue)

To start dialogue with the company, partners filed a governance proposal asking the AbbVie board of directors how it oversees risks related to anticompetitive practices. The company has challenged the resolution and has not come to the table to discuss the issue. After a challenge that was rejected by the SEC, the vote was 33.29% in favor.

Care of Creation

Objective – Water: Engage companies on science-based water stewardship targets and the human right to water, In their operations and their supply chains.

Campbells (Dialogue)

Regarding water risk, Campbells reported it is identifying high-risk commodities/ingredients and high-risk water basins with the goal of setting context-based targets for those at highest risk and is working with the Alliance for Water Stewardship in this effort. The company also reported it is in the process of setting a science-based emissions target, working with a consultant to establish baselines for scopes 1 and 2 and looking for the first time at scope 3 emissions.

Coca-Cola (Resolution)

Engagement with Coca-Cola has focused on plastic waste which impacts water quality. DFMS co-filed a resolution requesting that the Board of Directors issue a report, within one year, describing the potential to reduce dependence more rapidly on single-use plastic packaging by expanding and supporting refillable bottle systems and infrastructure globally. The report should establish uniform companywide metrics for the company's public reporting on refillable use and evaluate opportunities for setting aggressive refillable goals and deadlines. Shareholders withdrew the proposal based on Coca-Cola's recent announced goal to have at least 25% of all beverages globally across its portfolio of brands sold in refillable/reusable glass or plastic bottles, or in refillable containers through traditional fountain or freestyle dispensers by 2030. The company also committed to reporting annually on its progress and to meet with investors to discuss progress. Given these commitments shareholders withdrew the proposal. The company stated it will report annually on its progress toward their goals and continue to meet with shareholders.

Kraft Heinz

DFMS filed a proposal requesting that The Kraft Heinz Company report to shareholders, using quantitative indicators where available, an assessment to identify, considering the growing pressures on water supply quality and quantity posed by climate change, its total water risk exposure, and policies and practices to reduce this risk and prepare for water supply uncertainties associated with climate change.

In a meeting, Kraft began the discussion with a brief background from their new ESG Global Lead Jonah Smith. The conservation thereafter mostly centered around already stated 2020 commitments involving water reduction targets and some various committees work on responsible water stewardship. However, when asked about committing to conducting a complete agricultural supply chain assessment, they would not commit. They would not state their reasoning until a later email indicating they feel they have done enough and are continuing to work with committees on lowering direct operations water targets but not supply chain. The resolution went to a vote where the vote was 7.32% in favor.

Objective – Climate Change and a Healthy Environment: Engage companies to adopt science-based targets for reducing greenhouse gas emissions, adopt technologies to monitor and reduce methane emissions, adopt new and cleaner energy technologies, promote efficiency, promote transparency in reporting, and protect consumers, particularly low-income consumers.

Delta Airlines (Dialogue)

Delta reported they are committed to working with the Science Base Target Initiative (SBTi) and set a target. The target is under old SBTi protocol, but company will look at net zero (1.5 degree) protocol once it is available for aviation. Goal includes 10 percent sustainable aviation fuel (SAF) use by 2030 and Delta joined the Race to Zero campaign announced in Glasgow that requires a science-based target for 2035 and a 2050 net zero ambition/pathway. A big hole in plans is scale up of SAF; pilot program with Chevron is part of their plans. 2030 goal for SAF is that half of supply will cut emissions by 85 percent with other half cutting emissions by at least 50 percent. Board has agreed to produce a report on climate lobbying and is regularly briefed on progress toward company's net zero strategy. Company later released its first climate lobbying report.

Chevron (Dialogue)

ICCR partners filed a proposal requesting that the Board oversee the preparation of a report analyzing a critical climate change concern, the reliability of Chevron’s methane emission disclosures. The report should: summarize the outcome of any efforts to directly measure methane emissions by the Company; provide investors with insight as to whether there is likely to be a material difference between direct measurement results and the Company’s published estimates of methane emissions; assess the degree to which any differences would alter estimates of the Company’s Scope 1 emissions.

DFMS participated in a call with company to discuss proposal and the need for more direct measurement of methane leaks and emissions. The company reported working to improve leak management and to implement more direct measurement. The company reports supporting methane regulations to improve practices across the industry. Investors asked if the company is considering joining the Oil and Gas Methane Partnership (OGMP) and implementing its direct measurement protocols; company is looking into it. The company will consider ICCR partner's request for a report. During a Climate Action 100 call with ESG and sustainability team, there was focus on the company's updated climate goals revolving around their competitive advantages, lower carbon assets, and their investments. The company believes they have a line of sight to reach their goal of reducing intensity, including scope 3 and growing their low carbon renewable fuels business. Ukraine conflict shows that there remains a role for traditional oil and gas, and they plan to stick with fuels even as they work on net zero scope 1 and 2 emissions over time--not pursuing "electrons" in their business. The company will be updating their lobbying information on their website rather than issuing new reports going forward at least a couple of times per year and will issue their new CSR report in May 2022. Uniquely, the Board supported the shareholder proposal in the proxy statement and the vote was 97.97% in favor.

Objective – Climate Change and a Healthy Environment: Engage companies, particularly in the energy and utility sector, to improve public disclosure and transparency in reporting presented by current and future company operations and products including company plans to manage carbon asset risk and comply with a regulatory scenario that holds global temperature rise below a 1.5/2-degree Celsius threshold.

NextEra (Resolution)

DFMS filed a proposal requesting that the Board conduct an evaluation and issue a report if, and how, NextEra Energy's lobbying activities align with the Paris Climate Agreement's aspirational goal of limiting average global warming to 1.5 degrees Celsius, and how the company plans to mitigate risks presented by any identified misalignments. A call was held to discuss the proposal. The company reported increased disclosure of trade association memberships, and asked what more investors would want to see. Investors noted that governance structure for lobbing activities and trade association memberships is not clearly stated. Investors are also looking for regular review of association climate positions and action taken on any misalignments with the goals of the Paris Agreement, as well as a clear statement that the company supports the goals of Paris. Resolution withdrawn after company agreed to increase disclosure of trade association memberships and to report on how their lobbying activities on climate issues align with the company's own long range (and Paris-aligned) plans to decarbonize.

During a follow up call with the company to discuss climate lobbying proposal, they described a "terrific" story about its decarbonization efforts and that the company on the record with its support for the climate/energy provisions of the Build Back Better bill. The company reported it doesn’t specifically tie public policy efforts to the goals of the Paris Agreement because of the partisan view of it in Florida. Each year their head of government relations reports on their trade association memberships to the CEO and the board is involved in annual review of spending. The company believes the Chamber is improving on climate issues and that other trade associations are well-aligned with climate policies and goals of company. During another call there was discussion on terms for a possible withdrawal including an online statement of their climate policy, an explanation of the board’s role in reviewing policy related spending and positions, and a review of trade associations. The Company later announced plans to reach "real" net zero emissions by 2045. The company claims that all other industry pledges include carbon offsets, making their pledge the only real net zero pledge in the industry. Using NextEra Energy's 2005 standard adjusted baseline, the company now plans to reach a carbon-emissions-reduction rate of 70% by 2025, exceeding its previous commitment. Under its Real Zero goal, the company would improve that carbon emissions reduction rate to 82% by 2030, 87% by 2035 and 94% by 2040 before striving to achieve Real Zero by no later than 2045.

UPS (Resolution)

DFMS filed a proposal requesting that the Board conduct an evaluation and issue a report describing if, and how, UPS’s lobbying activities align with the Paris Climate Agreement’s goal and how the company plans to mitigate risks presented by any misalignment. The company responded by noting their current disclosure of political and lobbying spending and their view that their level of disclosure is adequate to assure investors that they are supportive of climate action.

During a call with the company to discuss shareholder proposal, the company stated it believes they provide sufficient information on their lobbying activities, and they outlined their climate commitments. Shareholders explained that this report would give investors assurance that the company's lobbying activities align with its ambitious, Paris-aligned, climate goals. The company joins trade associations for many reasons, and despite the negative climate positions taken in the past by groups such as the Chamber of Commerce, UPS has been able to get supportive policies where it needs them "those positions haven't slowed us down." The vote was 33.23% in favor.

Valero (Resolution)

DFMS filed a proposal requesting that Valero issue a report within a year, and annually thereafter, that discloses near- and long-term GHG gas reduction targets aligned with the Paris Agreement's goal, and a plan to achieve them. Reporting should cover the company's full range of operational and supply chain emissions. Investors met with the company to discuss the shareholder proposal, but the company was not comfortable sharing plans where it does not have a line of sight to meet. Investors noted that many companies are sharing long-term ambitions and noting where there are current gaps in technology as a way to show commitment to making the transition where not all details are yet known. Investors also noted this was a Climate Action 100+ engagement with Valero company on the company's lack of long-term emissions targets and the company's plans to increase its production of biofuels. The company stated it doesn't want to risk "greenwashing" in setting aspirational long-term targets and believes that some of its peers are doing so. Valero is spending about 60 percent of their growth capital on expanding their capacity to produce biofuels and is the largest US producer (includes ethanol as well as biodiesel), but they are expanding because they see the market potential in these products. Investors asked about reporting of scope 3 emissions, and they noted that they lack control over product use and emissions are hard to estimate.

Company presented its case for a vote against ICCR partners proposal to the Climate Action 100+ engagement group. They believe proposal is trying to "cookie cutter" the company into a business strategy: they believe that their fossil fuel business is resilient, plan to assess it under the IEA Net Zero scenario this summer in an addition to their climate report. They believe that any long-term target risks greenwashing, which they try to avoid. Investors noted that we understand long term targets are aspirations, not specific road maps, but show company recognizes long-term reality. The corporate secretary made the remarkable claim that company "was aligned with Paris when Paris was being written." The vote was 47.11% in favor.

During a follow up call with corporate secretary and head of ESG to discuss the proposal, the company announced that they will be updating its climate report in 2022 to include a full analysis using the IEA Net Zero scenario but are still not at a point where they can update their targets or report scope 3 emissions. They note that 70 percent of their growth capital expenditure is going to their renewables business and that they have a major investment in a CCS project for their Gulf Coast refining operations. As is typical, the company made the argument that they are low-cost operator, have already sold or retired their least efficient assets, and expect to be refining petroleum products as "last company standing" into mid-21st-century.

Objective – Climate Change and a Healthy Environment: Engage financial institutions to ensure *commercial lending and investment policies address socioeconomic and environmental concerns, particularly climate change, water stewardship, pipelines, financing in their lending practices.*

American International Group (Dialogue)

ICCR partners filed an early resolution asking for climate lobbying disclosures. DFMS joined in dialogue with the company to discuss what investors are looking for in a report, highlighted key differences between political spending reporting (note that company has paused contributions indefinitely) and lobbying and why this is seen as a risk and a key metric for companies. After the call investors shared resources and examples with the company. The resolution was later withdrawn because company has agreed to issue a climate lobbying report in 2022. Company shared their plans to issue a report in 2022 that includes a full list of their trade association and an evaluation of how their positions on climate issues align with the goals of the Paris Agreement, plus new disclosures regarding their governance of lobbying activities and trade association memberships. Their first climate lobbying report was issued in May 2022.

Objective – Climate Change and a Healthy Environment: Engage companies to ensure positive community impact of company operations on society, local economy and environmental concerns are appropriately assessed and transparently reported (sustainability reports) including environmental justice concerns and the impacts on the most vulnerable such as: women, indigenous persons, and people who are impoverished.

Chewy (Dialogue)

The company was asked to start providing a sustainability report and disclose information on ESG issues. The letter included reasons to disclose, peer analysis of disclosing, and frameworks to view for proper reporting techniques.

Corporate Governance and Accountability

Objective – Diversity on Corporate Boards of Directors: Engage companies to address board diversity to include women and people of color. Engage companies to address income inequalities, racial disparities, and other human capital issues to promote a just society.

Elevance Health (fka Anthem) (Resolution)

DFMS filed a proposal urging Anthem's board of directors to oversee a third-party audit which assesses and produces recommendations for improving the racial impacts of its policies, practices, products, and services, above and beyond legal and regulatory matters. The vote was 41.24% in favor.

Johnson & Johnson (Resolution)

DFMS filed a lobbying alignment resolution asking for a third-party report on how JNJ's lobbying activities align with the company's position on Universal Health Coverage. The company. Investors will send them examples from Bayer and Shell. The company indicated they may be willing to look at interim measures but are unlikely to commission a full report. They believe their current disclosure is more than sufficient. Dialogue will resume after they have reviewed the example reports. The vote was 62.64% in favor.

2023 Engagements

The Domestic and Foreign Ministry Society of The Episcopal Church (DFMS) advocacy work consists of multiple engagement methods including company dialogues, filing resolutions, and sending letters. For the 2023 proxy year, DFMS conducted 48 engagements at 43 different companies, and filed 15 resolutions. This report provides a summary of activity in the 2023 proxy year, including those actions taken by Mercy Investment Services, Inc. and Heartland Initiative, our contractors for socially responsible advocacy efforts.

Human Rights

Objective–Sex Trafficking: Engage companies on with best practice standards to mitigate labor trafficking child and women sexual trafficking. Engage companies to address online child sexual exploitation.

Delta Air Lines (Dialogue)

Held dialogue with Delta to discuss its ongoing response to the Covid-19 pandemic and how the company supports employee's holistic health and well-being. Throughout the pandemic, Delta provided close to two million free tests to associates and their families and helped provide over 500k vaccines to staff and communities. Delta reported that the company continues to support its associates by providing free Covid testing, free masks, and up to 10 days of Covid paid leave if an employee contracts the virus. Delta noted that about 94% of its workforce is fully vaccinated and it continues to track infection, hospitalization, and vaccination rates. In 2022, Delta created the Flourishing Index Survey and conducted over 200 interviews across the Company to better understand how to provide equitable benefits and support worker well-being. In response to this feedback, Delta is expanding the number of free counseling sessions from 7 to 12 and in 2023, will partner with a concierge provider to help staff navigate their healthcare plans, benefits, and billing. Delta confirmed that all benefits are available to part- and full-time associates, as well as Ready Reserve employees.

Delta announced that its raising employee pay an additional 5% effective April 1, 2023. The pay raise applies to ground workers and flight attendants.

In July 2023, shareholders had a call with Delta to discuss the Company's work on human rights in the supply chain, trafficking prevention, DE&I initiatives, and worker well-being. Delta reported that since it began its trafficking prevention, the company has trained over 100k current and retired employees with 60k active employees who are currently being trained. Delta continues to work with Wellspring Living to provide apprenticeship opportunities to trafficking survivors and it is exploring partnering with other airlines to help relocate labor trafficking survivors as well. The company began using EcoVadis in 2022 to assess Tier 1 suppliers on social and environmental factors, including human rights. To date, about 280 suppliers have undergone an assessment and about 80% received a good rating, 19% need improvement, and 2% do not have any policies in place. Delta reported plans to do these assessments yearly to gather data and identify trends, and the next target group will be vendors with manufacturing suppliers. It switched to Gap/GPS Apparel to source its uniforms and has embedded human rights expectations into the contracts.

On DE&I, Delta reported using an equity lens and closing representation gaps, rather than just focusing on specific percentage representation targets. It is developing a 2023 DE&I strategy that will include a focus on Hispanic representation and addressing the challenges for closing the representation gap for Black talent in leadership positions. The company continues to evaluate incorporating DE&I metrics into executive compensation, but said the metrics are not the most useful lever for driving change in the organization now.

Finally, the company discussed employee well-being noting that it is using the MIT Living Wage Calculator to evaluate its pay scale structure and identify equity gaps which resulted in the implementation of a higher cost of labor pay-scale for locations with higher costs of living and labor. Delta is conducting an annual assessment of wages and the pay-scale to identify and remediate any gaps. Additionally, Delta adapted the Flourishing Index to its own employee survey and will benchmark year-over-year progress in terms of participation and response trends. In the first year, financial wellness was the lowest scoring area, so Delta invested resources to improve its workers' financial wellbeing. It noted that employees use, on average, 8-10 of their free mental health visits per year and all U.S. employees have access to the backup care program.

United Airlines (Dialogue)

Dialogue with United Airlines covered updates on the company's trafficking prevention training, implementation of its human rights policy, and DE&I commitments. The company reported it has trained over 50,000 employees in trafficking prevention and continues to engage with the Department of Homeland Security on best practices. In the area of human rights in the supply chain, United reported it has embedded expectations on human rights into its standards contact clauses and the Request for Proposal (RFP) process with suppliers. The company is evaluating implementing a third-party supplier risk management process that would include a compliance and audit process. On DE&I, United noted it is trying to take a data-informed approach to setting goals and measuring progress. The Company currently focuses on building diversity in its pilot and technician training programs, with the goal that by 2026, one thousand technicians will go through the apprenticeship program and at least 50% will be women or Black, Indigenous, and People of Color (BIPOC).

United Airlines has also reported it has embedded its Human Rights Policy Statement into its annual ethics training. The company stated it has added provisions in supplier contracts to address human rights risks (*e.g.,* debt bondage, ethical recruitment processes, no recruitment fees) and site visits to supplier facilities are part of the vetting and compliance verification process.

This year, United Airlines released its 2022 ESG Report. On human rights, the report notes that, since 2018, United has trained over 52,000 employees on human trafficking awareness and prevention, and that it has established procedures in the procurement process to ensure suppliers comply with regulations and its Human Rights Policy. Unfortunately, the report does not include new disclosure about the company's human rights due diligence efforts, and the Anti-Slavery & Anti-Human Trafficking Statement are from 2021.

On DE&I, the report highlights that over 90% of new-hire interview slates for management and administrative roles in 2022 contained diverse candidates, and the company has achieved near-perfect pay equity for employees of all genders and races. United has doubled its diverse supplier spending year over year with the goal of doubling it again in 2023. United was listed in the Disability Equality Index's 2022 list of best places to work for disability inclusion. Finally, the company is disclosing its Equal Employment Opportunity (EEO-1) data and has committed to publishing an annual EEO-1 report.

Redacted (CONFIDENTIAL Dialogue)

Dialogue with [redacted] to discuss the company's ongoing work to identify and prevent child sexual abuse material.

Meta Platforms, Inc. (Resolution)

DFMS filed a resolution requesting that, within one year, the Board of Directors adopt targets and publish annually a report assessing whether Meta Platforms, Inc. has improved its performance globally regarding child safety impact and actual harm reduction to children on its platforms. The resolution received 16.28% of the vote at Meta's annual general meeting.

In addition to the vote, DFMS partners attended the annual general meeting and asked a question regarding how the Company is incorporating considerations of child rights and potential risks, including online sexual exploitation, into the design and implementation of the Metaverse and Meta's virtual reality platforms and spaces. Unfortunately, the question was not addressed by the Meta during the Q&A session.

Visa Inc. (Dialogue)

DFMS participated in multiple dialogues with Visa discussing policies and risk management systems in relation to child sexual exploitation and child sexual abuse material. Visa's business model is a network that connects cardholders to merchants through financial institutions; these institutions, or 'acquiring banks,' are Visa's clients and are subject to Visa's rules and standards regarding high-risk transactions. These include all acquiring banks in Visa's network are now expected to conduct due diligence on their merchants, and if an acquiring bank engages in high-risk transactions, such as adult entertainment, they must also register with Visa for a high-risk liability license. Visa then uses internal quality control and monitoring systems to flag any potential illegal activity. If illegal activity, such as child sexual abuse material, is found, Visa investigates and implements a remediation process on the acquiring bank that could include applying financial penalties, requiring an independent review/audit of risk controls, non-compliance assessment, or termination of the business relationship if remediation is not possible. Visa recently amended its policies with acquiring banks to require that merchants in the adult entertainment sector verify age and consent before content is produced or uploaded, implement a content review process, and implement a grievance/complaint mechanism. Because adult entertainment is legal, Visa noted the challenge of needing evidence that illegal activity has occurred before it can act with the acquiring bank.

In a follow up dialogue, Visa continued the discussion on its due diligence processes to ensure its credit cards and services are not used to purchase and perpetuate child sexual exploitation online. As previously discussed with Visa, the company updated its merchant acquirer guide in August 2022 to strengthen expectations, including that the acquirers will require merchants to verify age and consent in the adult entertainment sector, as well as to implement grievance mechanisms for anyone depicted in child sexual abuse material, or other non-consensual material. To verify the acquirers' compliance with this new guidance, Visa has an audit control process that includes reports from 'secret shopper' companies that flag potential violations. Visa also works closely with global law enforcement agencies and non-governmental organizations, including the National Center for Missing and Exploited Children and the National Center on Sexual Exploitation (NCOSE), to help flag issues. If Visa receives information indicating a potential violation, it investigates the acquirers, which could include suspension or termination. The company's Audit & Risk Committee has oversight at the board level and receives regular updates from the Chief Risk Officer. Visa also shared that effective March 2023, it will join the Internet Watch Foundation, a multi-stakeholder initiative focused on ending child sexual exploitation online.

Later in the year, Visa emailed investors and responded to some outstanding questions from shareholders in the last dialogue with the company. The email noted that Visa joined the Internet Watch Foundation (IWF) in March and that members of the company's risk team are engaged with IWF. It also included a summary of the changes made to the Visa Integrity Risk Program that require acquirers and their merchants to verify legal age and consent of anyone in the adult entertainment industry, implement monitoring mechanisms for uploaded and live-streamed content, and apply grievance and reporting systems to take down and resolve any noncompliant contact.

In Visa's 2022 ESG Report, investors noted the inclusion of a section on transaction integrity with a high-level overview of the company's Integrity Risk Program that establishes controls, requirements, and compatibilities to deter, detect, and remediate any non-compliant transactions across Visa's network. The report does not include any detail on the updates that Visa made to strengthen its acquirer standards to help prevent child sexual abuse material and online sexual exploitation and does not detail Visa's participation in the Financial Coalition Against Child Sexual Exploitation.

Objective – Labor Trafficking in Workplace & Supply Chain: *Engage companies on efforts to ensure* *compliance with human rights standards in their own workforce, supply chains, including outsourced labor brokers, requirements in subcontractor contracts, compliance audits and performance/ improvement measurement. Address a focus on mental health issues.*

Kroger (Dialogue)

ICCR partners filed a resolution with Kroger asking that the Board publish a report on whether the company participates in compensation and workforce practices that prioritize company financial performance over the economic and social costs and risks created by income inequality and racial and gender disparities. The company did not speak with investors and the resolution was omitted from Kroger's proxy after the Company won an SEC challenge.

A March press release indicated Kroger will invest an additional $770 million in its associates in 2023. This investment will be used to raise average hourly wages, improve health care options, build new training and development opportunities, and expand other benefits and services for associates.

DFMS participated in a May 2023 call with Kroger regarding the Company's progress to survey suppliers and set a sustainable agriculture commitment. Investors asked about Kroger's responses to recent reporting about the prevalent use of migrant child labor in the U.S., especially in the food processing in manufacturing sectors. The company is working with the Equitable Food Initiative and Ethical Charter on Labor and Human Rights Standards for the produce sector, which should be rolled out later in 2023. The company noted that it conducted a Human Rights Impact Assessment (HRIA) of its mixed greens suppliers in California to identify human rights risks and recommendations for improvement. More information on the HRIA will be disclosed in the Company's next ESG Report.

Kroger received the 2023 Gold Bell Seal for Workplace Mental Health from Mental Health America. The Bell Seal is a certification that recognizes employers who create mentally healthy workplaces for all its associates and Kroger received this award based on its strong wellness programs, including benefits and perks to support associates' mental health.

Procter & Gamble (Dialogue)

DFMS joined the work of the CCLA (Church of England investment management) Mental Health Initiative that sent investor letters to global companies, including Proctor & Gamble, based on the results of the 2022 Global 100 Mental Health Benchmark. The letter outlines the business case for providing mental health benefits to employees and asks companies to implement effective management systems, including publicly acknowledging workplace mental health as an important issue, signal board and senior management commitment to promoting mental health in the workplace, publish a commitment and set objectives to improve workplace mental health, and report annually on progress.

The Company responded in writing to the investor letter regarding its ranking in the 2022 Global 100 Mental Health Benchmark. The company outlined its approach to mental health as part of its broader wellbeing business strategy, "Be at my Best." Through its Vibrant Living Program, the Company provides employees benefits and services on fitness, nutrition, mental and emotional resilience, and health and education training. Proctor & Gamble has a personalized Wellness Assessment to help guide employees on their health and wellbeing journey, Global Standards for Employee Health & Wellbeing, and a Network of Mental Health First Aiders who are employees trained to provide help and support on issues of mental health and wellbeing. The company noted that it has a Corporate Wellbeing Strategy supported by a committee of senior leaders including Wellbeing Core Standards. Proctor & Gamble is investing in training to build manager capability for addressing mental health issues and supporting employees.

Elevance Health, Inc. (Resolution)

DFMS co-filed a resolution urging Elevance Health's Board of Directors to oversee a third-party audit which assesses and produces recommendations for improving the civil rights impact of its policies, practices, products, and services. In a call with the Company, investors learned that Elevance Health has reached out to the Business for Social Responsibility (BSR) to do a health equality materiality assessment. Investors discussed the scope, shareholder involvement, and other specifics of what that assessment would entail. Shareholders reached an agreement with the Company, so the resolution was withdrawn.

A later press release from the Company about the Racial Equity Audit discussed the scope, partnerships, and auditor.

Objective – Conflict Affected and High-Risk Areas: *Engage companies with direct or value chain activities in conflict-affected and high risk areas in areas of civil and/or labor strife or racial disparagement (e.g., Democratic Republic of Congo, Israel/Palestine, Russia, Myanmar, Xinjiang Uyghur Autonomous Region (XUAR), China, U.S./Mexico border) on heightened human rights due diligence processes to help ensure they are not directly or indirectly financially benefiting repressive regimes and/or armed groups or engaged in repressive practices impacting vulnerable populations (e.g., human rights defenders, workers, indigenous peoples). impacting Indigenous peoples. Develop Human Rights Screen for Israel/Palestine and conflict affected areas such as Burma/Myanmar, Russia, XUAR, Sudan etc.*

Note: all engagements in this objective are supported by Heartland Initiative.

ABB Ltd. (Dialogue)

Heartland reported this year that after several unsuccessful attempts to engage the Company in dialogue about the Occupied Palestinian Territories (OTP) as well as other conflict-affected and high-risk areas, the proposed engagement should end. That said, ABB Ltd. did reach an agreement in September 2022 to sell its remaining stakes in Hitachi Energy, which owns and operates the solar energy projects in Moroccan-occupied Western Sahara.

Booking Holdings, Inc. (Dialogue)

Heartland reported engaging Booking Holdings on its human rights and material risks in the Occupied Palestinian Territories and other conflict-affected and high-risk areas with the lead, Wespath. After promising to start the development of a new global human rights policy, led by consultant Business for Social Responsibility (BSR), the company has reneged on several key commitments, including removing "human rights risks" from certain "controversial" geographies; abandoning international legal terms (e.g., occupied territory); and providing a list of what the company considers conflict-affected and high risk. Subsequent conversations with Booking Holdings staff and the lead failed to address investor concerns regarding changes to the partially released public policy or the state of the "evolving" policy. Communication with the company has broken down. As a result, Wespath is planning to file a shareholder resolution that will seek to address deficiencies in Booking Holding's global human rights policy and corresponding set of practices. Wespath will work with coalition members to build support for this resolution.

Booking Holdings has added travel warnings to listings in the Occupied West Bank. The new alert urges customers searching for rentals in Israeli settlements to review their government's travel advisories before booking in the area. The warning also appears for a few other conflict-ridden regions around the world, including the separatist Nagorno-Karabakh region partially occupied by Azerbaijan.

Chevron Corporation (Dialogue)

Heartland reported meeting with Chevron in the fall of 2022 to discuss the company's ownership of 15% of the Caspian pipeline, given that 13% of the pipeline oil is Russian. The company stated it is working with BSR and Maplecroft on tools for conflict risk reviews. Although exploring a different route is a possible outcome, it is extremely hard geographically and expensive for Chevron to build. Chevron stated it is seeking to look at a more systemic approach to the region.

Investors exchanged emails with Chevron concerning the militarization around the port of Novorossiysk where the CPC pipeline ends. The company feels there is good freedom of movement and transit, yet media reports missiles being launched from that area. Additional questions have been proposed for discussion around risk thresholds for suspension of operations and financial implications of the payments from the pipeline.

Shareholders wrote Chevron an email asking it to evaluate the ability to ensure facilities are not used in war crimes by the Russian military, oil being transported by the pipeline is not involved in war crimes, and how it is working with business partners to adhere to international human rights principles. The company responded and said that its oil is not involved, and it works to apply laws and regulations.

With DFMS as lead, investors continue to engage with the company given its multiple conflict-related risks including the sale of shares in the Yadana pipeline in Myanmar to Canadian company MTI. While the coalition developed a positive working relationship with Chevron staff, the company has failed to address the original shareholder resolution, namely the development and implementation of policy, practice, and governance related to conflict- and human rights-based risks. DFMS and their partners plan to file a shareholder resolution focused on the company’s conflict-related and human rights risks in Angola, China, Iraq, Nigeria, Saudi Arabia, Venezuela, and in the Eastern Mediterranean and will seek to build a broader coalition of investors to support the effort.

Cisco Systems (Dialogue)

DFMS joined a coalition led by Wespath to engage Cisco Systems concerning its ongoing operations in Russia and value chain partnerships with other rights-violating states. Topics include its role in developing IT infrastructure in occupied territories, and its exposure to forced labor in Xinjiang Uyghur Autonomous Region, China.

Heartland reported a first and positive call with Cisco’s business and human rights manager in July 2023 concerning the Company’s lessons learned from the Russian invasion of Ukraine and its ongoing human rights risks related to partnerships with rights-violating states (e.g., Saudi Arabia, UAE), development of ICT infrastructure in occupied territories (e.g., OPT, Golan Heights, Northern Cyprus, South Ossetia/Abkhazia, Transnistria), and forced labor in its supply chain (e.g., via companies in Xinjiang Uyghur Autonomous Region). Following this preliminary call and Cisco’s staff commitment, a series of follow-up calls are being planned with the next one taking place in the Fall of 2023.

Expedia Group (Dialogue)

For two years, DFMS has been working in a coalition with the Presbyterian Church (USA) on an engagement with Expedia Group concerning the company's conflict-related risk in the Occupied Palestinian Territories and other areas of conflict. As with Booking, Expedia has hired BSR to develop a global human rights policy and plans to release it this year.

Expedia staff reported that BSR's human rights saliency assessment prioritized two salient issues for the Company: human trafficking, and operations in conflict-affected and high-risk areas. Since this initial process, the investor coalition led by Presbyterian Church (USA) has held two meetings with company representatives. However, unlike Booking, Expedia has not shared drafts of the new global human rights policy with investors, and the company remains unsure of when it will be published, leading to increased concerns that the company may pursue and release an inadequate policy. The next call with Expedia is planned for Fall 2023.

General Mills (Dialogue)

In a dialogue with General Mills, investors discussed the sale of joint venture at the Atarot plant. The Company reports that none of its products will be sourced from the Atarot Plant and future products from the plant will not be marketed under the Pillsbury name. DFMS has worked with Friends Fiduciary to engage General Mills on its direct and value chain risks in conflict-affected and high-risk areas, primarily in Southeast Asia and the Occupied Palestinian Territories.

Following the sale of General Mills' factory in the Israeli-occupied West Bank and due to staff capacity limitations for the lead investor (Friends Fiduciary) there has been a decision to sunset this engagement.

Heidelberg Materials (f/k/a Heidelberg Cement) (Dialogue)

Heartland reported that the engagement resumed after the coalition lead, Wespath, filed a shareholder countermotion at the Company's annual general meeting in the summer of 2021. Issues of particular concern to the investor coalition, including operations in the Occupied Palestinian Territories, Western Sahara, Indonesia, and Ukraine, have been raised at successive annual general meetings by the coalition's German partner, Ethical Shareholders Germany. In follow-on conversations with the company, investors met with the new human rights program officer (a former jurist from Colombia with extensive human rights expertise), discussed the company's reporting requirements under the new German Supply Chain Act, and explored ongoing concerns, including the pending sale of the Nahal Raba quarry in the Occupied Palestinian Territories, the expansion of operations in Western Sahara, and the reticence of the company to release its environmental and social impact assessment report to stakeholders in Indonesia. Another conversation is planned for Fall 2023.

JPMorgan Chase (Dialogue)

After an initial letter requesting dialogue, JPMorgan Chase agreed to meet with investors. Topics included trying to better understand how the Company conducts due diligence in conflict-affected areas, how it is managing Russian president Putin's Partial Mobilization Order, and what post-war plans it has for Ukraine. The Company indicated it has procedures, but none are specific to conflict-affected areas, nor are they publicly displayed.

During a meeting, JPMorgan Chase noted that it is taking a “fresh look” at human rights and the specific concerns of conflict zones. It is looking to do a human rights saliency mapping project to learn, as it has with climate lending. The earlier letter to shareholders noted that the Company is aware of the geopolitical risks threatening the business and that it aims to look deeper into these risks. However, it is not clear if the Company will conduct an internal or external review. The Company will get back to investors on their questions concerning staffing in Russia and agreed to meet again.

Investors led by Miller Howard sent a follow-up letter asking for calls twice a year and sent resources and questions for the next dialogue focused on both board skills in conflict-affected and high-risk areas and the use of outside experts to assess those situations.

Keysight Technologies (Resolution)

DFMS filed a shareholder resolution with Keysight Technologies following the Russian invasion of Ukraine, highlighting concerns over the Company’s sale of deep packet inspection equipment used to surveil and censor the internet to the Kremlin as well as electronic warfare simulation software to the Burmese and Chinese governments. In exchange for a withdrawal of the resolution, the company agreed to: (1) update its Human Rights and Labor Policy to address human rights impacts associated with customer use of Keysight's products and services including access to remedy; (2) train relevant staff on end use risks and basics of human rights due diligence in sales; (3) add human rights review to the customer screening process; (4) if any red flags are identified as a result of the human rights customer screening process, a steering committee will review to determine course of action (e.g., approve the sale, approve the sale with conditions, reject the sale, suspend business, stop business); and (5) agree to two calls with the investor coalition in 2023 to discuss progress.

The coalition had its first update in July 2023, and the company detailed specific changes to its policy, reporting on external experts that were brought in to assist in the process, training programs conducted to date, and steps taken to integrate human rights into the company's know-your-customer due diligence process.

Siemens (Dialogue)

Heartland reported it will sunset this engagement due to changes to the corporate structure of the company. A dialogue was originally proposed prior to Siemens split with Siemens Energy, which is exposed to several conflict and human rights related risks due to its operations and relationships with Western Sahara, Russia, Golan Heights, China, and other conflict-affected and high-risk areas.

TripAdvisor, Inc. (Dialogue)

Heartland reported that of the three parallel engagements with online tourism companies, TripAdvisor is the least robust and most disappointing. Unlike Booking Holdings and Expedia, the Company hired a marketing firm (versus an organization with expertise in business and human rights) and developed a generic and substandard human rights "policy."

Following the release of Expedia's global human rights policy, DFMS will lead a coalition of investor partners to reach out to the company to discuss how its current policy compares to its peers with an emphasis on deficiencies in conflict-affected and high-risk areas and related risk prevention and mitigation. Should TripAdvisor remain unresponsive, DFMS and its partners will consider filing a shareholder resolution in 2023.

Health and Health Care

Objective – Opioid Epidemic: *Engage opioid manufacturers and distributors about their corporate policies on the marketing or promotion of drugs that lead to addiction and how the company takes responsibility for these practices.*

AmerisourceBergen and Cardinal Health (Dialogue)

The Investors for Opioid and Pharmaceutical Accountability's (IOPA) Opioid Risk Disclosure Toolkit was sent to both AmerisourceBergen and Cardinal Health for input. The company did not respond but DFMS partners have decided to sunset both the AmerisourceBergen and Cardinal engagements due to the disbandment of the IOPA and the termination of the risk-management workstream.

CVS Pharmacy, Inc. (Dialogue)

Despite investors' hopes for further dialogue, DFMS partners have decided to sunset this engagement due to the disbandment of the IOPA and the termination of the risk management workstream.

Objective – Gun Safety: *As a public health issue, engage gun manufacturers to adopt more smart technologies for weapons and retailers to restrict which weapons they sell and under what conditions; engage both to adopt the Sandy Hook Principles, which protect the rights of gun ownership and the rights of citizens to be safe and secure; and to report on their lobbying activities and expenses for gun rights; Determine when to invest in gun manufacturers to change corporate behavior; Engage industries such as credit card companies, shipping companies, and financial institutions on their impact on the epidemic of gun violence in the United States.*

Sturm, Ruger & Company (Resolution)

DFMS filed a shareholder resolution with Sturm, Ruger & Company urging the Board of Directors to oversee a third-party Human Rights Impact Assessment (HRIA) which assesses and produces recommendations for improving the human rights impacts of its policies, practices, and products, above and beyond legal and regulatory matters.

During a call with the company regarding the marketing resolution, investors reiterated their hopes that the company would conduct the HRIA for which shareholders won a majority vote in FY22. The General Counsel, who was present at the meeting, would not speak on the HRIA, citing fair disclosure and confidential information, characterized as forward-looking statements. Shareholders know nothing regarding the resolution other than that the issue was in front of the board. With regards to the marketing resolution, the General Counsel pointed investors towards the Gun Safety Report—which was the report resulting from shareholders' first successful resolution—for their edification on the company's responsible practices. Based on this report, the company's general counsel sees the marketing resolution as inappropriate and noted that the company's small legal team has limited capacity to deal with shareholder resolutions. Despite the company sending over marketing materials post-meeting, investors decided to not withdraw. The resolution received 26.52% of the vote at Sturm, Ruger's annual general meeting.

Smith & Wesson Brands, Inc. (Resolution)

Last year, shareholders filed a resolution with Smith & Wesson Brands, Inc. requesting that the Board of Directors adopt a comprehensive policy articulating its commitment to respect human rights, which includes a description of proposed due diligence process to identify, assess, prevent, and mitigate actual and potential adverse human rights impacts. The resolution received 41.77% of the vote at the September AGM.

This year, DFMS filed a resolution directing Smith & Wesson Brands, Inc.'s Board of Directors to oversee an independent third-party Human Rights Impact Assessment (HRIA) to assess and produce recommendations for improving the human rights impacts of its policies, practices, and products, above and beyond legal and regulatory matters. Investors had a call with the company to discuss the HRIA resolution and the corporate secretary asked shareholders for examples of companies that would conduct such an assessment, as well as completed assessments Smith & Wesson Brands, Inc. could look at. Investors shared these lists after the meeting.

Mastercard Inc. (Dialogue)

In the Fall of 2022, Mastercard and other payment networks announced that they would adopt the International Organization for Standardization's (ISO) new Merchant Company Code (MCC) for gun sales. This past March, investors learned that Mastercard, along with other payment networks, would pause implementation of the new MCC for gun merchants. According to the Company, it did this "due to proposed legislation in several U.S. states related to ISO's newly issued MCC for gun and ammunition shops."

So far, seven states have banned the use of MCC code through legislation. Using MCC for firearms prevents legal risks for Mastercard and customers. The Company has adopted a "wait and see" approach with the legal battles to come. Investors will circle back on this issue in future dialogues.

Care of Creation

Objective – Water and Healthy Communities: *Engage companies on science-based water stewardship targets and the human right to water, in their operations and their supply chains with a focus on the Ceres 'Valuing Water' initiative.*

Campbell Soup (Dialogue)

Dialogue with Company included discussion of its recent climate scenario analysis, which considers drought and precipitation. The company reported that it has not fully integrated information from its water assessment into an action plan but continues to push ahead on direct and manufacturing water goals. The Company reported starting to focus on integrating its science-based target as a priority in ESG reporting while also hiring a full-time supply chain lead on its ESG team who will address water in addition to climate change. Campbells has conducted a 2022 Supply Chain Water Assessment and is taking that information to suppliers to implement changes needed.

Constellation Brands, Inc. (Dialogue)

In a dialogue with Constellation, investors learned it will be conducting a direct operations water risk assessment to assess 10-12 facilities. Additionally, the company reports that between fiscal year 2023 and fiscal year 2025, it has a target to restore approximately 1.1 billion gallons of water withdrawals from local watersheds, while improving accessibility and quality of water for the communities where it operates. The company announced financial support to a two-year commitment to The Nature Conservancy to preserve watershed areas in California. With regards to the water risk assessment, Constellation notes it is in the initial stages of engaging suppliers to help understand its practices and risks and that it will set targets based on that assessment of its supply chain risk.

Coca-Cola (Dialogue)

Engagement this season with Coca-Cola included a meeting where the company discussed adding new sustainability goals to long-term incentives in executive level pay, including metrics for its water targets, world without waste (plastic reduction program) and a science-based climate target. The Ceres Valuing Water Initiative is coordinating the next steps for an engagement team for Coca-Cola.

Coca-Cola released its 2022 ESG Report in which it stated a goal of achieving 100% regenerative water use across its 175 facilities identified as high levels of water stress by 2030. Additionally, Coke stated its goal of returning two trillion liters of water to nature and community globally by 2021 and 2023. In 2022, the Company returned 159% of water used in 2022 as well as joined the Open Call to Accelerate Action on Water, a collective action to achieve positive water impact in 100 vulnerable water basins by 2030. The Company has also helped develop a standardization methodology to measure the benefits of Water, Sanitation and Hygiene (WASH) projects and guidance to turn commitments into integrated business practices.

Objective – Climate Change and a Healthy Environment: *Engage companies to adopt science-based targets for reducing greenhouse gas emissions, adopt technologies to monitor and reduce methane emissions, adopt new and cleaner energy technologies, promote efficiency, promote transparency in reporting, and protect consumers, particularly low-income consumers.*

Ameren (Resolution)

Engagement with Ameren included a resolution requesting a report disclosing Scope 1 and 2 operational greenhouse gas targets in the short, medium, and long term aligned with the Paris Agreement's goal of maintaining global temperature rise at 1.5 degrees Celsius. Since filing the resolution, investors met with Ameren to discuss their climate lobbying expectations and the Scope 1 and 2 resolutions as well as the company's scope 3 emissions. Although the company has increased the ambition of its targets and is in the process of developing a new integrated resource plan, the resolution asks Ameren to increase its ambition in relation to peers' accelerating coal retirements. The resolution was challenged and denied by the SEC. The lead filer submitted a proxy memo urging other Ameren shareholders to vote for the GHG Report resolution.

In a follow-up call Ameren noted that it believes its current targets are 1.5C-aligned but investors reminded the company that electric utilities need to be the first movers to reduce emissions and that the company's goals are lagging its peers. The company sees transmission shortfalls and a need for upgrades as a barrier to greater adoption of renewables.

The resolution received 13.79% of the vote at Ameren's annual general meeting. The Climate Action 100+ initiative recently announced that Ameren will be added to the initiative as it begins its second phase.

Chevron Corporation (Dialogue)

In the spring of 2023, investors had a call with Chevron to discuss new energy sources, emissions targets, and climate disclosure. Shareholders asked if the Company was considering an increase in capital expenditure for new energy sources. Chevron's current spending on new energy sources is about 10% and is giving priority to low-carbon spending as well as return on investment—which is problematic for less mature energy sources. Much of Chevron's spending goes toward lower carbon oil and gas production, such as assets purchased from Noble. The company is looking to expand efforts in carbon capture; its current spending is low but the company thinks that carbon capture will have a big impact. Chevron did not meet its emissions targets last year and reports ramping up efforts this year to drive down the carbon intensity of assets it operates and has an equity stake in. On disclosure, it is waiting to see what the SEC will require. The company is currently in conversation with Oil and Gas Methane Partnership 2.0 about concerns with its framework but is still working independently to increase direct measurement of methane emissions.

The meeting ended with the company adding that it does not plan to increase reporting on climate lobbying because it does not think investors need the information and large investors are not asking for such reporting. One of the Climate Action 100+ leads for Chevron filed an exempt solicitation with the SEC urging fellow shareholders to vote against key directors due to the company's lack of response to the 2021 majority vote on climate lobbying, resulting in a slight drop in support for those directors.

Delta Air Lines (Dialogue)

The Climate Action 100+ engagement team met with Delta to discuss implementation of new science-based targets, investments in sustainable aviation fuel, company lobbying activities and the impact that the Inflation Reduction Act (IRA) may have on the company. Delta needs to increase its use of Sustainable Aviation Fuel (SAF) from the current level of five million gallons per year to three billion gallons by 2030 to meet its goal of 10 percent usage. This is a huge increase, and the IRA will help, but the company notes that the IRA will not support supplies in the long term. The company continues to see the "glide path" in its 2022 ESG report as its pathway to net zero and includes its mid-term science-based target. Investors requested more details about how and where the company is spending additional capital expenditures to support its plans. Investors asked if there will be update of their 2022 climate lobbying report in the new year and were assured that it will happen.

Marathon Oil Corporation (Resolution)

DFMS filed a resolution requesting that Marathon Oil issue a report analyzing a critical climate change concern, the reliability of its methane emission disclosures. The resolution was withdrawn after Marathon agreed to provide new disclosure and commentary in its forthcoming Sustainability Report, which will be published by the Fall of 2023 and will outline its efforts to reduce methane emissions intensity and the reliability of its methane emission disclosures. Investors felt that this report is consistent with the resolution.

Phillips 66 (Dialogue)

The company reached out to investors to update them on ESG work and its sustainability platform. During the dialogue, investors called for increased information on methane disclosure.

DFMS met with a member of the Phillips staff. Investors discussed the need for authentic community engagement in South Louisiana and elsewhere. The company indicated that it believes the measures it takes are sufficient and investors reminded the staff that the community disagrees. It is aware of the beginning of a broader engagement in Mossville, Louisiana which it will be part of. The company pointed investors to the Lake Area Industry Alliance as a possible forum to bring the community and industry together.

Objective – Climate Change and a Healthy Environment*: Engage companies, to improve public disclosure and transparency in reporting presented by current and future company operations and products including company plans to manage carbon asset risk and comply with a regulatory scenario that holds global temperature rise below a 1.5/2-degree Celsius threshold.*

[Redacted] (Resolution – CONFIDENTIAL)

DFMS worked closely with CCLA (Church of England investment management firm) in a confidential engagement with an energy company.

Nucor Corporation (Dialogue)

Call with Nucor to discuss investor concerns regarding the Company's long-term greenhouse gas targets. The company believes it is the most sustainable North American steelmaker because of its electric arc-based steelmaking process. It has a Net Zero ambition for 2050 but has not yet set an interim target. The company believes the easiest reductions will be to Scope 1 and 2 emissions; Scope 3 is much more difficult to measure and reduce for Nucor because of carbon content of raw materials and heavy transportation needs. Nucor is participating in the Science-based Targets Initiative work with steelmakers, but it has concerns about the direction the work is taking. It believes that it may be taking an overly complex route to Net Zero.

In a later dialogue, investors learned that Nucor pulled out of the Steel Group within the Science-based Targets Initiative (SBTI) and wanted to discuss the reasoning behind Nucor dropping out. The company notes that its steelmaking uses electricity and that the Paris-aligned pathway proposed by

SBTI would set up a tiered system to assess steelmakers that Nucor believes penalizes electric arc steelmakers, making it more difficult for the company to set and meet targets as compared to steelmakers that use fossil-fuel-based steelmaking process. The company currently doesn't see a full pathway to Net Zero due to the limits of renewable energy to provide sufficient power for its high-demand business.

***Objective – Climate Change and a Healthy Environment**: Engage companies to accelerate progress towards a net zero future in the food sector focused on the Ceres Food Emissions 50.*

Darden Restaurants, Inc. (Resolution)

In a meeting with investors, Darden stated that it has committed to a strategy to address Scope 1 and 2 emissions with the goal of achieving 100% renewable energy by 2023. There is no quantifiable target date for Scope 1 and 2 as part of its roadmap. Darden is also waiting for verification on the number of emissions used before disclosing.

DFMS filed a resolution requesting that Darden issue near-and long-term science-based greenhouse gas reduction targets for Scopes 1, 2 and 3 emissions aligned with the Paris Agreement's ambition of maintaining global temperature rise to 1.5 degrees Celsius and summarize plans to achieve them. The resolution is off-cycle and will be voted on later in 2023.

Ingredion (Dialogue)

As part of the Food Emissions 50, DFMS participated in a dialogue with Ingredion discussing the company's well-below 2 degrees Celsius science-based targets, which were validated. Ingredion has committed to reducing absolute Scope 1 and 2 greenhouse emissions by 28% and absolute Scope 3 GHG emissions by 15% by 2030 from a 2019 base year.

Ingredion released its 2022 ESG report. The report covers (1) goals and targets to achieve a 25% reduction in absolute GHG emissions by the end of 2030, (2) source 50% of purchased electricity from renewable sources by the end of 2030, (3) reduce its water use intensity by 30% in all extremely high-stress geographies where it manufactures products by the end of 2030, (4) assess agricultural biodiversity risks for priority crops and sourcing regions by the end of 2030, and (5) achieve zero deforestation or 100% sustainable use of forest-based recourses by the end of 2030.

***Objective – Climate Change and a Healthy Environment**: Engage financial institutions to ensure commercial lending and investment policies address socioeconomic and environmental concerns, particularly climate change, water stewardship, pipelines, financing in their lending practices.*

American International Group (Dialogue)

In a dialogue with AIG, investors discussed the company's climate lobbying report and Shareholders suggested specific improvements on how its own lobbying activities reflect long-term Net Zero goals. The company is beginning to look at where it needs to focus to meet goals, finding gaps in emissions data is a problem in many industries. The company is also looking at the possibility of a science-based target, but it is spinning off its life insurance business and that project is taking time.

JPMorgan Chase (Resolution)

DFMS filed a resolution requesting that JPMorgan Chase issue a report disclosing a transition plan that describes how it intends to align its financing activities with its 2030 sectoral greenhouse gas emissions reduction targets. During a call with the company, investors raised questions about how the bank is operationalizing Net Zero targets. JPMorgan Chase is spending time educating bankers on transition and goals and working with clients to push investments in transition. The company is planning to start looking at aviation as its next focus for assessment and action but has no plans to exit the oil and gas sector.

During another call with the company, investors discussed the transition plan resolution and learned that the bank is developing a framework for the companies in its priority industries and targets have been set. The national pushback on ESG investing is having an impact on its conversations with companies but the company is waiting on the U.S. climate disclosure rule and watching the EU reporting framework to help with planning. The Company's Carbon Assessment Framework is playing a role in how it manages client relationships, not only for loan but also in capital markets. JPMorgan Chase noted that it is still working within the Net Zero Banking Alliance on how to address issues like offsets.

The transition plan resolution received 12.44% of the vote at JPMorgan Chases' annual general meeting.

PNC Financial Services Group (Resolution)

DFMS filed a resolution asking that PNC set near, and long-term greenhouse gas emission reduction targets aligned with the Paris Agreement's ambition to limit warming to 1.5 degrees Celsius. Investors later had a call with PNC to discuss the resolution and shareholders noted that the bank has grown significantly with new acquisitions and is now in group of the largest U.S. banks. However, the Company lags behind its new peers in setting targets—many of its peers have Net Zero and 2030 targets. The company is learning about its client base and is not ready to set a Net Zero target.

Investors had another call with PNC to discuss what they are looking for in mid-term (2030 or 2035) targets. Investors noted that once the company's Partnership for Carbon Accounting Financials (PCAF) baseline is complete, it should be able to set targets for the highest emitting sectors. The bank is in a pilot phase of training key employees in talking to clients about targets and lowering emissions, basics of climate science and ESG principles as part of training.

During a meeting with PNC, investors learned that the bank is close to having data on financed emissions of highest emitting sectors. PNC disclosed that it would be willing to detail financed emissions in one of its highest emitting sectors in its 2023 Task Force on Climate-Related Financial Disclosures (TCFD) Report and state that it plans to adopt a 2030 target for that sector in its 2024 TCFD Report. The target will be an intensity target due to flaws in data and will cover business loans. Investors discussed the resolution and withdrew the resolution due to the company meeting our request.

Objective – Climate Change and a Healthy Environment: *Engage companies to ensure positive community impact of company operations on society, local economy and environmental concerns are appropriately assured and transparently reported (sustainability reports) including environmental justice concerns and the impacts on the most vulnerable such as: women, Indigenous persons, and people who are impoverished. In addition, with the Church Pension Fund, add a sustainability expert on the board to advocate for positively impacting the environment CO21.*

Chewy (Resolution)

DFMS filed a resolution as lead filer requesting that online pet retailer Chewy issue a report describing the Company's ESG policies, performance, and improvement targets, including a discussion of greenhouse gas emissions management strategies and quantitative metrics. In a call with the company, Chewy noted that it is waiting for SEC climate rule finalization before publishing its initial ESG report. The Company is currently going through the audit and verification process on its emission numbers and will be setting targets once the numbers are finalized for Scope 1-3. Chewy has looked at the reporting framework and will likely align with known frameworks. Its goal is to publish the ESG report in 2024 and the Company does not want to put targets out before the numbers come out. Chewy understands that most of its footprint is Scope 3 (70-90%) so when it releases report, it wants to make sure Scope 3 is included. The Company will work on a climate transition plan after ESG disclosure and number verification and recently hired an ESG lead and have an internal ESG working group.

Investors withdrew the resolution based on a signed agreement stating that after the Company gets its emissions numbers verified, it will publish an ESG Report and set reduction targets. These implementations are likely to take place in 2024.

Corporate Governance and Accountability

Objective – Governance and Diversity: *Engage companies to address board diversity to include women and people of color. Engage companies to address income inequalities, racial disparities, and other human capital issues to promote a just society.*

Johnson & Johnson (Resolution)

DFMS filed a resolution asking the Board of Directors to establish and report on a process by which the impact of extended patent exclusivities on product access would be considered in deciding whether to apply for secondary and tertiary patents. Secondary and tertiary patents are patents applied for after the main active ingredient/molecule patent(s) and which relate to the product. The resolution was challenged due to dealings with matters related to the Company's ordinary business operations. The SEC couldn't concur with the company's view and the challenge was denied.

Investors met with the Company to discuss the patent resolution. The meeting was extremely short, and the Company asked shareholders to send over language they would like added. The patent resolution received 14.42% of the vote at JNJ's annual general meeting.

UnitedHealth Group (Resolution)

DFMS filed a resolution requesting the Board of Directors to oversee a third-party audit which assesses and produces recommendations for improving the racial impacts of UnitedHealth Group's policies, practices, products, and services. In a dialogue with UnitedHealth, the Company noted that it is taking steps to address the issue of algorithmic harm through the formation of internal advisory and oversight boards around AI. In another call, UnitedHealth continued to assert that it is doing everything it can regarding health equity and pointed to its internal DE&I initiatives, community giving, and Medicaid certifications. However, the Company still will not disclose any data to support these assertions, nor will it release any data on the enforcement of its AI policies. Shareholders decided that the resolution would remain on the proxy.

Shareholders filed a proxy memo urging other investors to vote for the REA and the resolution received 20.61% of the vote at UnitedHealth Group's annual meeting.

***Objective – Governance and Diversity**: Engage companies to address political spending, lobbying and trade associations contribution and other financial support such as political ads and trade association memberships to climate issues. Ensure companies align public pronouncements with expenditures in lobbying and stated values match lobbying asks about regulation, investments and that asks are in line with transforming industries that are harmful.*

United Parcel Service (Resolution)

DFMS filed a resolution urging UPS to conduct an evaluation and issue a report annually, beginning in 2023 describing if, and how, its lobbying, directly and through the activities of its trade associations and other UPS-funded organizations, aligns with the Paris Climate Agreement's goal to hold the increase in the global average temperature to well below 2 degrees Celsius above preindustrial levels, aspiring to limit increases to 1.5 degrees Celsius. In a call with UPS to discuss the shareholder resolution, the Company asked about reporting best practices and discussed how it has engaged with recent legislation, including the Inflation Reduction Act, and the type of policies that it believes would be helpful to support its climate goals. The resolution was withdrawn due to UPS agreeing to issue a climate lobbying report.

Walt Disney (Dialogue)

ICCR partners filed a resolution with Walt Disney requesting the preparation of a report, updated annually, disclosing company policy and procedures governing lobbying, both direct and indirect, and grassroots lobbying communications. In a call with the Company to discuss the shareholder resolution, ICCR partners received the following offers from Walt Disney: (1) fully disclose trade associations, (2) do a lobbying alignment report, and (3) schedule a meeting with investors and the government relations director. Shareholders and Walt Disney were able to reach an agreement that satisfied the requirements of the resolution, so it was withdrawn.

Continuance

CCSR, celebrating its 53 years of ethical investing advocacy, believes that as long as the Church invests in securities, there will be a need for CCSR. Therefore, continuance is recommended.

Budget Request

A significant portion of our committee's work should already be included in existing DFMS budget, but we name them here for the sake of clarity:

- The Episcopal Church's ICCR membership and the Heartland Initiative contract will be paid as an investment management expense (see General Convention resolution 2018-A296 and EXC102019.15); and the Mercy Investment Services contract will be funded within the Treasurer's budget. We request continuance of the ICCR membership and both consultant contracts in this manner.
- We understand all the Interim Bodies meeting budgets will be included as line item in the General Convention Office budget and that the final meeting schedule is determined by the officers of The General Convention once all the interim bodies are established. As CCSR, we request that we be able **meet in person once per year in the 2024-2027 triennium** to enable a full discussion of our corporate advocacy priorities and develop our strategies for the coming year. We would intend to meet several times each year via Zoom as well.

- **Additional funds request:** We request consideration of additional funds of **$20,000 for the 2024-2027 triennium.** These funds would support:
    - o CCSR member travel to ICCR meetings, now being held in person again, two times per year, in New York City, and meetings held by institutional investors of the Church, such as the Episcopal Parish Networks, and parishes and dioceses (estimating these expenses as $14,000 for travel to send one representative to each ICCR meeting at $2,000 x six meetings during the triennium, plus one additional trip during the triennium, for a total of $14,000; and
    - o CCSR information and outreach to the wider church as described in our report: materials development and design, language translation, purchase, printing, and shipping estimated at $6,000 – this would include materials to bring to events such as an Episcopal Parish Network conference; to send or bring to dioceses and parishes as part of our information campaign; and to bring to General Convention in 2027.

Proposed Resolutions

A028 Support for Freedom to Consider Ethical Issues in Investing

Resolved, That the 81st General Convention reaffirm its commitment to and encouragement across the Church of faithful and ethically responsible investing addressing ethical concerns for social, environmental and governance matters, including climate change and human rights, commonly referred to as ESG (Environment, Social, Governance) investing as set forth in General Convention resolution 2022-A073; and be it further

Resolved, that General Convention reaffirm the Episcopal Church's long practice of aligning its investments with the values of Jesus Christ as expressed in General Convention and Executive Council resolutions, through such means as corporate engagement through dialogue, filing and voting on shareholder resolutions, voting in director elections, and divestment and affirmative investment, including ESG (Environment, Social, Governance) investing, and, more broadly, participation in boycotts and sanctions campaigns, as with South Africa, all in order to help carry out the Church's commitment to environmental sustainability, justice, and equal rights at home and globally, while generating positive financial returns; and be it further

R*esolved*, that General Convention affirm the use of ESG investing by Executive Council's Investment Committee in its management of the investments of the Domestic and Foreign Missionary Society (DFMS), and affirm the work of the Executive Council's Committee on Corporate Social Responsibility (CCSR) in advocating for corporate engagement through dialogue, filing and voting on shareholder resolutions, voting in director elections, and divestment and affirmative investment, including ESG (Environment, Social, Governance) investing, as CCSR supports General Convention and Executive Council in carrying out their responsibilities for the Church's investments; and be it further

Resolved, that General Convention affirm and support the Church's advocacy for the right of all investors, whether or not they are guided by faith commitments, to consider all financial and other factors relevant to investing, to use ethical criteria, including ESG investing, to assess investment risks and opportunities, and to engage with companies, including through dialogue and voting, in making responsible investments; and be it further

Resolved, that General Convention lament, condemn and oppose proposals and actions of some federal, state and local legislatures and agencies, and attorneys general, to suppress and outlaw the consideration of all financial and other factors relevant to investing and the use of ethical criteria, including ESG investing, to assess investment risks and opportunities; and be it further

Resolved that General Convention encourage the Church to advocate publicly for the freedom to invest responsibly and against legislation that would prohibit divestment, or ESG investing, or consideration of all environmental, social and governance factors relevant to responsible investment decision-making; and be it further

Resolved, that General Convention encourage active support for the rights of shareholders to raise important issues through the proxy resolution and voting process, including support for the authority of the United States Securities and Exchange Commission to rule on shareholders' access to corporate ballots; and be it further

Resolved, that General Convention direct CCSR, as part of its advocacy of responsible investing, to continue its ongoing engagement, divestment and investment work with companies that contribute to and/or benefit from human rights violations and/or environmental exploitation in areas of conflict and high risk, such as Sudan, Myanmar, the Occupied Palestinian Territories, and elsewhere; and be it further

Resolved, that General Convention commend CCSR's 53-year record of promoting corporate responsibility and encourage all dioceses and congregations to view The CCSR Story video (currently linked at https://www.episcopalchurch.org/video/the-ccsr-story/) that celebrates our Church's witness, and to share the video with their people.

Explanation:

ESG:

Environment – striving for protection of all God's creation, especially through a clean energy future

Social – Promoting human and civil rights through justice for all humanity

Governance – promoting equity in the workplace and diversity among corporate leadership (gender and ethnicity)

(See generally General Convention resolution 2022-A073, appended at the end of this explanation.)

Using ESG promotes responsible investing that aligns with the Church's values while also assuring sound financial returns.

Divestment has been a tool of the Church for decades, as has been affirmative investment. The Church has used these tools on issues like tobacco, fossil fuels, private prisons, military contractors, and South Africa apartheid, and other instances where human rights have been or are being denied and/or routinely ignored, such as in the Occupied Palestinian Territories, Sudan, and Saudi Arabia. Other tools include boycotts—such such as those of Nestle infant formula (1979) and of oil companies doing business in South Africa (1988)—and advocating with government for government action, such as imposing government financial sanctions on South Africa (which ultimately led to the end of apartheid).

In the United States, some federal, state and local legislatures and agencies, and attorneys general, have sought recently to ban or stifle use of ESG by government investors. These efforts, while not aimed directly at the Church, threaten the Church's ability to continue its efforts, now carried on over many years, advocating for applying ethical standards by all investors, including faith-based investors.

The Freedom to Invest campaign, launched by CERES and other responsible investors, is pushing back against this dangerous threat. The Church can influence the public to reject such efforts to suppress ESG.

Previous General Convention resolution on this topic:

2022-A073 Encouraging Faithful, Ethical, and Responsible Investing

Final Original Documents

Resolved, That the 80th General Convention affirm to all institutional investors across the Church the value and importance of faithful and ethical investing (defined as investing institutional assets consistently with the Church's faith and teachings and the Church's mission) and responsible investing (defined as addressing, ethical concerns for social, environmental and governance matters, including climate change and human rights); and be it further

Resolved, That all institutional investors across The Episcopal Church be encouraged to adopt faithful and ethically responsible investing for their investment programs and portfolios and to manage their investment assets using the following elements of ethically responsible investing: ethical and theological guidelines for investment selection and management; shareholder engagement, including voting proxies; and investing for responsible social and environmental outcomes as well as for financial return.

A029 Divest from Fossil Fuels

Resolved, That the 81st General Convention express appreciation that the Investment Committee of Executive Council has acted responsibly to implement General Convention resolution 2015-C045, calling for divestment of fossil fuel companies from the investment portfolio of the Domestic and Foreign Missionary Society (DFMS) and for reinvestment of DFMS assets in clean energy alternatives, and be it further

Resolved, that, having learned that the Church Commissioners of the Church of England and, separately, the Church of England Pensions Board announced on June 22, 2023 that each will divest from all fossil fuel investments by the end of 2023, and noting that more than eight years have passed since the adoption of resolution 2015-C045, this General Convention direct that any and all investments in companies in fossil fuel industries remaining in the DFMS portfolio be sold by December 31, 2024, and be it further

Resolved, that all institutional investors across The Episcopal Church be requested to take note of the decisions of General Convention that DFMS is (a) to divest fully and finally from all companies in fossil fuel industries by December 31, 2024, and (b) to reinvest divested fossil fuel company assets in clean energy alternatives, and that all such institutional investors be encouraged to adopt the same target for full and final divestment of such fossil fuel company investments and also to reinvest such assets in clean energy alternatives.

Explanation

The Executive Council's Committee on Corporate Social Responsibility noted in its Blue Book report that several fossil fuel companies remain in the equity portfolio of the Church while also being on the No Buy List. This is part of a transition to full exclusion or divestment called for by the 2015 General Convention in 2015-C045. Chevron, now the largest oil company in the U.S., Phillips Petroleum, Valero and Marathon were among the remaining companies at the time of the preparation of the Blue Book. CCSR, having reviewed this matter, recommends that any and all investments in fossil fuel companies remaining in the DFMS investment portfolio be fully and finally divested by December 31, 2024.

A030 No Investment in Certain Weapons

Resolved, That the 81st General Convention of The Episcopal Church adopt the following as investment policy for the Domestic and Foreign Missionary Society (DFMS) (hereinafter, the DFMS No Investment in Certain Weapons Policy):

> That DFMS shall not invest in any company or corporation that is engaged or involved in the production, use, or stockpiling, or the sale, transfer, or export of, any weapon or weapons system, or any key component thereof, whether now existing or developed hereafter, that can cause or lead to mass or indiscriminate injury or death to civilians or widespread destruction of civilian infrastructure, including, without limitation, biological weapons, chemical weapons, nuclear weapons, weapons that injure by fragments which are not detectable in the human body (non-detectable fragment weapons), incendiary weapons, blinding laser weapons, anti-personnel mines, cluster munitions, and lethal autonomous weapons, or any other weapons or weapons systems or key components thereof that are excessively injurious or have indiscriminate effects;

and be it further

Resolved, that this Convention direct the Executive Council Committee on Corporate Social Responsibility to create and administer a DFMS Weapons No Buy List based on the DFMS No Investment in Certain Weapons Policy; and be it further

Resolved, that this General Convention recommend the DFMS No Investment in Certain Weapons Policy to each institutional investor in The Episcopal Church for adoption as investment policy for that institutional investor and direct that this resolution be shared with all institutional investors in The Episcopal Church.

Explanation

The Episcopal Church already has a policy that the Domestic and Foreign Missionary Society (DFMS) shall not invest in any company that makes certain weapons that are excessively injurious or have indiscriminate effects — cluster bombs, anti-personnel land mines, chemical and nuclear weapons—and such companies are placed on a DFMS portfolio screen or “No Buy” list; the latest policy on this topic was passed by Executive Council in June 2023 based on existing General Convention resolutions. This new resolution would clarify that the prohibition should extend to all weapons and weapons systems, whether now existing or developed hereafter, that are excessively injurious or have indiscriminate effects, including those developed in recent decades, such as blinding laser weapons and lethal autonomous weapons and any weapon or weapons system that is designed to cause mass or indiscriminate injury or death to civilians or widespread destruction of civilian infrastructure.

By passing this resolution, General Convention would adopt this investment policy for DFMS and recommend the same investment policy for adoption by all other institutional investors in The Episcopal Church.

In addition, by this resolution the Executive Council Committee on Corporate Social Responsibility (CCSR) would be tasked with reviewing the DFMS investment portfolio and recommending to the Executive Council those companies that should be placed on a comprehensive DFMS “Weapons No Buy List.”

Leading socially responsible and faith-based investors in North America and Europe proscribe investment in companies involved in the use, production, stockpiling, sale, transfer, or export of such weapons and/or their key components. Companies involved in such weapons and/or their key components are excluded from investment portfolios because the use of such weapons violates, as a regular matter, fundamental humanitarian principles. Such weapons are prohibited by international treaties, including:

- The Ottawa Treaty (1997), which prohibits the use, stockpiling, production, and transfer of anti-personnel mines.
- The Convention on Cluster Munitions (2008), which prohibits the use, stockpiling, production, and transfer of cluster munitions.
- The Chemical Weapons Convention (1997), which prohibits the use, stockpiling, production, and transfer of chemical weapons.
- Biological Weapons Convention (1975), which prohibits the use, stockpiling, production, and transfer of biological weapons.

- The Treaty on the Non-Proliferation of Nuclear Weapons (1968), which limits the spread of nuclear weapons to the group of so-called Nuclear Weapons States (i.e., United States, Russia, United Kingdom, France, and China).
- Council Regulation (EU) 2018/1542 of 15 October 2018 concerning restrictive measures against the proliferation and use of chemical weapons.

Further, in 2019 the Norwegian government appointed a committee to review and make recommendations concerning the *Guidelines for Observation and Exclusion of Companies* of the Norwegian Government Pension Fund Global, the world's largest sovereign wealth fund. The Committee proposed that lethal autonomous weapons (LAWs) be added to the list of proscribed weapons, finding:

> In the Committee's opinion, it is fundamentally problematic that the critical decisions relating to the use of force are not subject to meaningful human control. Although the future may see the emergence of technological sophistication capable of meeting the requirements of distinction under humanitarian law, i.e., the capacity to distinguish between military objectives and civilians, such autonomy would still be ethically problematic because of the ensuing erosion and disintegration of accountability implied under humanitarian law.[5]

The Episcopal Church's faith-based investor peers are similarly adopting exclusionary screens for such weapons, including the Presbyterian Church (USA)[6], The Church of England[7], Friends Fiduciary[8], Wespath Benefits & Investments[9], and United Church

[5] Ola Mestad, "Values and Responsibility: The Ethical Framework for the Norwegian Government Pension Fund Global," June 15, 2020, https://www.regjeringen.no/contentassets/86dac65c22384dda9584dc2b1a052a91/en-gb/pdfs/nou202020200007000engpdfs.pdf (accessed August 2, 2022).

[6] Presbyterian Church (USA), "2022 General Assembly Divestment/ Proscription List," October 4, 2021, https://www.presbyterianmission.org/wp-content/uploads/FINAL-APPROVED-MRTI-2022-GA-Long-Form-Divestment-List.pdf (accessed August 2, 2022).

[7] Church of England Ethical Investment Advisory Group, "Defence investments policy," May 2010, https://www.churchofengland.org/sites/default/files/2017-11/Defence%20Investments%20Policy.pdf (accessed August 2, 2022).

[8] Friends Fiduciary, "Investment Guidelines," June 2020, https://friendsfiduciary.org/wp-content/uploads/Investment-Guidelines-June-2020-FINAL.pdf (accessed August 2, 2022).

[9] Wespath Benefits & Investments, "Investment Exclusions Guidelines," 2022, https://www.wespath.org/retirement-investments/investment-information/investment-philosophy/investment-exclusions/investment-exclusions-guidelines (accessed August 2, 2022).

Funds.[10]

The expanding list of types of weapons that can cause or lead to mass or indiscriminate injury or death to civilians or widespread destruction of civilian infrastructure, and the expanding scope of exclusionary screens, correspond to improved awareness, understanding, and documentation of the ways in which such weapons are used in violations of international humanitarian and human rights law and the devastating consequences of such use for civilian populations and infrastructure in conflict-affected areas around the world.

Exclusionary lists vary by investor, but such lists typically exclude biological weapons, chemical weapons, nuclear weapons, non-detectable fragments, incendiary weapons, blinding laser weapons, anti-personnel mines, cluster munitions, and lethal autonomous weapons (LAWs).[11]

General Convention and Executive Council have adopted positions on four types of weapons that are excessively injurious or have indiscriminate effects: nuclear weapons, chemical weapons, anti personnel mines, and cluster munitions. In addition, Lambeth Conferences since 1930 have continued to affirm that "war as a method of settling international disputes is incompatible with the teaching and example of Our Lord Jesus Christ."

The 74th General Convention endorsed study of the criteria and moral standards of "Just War Theory." The fundamental incompatibility of the weapons discussed above with humanitarian principles would necessarily lead to the conclusion that their use conflicts with these criteria and standards, especially the following elements of Just War Theory:

- Noncombatant immunity: Civilians may not be the objects of direct attack, and military personnel must take due care to avoid and minimize indirect harm to civilians.
- Proportionality: In the conduct of hostilities, efforts must be made to attain military objectives with no more force than is militarily necessary and to avoid disproportionate collateral damage to civilian life and property.[12]

[10] United Church Funds, "Corporate Social Responsibility," https://ucfunds.org/wp-content/uploads/2019/09/InvEdu_CSR.pdf (accessed August 2, 2022).
[11] Ibid.
[12] Episcopal Peace Fellowship, "Cross Before Flag: Episcopal Statements on War and Peace," February 2005, https://www.episcopalchurch.org/wp-content/uploads/sites/2/2020/12/cross_before_flag.pdf (accessed August 2, 2022).

In sum, the use of the types of weapons and weapons systems identified above (and any additional ones with similar effects that may be developed) is fundamentally incompatible with humanitarian principles and the moral standards embodied in Just War Theory. Such weapons and weapons systems are proscribed from use in warfare on moral grounds specifically due to their lack of precision, the user's inability to control, minimize, or avoid harms they cause, their high degree of lethality to civilians, and the widespread destruction they cause to civilian infrastructure. As their use in war is proscribed by international standards, the securities of companies that make and sell them also should be excluded from Church investment portfolios.