INVESTED IN CHANGE

FAITH-CONSISTENT INVESTING IN A CLIMATE-CHALLENGED WORLD

INTERFAITH CENTER ON CORPORATE RESPONSIBILITY

Inspired by Faith, Committed to Action

INTERFAITH
CENTER ON
CORPORATE
RESPONSIBILITY

ABOUT ICCR

The Interfaith Center on Corporate Responsibility (ICCR) is a coalition of 300 faith-based and secular institutional investors that practice active ownership, also known as shareholder advocacy. For over 4 decades, ICCR members have been calling the world's most powerful companies to address their impacts on the world's most vulnerable communities. They do this through corporate engagements that take the form of real-time dialogues with company management and, when necessary, through the filing of shareholder proposals that are voted on at annual company meetings. From human rights violations in global supply chains to the environmental and economic impacts of climate change, ICCR members act as a bridge between community groups, NGOs and company management to encourage corporate transformation that promotes both increased justice and sustainability in the world.

ICCR is comprised of faith-based organizations, socially responsible asset management companies, pension funds, unions, and colleges and universities that collectively represent over $100 billion in assets under management. ICCR members believe that positive and measurable corporate change can be catalyzed through the management of institutional capital and amplified by working in coalition with likeminded shareholders.

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I. EXECUTIVE SUMMARY

The membership of the Interfaith Center on Corporate Responsibility, a shareholder coalition representing over $100 billion in invested capital, is mainly comprised of the investment arms of some of the largest faith-based institutions. These institutions have investment guidelines that are rooted in their faith traditions and developed to align with their respective missions. While each institution has social justice and environmental priorities that they strive to address through their respective ministries, there are many issues where our membership's interests intersect: action on climate change is one such issue. Communities of faith are united in their belief in the power of reconciliation and positive transformation. This underlying hope and deliberate optimism is the bedrock of our institution and it undergirds our four decades of corporate engagements.

According to The Forum for Sustainable and Responsible Investment's *U.S. Sustainable, Responsible and Impact Investing Trends* report[1], climate change/carbon emissions criteria remain the most significant environmental factor considered by responsible investors. Investors' interest in climate change stems not only from their fiduciary concerns regarding the real and immediate risk climate changes poses to their individual institutional assets, but from their concerns about its broader and longer term ramifications on global economic stability and social justice. For faith-consistent investors, these concerns take on a distinctly human dimension as they consider the justice implications for vulnerable communities who will bear the brunt of climate impacts.

Among our 300-plus members a variety of investment strategies are used to provoke action on climate change depending on the unique missions of the member organizations and their constituencies/clients as well as the individual profiles of the companies in their portfolios. In most cases, responsible investors will adopt a hybrid approach that includes some or all of the available strategies. In this way members can continue to hold and engage companies where climate change mitigation is critical, screen out or divest when companies either prove recalcitrant or pose excessive portfolio risks, and proactively invest in opportunities that will address the current climate crisis.

Active ownership through shareholder engagement is the primary instrument used by ICCR members to promote improved corporate practices on climate change but there are many roles to be played in this movement and many strategies that can and should be deployed. While other organizations choose to lead more public-facing activist campaigns, applying external pressure to companies, ICCR tends to work outside the eye of the public building relationships with company management and pressing for the internal policy and practice improvements necessary to bring about systemic and enduring change. We view these inside/outside strategies as complimentary and mutually empowering. In fact, some of our greatest successes occur when all stakeholders—investors, NGOs, community groups and companies—can collaborate and bring their respective talents to the negotiating table to find common ground.

Core strategies for ICCR's climate change work include: climate change mitigation, mainly through carbon emissions reduction; disclosure of corporate public policy activities made via lobbying and political spending initiatives; improving corporate reporting and accountability through measurement and disclosure of carbon footprints, and encouraging proactive climate change adaptation plans that will reduce climate risk. In addition, members use their influence as shareholders to advocate for stronger legislative and regulatory frameworks that will enforce carbon emissions reductions while advocating for proactive investing in climate solutions, including green energy. Collectively, these strategies press companies to modify their business plans to adapt to climate change realities and hope to accelerate the global transition to a green economy.

The climate change crisis makes it clear that investors cannot afford to be passive; they must raise their voices, participate and leverage their influence as owners of companies. If investors own fossil fuel and carbon-intensive companies, they must be active owners, for while there are many reasons why investors may choose to own fossil fuel stocks, it is irresponsible to own them and not use that power to alter the current paradigm.

We need to remain mindful that:

- **Energy companies supply a commodity we all consume regularly and upon which our global economy depends.** While we all acknowledge the imperative to move with great haste towards renewables and low-carbon alternatives as primary energy sources, both the infrastructure and supply of green energy are, at present, insufficient to meet demand.

- **Transitioning to a low-carbon future will take careful planning to ensure that energy needs continue to be met, particularly in the resource-stressed developing world.** It will be critical for knowledgeable and concerned investors to remain at the table with the companies supplying those fuels, as well as government and civil society leaders, to make the transition in a responsible, sustainable way.

- Trillions of dollars in green energy investment are required to make the shift to **low-carbon energy sources** and to support climate adaptation programs. Responsible investors must join ICCR in encouraging companies to make the needed investments as well as build climate finance capacity through educational programs for the investment community.

ICCR urges energy companies to evolve their business plans to better manage climate realities because we believe their resources, experience, capital and expertise are needed to hasten the development of our new, green-energy economy. And we persist in asking energy companies to adapt because we believe they can not only be a part of the inevitable green energy revolution already underway, they can help lead it. Simultaneously, we are actively engaging with large energy users in the private sector, pressing them towards greater efficiencies in their products and operations.

II. INTRODUCTION

Invested in Change is intended as a resource for investors who are being called to action to help us all meet the challenges of climate change. It is intended to catalyze discussion around the practical solutions needed to speed the shift to low-carbon and sustainable energy alternatives. And it is offered as an open invitation to companies, investors and advocates to share their gifts in the collective work to build more sustainable and climate-resilient economies, businesses and communities.

ICCR and other investors took part in The People's Climate March

As an organization that for over four decades has advocated that social and environmental justice issues can be influenced through active ownership of stock and direct engagement with corporate leadership by shareholders, ICCR believes it is critical that all investors thoughtfully consider their role in responding to climate change. As with all powerful movements, people are entering the debate around the world, raising the important voices of both outrage and hope. These voices are needed to remove any lingering apathy and to spur action from every corner on what is one of the world's greatest challenges. The People's Climate March involved hundreds of thousands of individuals around the globe and brought over 400,000 people to the streets of New York City alone. The March was an undeniable demonstration of the rich diversity of voices and approaches needed to mobilize the political will necessary to mitigate climate change through appropriate policy, meaningful regulation, focused research, shifts in subsidy and significant new investment.

By definition, a coalition works together toward a particular end, yet the means individual members take to get there may be very different. The diversity of our membership of 300-plus institutions, the rich mosaic that is ICCR, and the depth of our collective commitment, are our most valuable asset and our greatest strength. We respect that others will choose alternative strategies and tools, and understand that the real urgency of climate change impels us all to use whatever means we have to best achieve our shared ends.

Because our work is about enduring transformation and profound culture shifts, it also takes time. The patience, persistence and good faith required to transform corporate actions through shareholder engagement is testament to the fact that the gains, while broadly impactful, are hard won. For example, shareholders have been engaging with ExxonMobil, urging the company to improve its disclosure, set targets to reduce the emissions from its products and operations, increase commitments to renewable energy, and improve governance over climate issues. Decades into this engagement, ICCR members have not yet achieved "success". However, we are encouraged by the company's increased disclosure, respectful exchanges of ideas, and acknowledgement of the risks presented by climate change. We will continue to press ExxonMobil to be a leader, because we see not only its responsibilities, but also its opportunities in this transition.

As the paper that follows will illustrate, we know that engaged investors have dramatically changed how corporations operate. We know that our direct engagements have resulted in corporate commitments to set greenhouse gas emissions reduction goals, invest in greener energy sources, and more publicly support a strong regulatory environment. While sometimes out of the public spotlight, these commitments are forging a path towards long-term solutions.

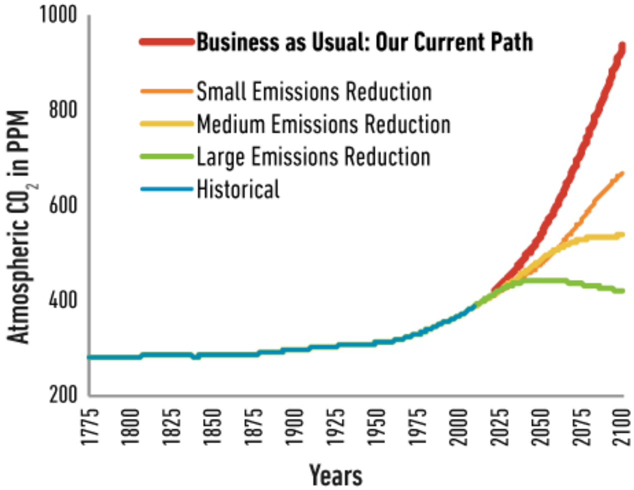
Concerned investors will always offer the needed voices of outrage and hope to both challenge and encourage companies on their journeys towards greater justice and sustainability. ICCR welcomes all who wish to join us in this work.

ICCR members in a dialogue session with representatives of ConocoPhillips.

> "First consider how contentiousness and dialogue relate to each other. Our findings suggest that the two could be complementary in driving a movement's agenda. While dialogue leads to slow and gradual improvement, contention allows for sharp bold strokes. Dialogue is best suited to broad-ranged, transformative change over a longer time horizon, where activists might not know exactly how economic activity should be modified. Some examples of this include adaptation to climate change."
>
> - Ferraro and Buenza, "Why Talk?" [2]

III. THE CLIMATE CHANGE CONTEXT: BUSINESS AS USUAL NOT AN OPTION

Data and analysis released by the Intergovernmental Panel on Climate Change (IPCC) during 2013 and 2014 as part of its fifth assessment report (AR5)[3] provides strong evidence that human-caused carbon dioxide emissions, including the burning of fossil fuels, is the primary driver of climate change, with CO_2 concentrations now above 400 ppm – well beyond the safe threshold of 350 ppm.



Source: RiskyBusiness.org

The threats implied by this new data cannot be overstated. The economic, environmental and social ramifications will be felt by us all for generations to come, but more acutely by resource-stressed, vulnerable communities that are less able to respond and adapt. Importantly, the IPCC points out that the longer we wait to control greenhouse gas (GHG) emissions, the more difficult and expensive the task will become.

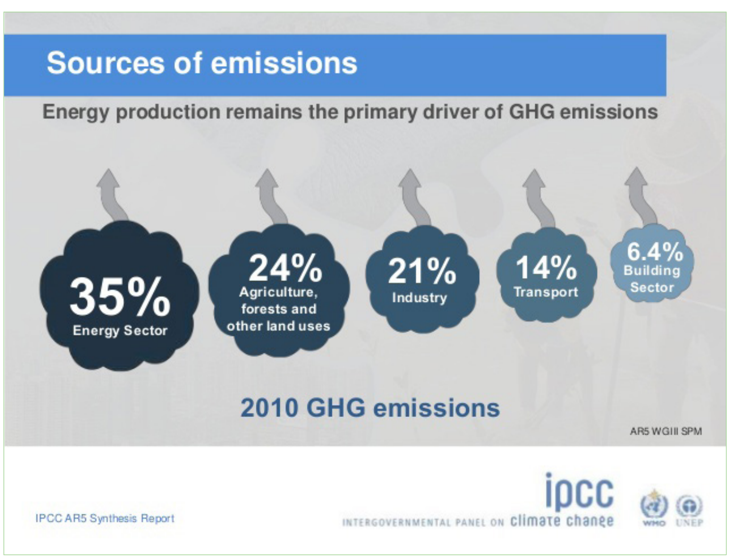
All concede that the most crucial yet challenging component to a global climate change solution hinges on shoring up the political will to install meaningful and legally binding global frameworks, such as the treaty to be negotiated in Paris at the 21st Session of the Conference of Parties at the end of 2015. Yet there is also consensus about the key roles to be played by the private sector and investors in helping to meet the goals and targets codified in the frameworks. A global challenge of this magnitude, complexity and urgency will require many resources, multiple strategies and the full participation of stakeholders at all levels of society to resolve.

Much can be said about the power of the private sector and capital markets to solve global problems and, when it comes to climate change, there is a strong business case for action. While emissions generated by energy producers are responsible for over one third of the world's carbon emissions, several energy companies are already cutting carbon emissions beyond government mandates as a cost-savings measure and in order to avoid volatile energy markets. Some examples include NRG, National Grid, ENEL and Vattenfall.

> "By not acting to lower greenhouse gas emissions today, decision-makers put in place processes that increase overall risks tomorrow, and each year those decision-makers fail to act serves to broaden and deepen those risks.
> - Risky Business Report[4]"

The agricultural sector, also implicated in driving climate change through deforestation and water use, is another industry facing clear business risks due to shifting growing patterns, water scarcity and migration, and several companies are adapting their operations to address them. As policy and regulatory frameworks are being developed to incentivize cleaner energy sources, it is critical that companies in all sectors refrain from lobbying against them either directly or indirectly through their trade memberships; disclosure of lobbying activities has been a perennial concern for investors. Companies lay squarely in the path of the climate change storm; those that move quickly and decisively to prepare and adapt their businesses to weather it will clearly benefit from the competitive advantages.

The We Mean Business Coalition[5], an initiative supported by thousands of companies and investors, illustrates what global corporate leadership on climate change can look like: setting ambitious targets, reporting emissions and scaling up low-carbon investment. Investors are confident that companies that recognize climate change as a potential driver of innovation and economic opportunity will thrive. Via their expertise, capital resources, global supply chains and public influence, the private sector has enormous power to redirect markets on a more sustainable path. A core focus of ICCR engagements on climate change centers on urging companies to wield this power positively, reimagining their role as providers of solutions rather than creators of climate problems.



IV. FAITH-CONSISTENT INVESTORS: THE MORAL CASE FOR ACTION ON CLIMATE CHANGE

"From a perspective of faith, the context for all human activity is the totality of creation. Therefore, we need to use our power to live in harmony with creation, affirm the interdependence of everything on earth and the dignity of all creation. Faith communities evaluate companies, not only by what they produce and their impact on the environment, but also by how companies contribute to the sustainable community and protect or undermine the dignity of the human person. We believe these companies carry responsibility for the human and moral consequences of their economic decisions."

- ICCR, Principles for Global Corporate Responsibility, "The Context of Faith", 2002

The intention of the Interfaith Center on Corporate Responsibility is enshrined in our coalition's mission statement: Through the lens of faith, ICCR builds a more just and sustainable world by integrating social values into corporate and investor actions. This lens of faith distinguishes ICCR from other socially responsible investor coalitions, bringing a spiritual dimension to all our work. For faith-consistent investors, many of them active members of clergy or religious communities and congregations, their shareholder advocacy is only one part of a much greater mission. What connects all our members, however, is an abiding faith in the potential to transform any corporation to act on behalf of the common good. In this way, our coalition's worldview is intentionally hopeful and optimistic. Our members share the conviction that companies are not only capable of accomplishing great things in the world, they are bound to by the social license granted them through the legal structure of the limited liability corporation established over 400 years ago and updated through federal and state law to this day. Our work lies in holding corporations to this pact, and we do this through engagement.

"Creation is not a property, which we can rule over at will; or, even less, is the property of only a few. Creation is a gift, it is a wonderful gift that God has given us, so that we care for it and we use it for the benefit of all, always with great respect and gratitude.[6]" - Pope Francis

“We as Unitarian Universalists are called to join with others to halt practices that fuel global warming/climate change, to instigate sustainable alternatives, and to mitigate the impending effects of global warming/climate change with just and ethical responses. As a people of faith, we commit to a renewed reverence for life and respect for the interdependent web of all existence.[7]”

- Unitarian Universalist Association

Faith leaders gather in demonstration of inter-faith solidarity at The People's Climate March

ICCR's coalition is largely comprised of the investment arms of some of the largest faith-based institutions. These institutions have investment guidelines that are rooted in their faith traditions and developed to align with their respective missions. While each institution has social justice and environmental priorities that they strive to address through their respective ministries, there are many issues where our membership's interests intersect: action on climate change is one such issue.

Among virtually all faith groups is a universal call to be in right relationship with the earth, to act as responsible stewards of the planet, and to preserve its health and resources for future generations. With a missionary presence and faith-based relationships in the world's most vulnerable communities, faith institutions recognize climate change's potential to exacerbate the suffering caused by extreme poverty and inequality which are at the root of so many existing social justice issues. Risks to land, food and water security, forced migration, global health and human rights – perennial challenges religious groups are addressing in vulnerable communities worldwide – will all increase along with global temperatures unless mitigation and adaptation measures are taken. The 2009 Interfaith Declaration on Climate Change[9], endorsed by representatives of the world's leading religious communities, states:

"We recognize that climate change is not merely an economic or technical problem, but rather at its core is a moral, spiritual and cultural one. We therefore pledge to join together to teach and guide the people who follow the call of our faiths. We must all learn to live together within the shared limits of our planet".

In her 2014 speech at St. Paul's Cathedral in London, Christiana Figueres, Executive Secretary of the UNFCCC, exhorted faith leaders to unite their voices on this critical issue: "Saving the Earth and its peoples from dangerous climate change is an economic, social and environmental issue – and a moral and ethical one too that goes to the core of many if not all of the world's great faiths… It is time for faith groups and religious institutions to find their voice and set their moral compass on one of the great humanitarian issues of our time."[10]

ICCR members view their work to address climate change within this moral, ethical and cultural context and have worked to integrate it into their investment guidelines and activities. Communities of faith are united in their belief in the power of reconciliation and positive transformation. This underlying hope and deliberate optimism is the bedrock of our institution and it undergirds our four decades of corporate engagements. Faith investors generally have longer-term return horizons. This constancy, an assurance to management that they are more focused on the long-term sustainability and prosperity of the company, adds weight to their voices on questions of environmental and social importance. These qualities, combined with an ability to be at once provocative, patient and persistent in their conversations with corporate management are the hallmarks of faith-consistent investors and make them uniquely suited to long-term shareholder engagement.

> "Look at birds: Even they respect their nests because they know their survival depends on it. This small blue planet is our only home. If we do not respect it, the entire planet and billions and billions of species will be affected. This is a question of life, a question of survival for the entire planet.[8]"
>
> - His Holiness the Dalai Lama

Drought threatens small, rural farmers in developing countries.

V. INVESTMENT TO PROMOTE IMPROVED CORPORATE RESPONSIBILITY ON CLIMATE CHANGE

> Let us invest in the climate solutions available to us today. Economists have shown that this comes at minimal extra cost, while the benefits to our people and our planet are monumental. We need all public finance institutions to step up to the challenge. And we need to bring private finance from the sidelines.[11] - Ban Ki Moon, Secretary General of the United Nations

Climate change has long been a concern for responsible investors, but has recently gained more widespread prominence due to the increasingly dire IPCC reports and more serious calls for climate change regulation. According to The Forum for Sustainable and Responsible Investment's *U.S. Sustainable, Responsible and Impact Investing Trends* report, climate change/carbon emissions criteria remain the most significant environmental factor considered by responsible investors, and have been identified as a key and consistent driver of shareholder engagement activity. ICCR's *Proxy Resolutions and Voting Guide* indicates that a full one-third of the nearly 250 shareholder proposals filed by ICCR members this year are climate change-related. Investors' interest in climate change stems not only from their fiduciary concerns regarding the real and immediate risk climate changes poses to their own institutional assets, but from their concerns about its broader and longer term ramifications on global economic stability. For faith-consistent investors, these concerns take on a distinctly human dimension as they consider the justice implications for vulnerable communities who, due to their resource constraints, will disproportionately bear the impacts of climate change.

Convener Sr. Pat Daly, right, with a panelist at ICCR's Climate Finance Roundtable.

Looking beyond the concerns, however, the responsible investment community sees the economic prospects presented in transitioning to a low-carbon economy. There is already enormous demand for funding for renewable energy, conservation and adaptation programs that will build sustainable, climate-resilient businesses and communities. The Ceres *Clean Trillion*[12] report calls for an additional $44 trillion in clean energy investment—more than $1 trillion per year for the next 36 years – but public and private investment in clean energy in 2009 was reported at only US$145 billion, far below needed levels. At present, the gap between what exists and what is required to build a sustainable energy future is vast, and forward-looking investors are poised to capitalize on these opportunities. To begin to address this gap in funding, on February 9th ICCR convened its first Climate Finance Roundtable with investors, investment professionals and leaders in climate finance to catalyze investments in climate solutions.

> "Trillions of dollars are required to transform the global economy to a low-carbon economy and to support adaptation to a changing climate, but current deal flows and investment levels fall short of what is needed. There is a significant climate investment gap... moving to a low-carbon energy infrastructure and restricting warming to below 2°C will require global investment in clean energy of roughly US$500 billion per year by 2020. A recent report by HSBC similarly concluded that building the low-carbon energy market will require total capital investments of US$10 trillion between 2010 and 2020.
> - The Global Investor Statement on Climate Change[13]"

INSTRUMENTS OF SOCIALLY RESPONSIBLE INVESTMENT

Socially responsible investing (SRI) refers to the practice of aligning investments with values or mission and investors deploy a variety of strategies and instruments to do this. Exclusions are typically used against companies or products that are either considered harmful (such as tobacco or hand guns), involved in political controversy, or that need to strengthen their environmental, social and governance (ESG) practices, and take the form of screens/no-buy lists and divestment. Meanwhile, active ownership strategies such as proxy voting, resolution filing, shareholder engagement, ESG integration and/or impact investing are used to encourage practices and programs that advance sustainable environmental and social solutions. These options are the most common strategies employed by shareholder advocates, but they aren't the only choices. ICCR members typically employ a combination of all of these strategies, managing their portfolios holistically while scrutinizing the individual companies within them in order to achieve their goals. Following is a brief discussion of each of these investment instruments and their use and effectiveness as social justice tools:

Instruments of Socially Responsible Investment: Exclusions

1. Divestment: Divestment refers to the selling of stock in a given company. While it is mostly used as a strategy to clarify that an investor's values prohibit ownership of stock in a controversial company or industry e.g. handguns, tobacco etc., many investors also use divestment to limit financial risk. For the purposes of this discussion, we are referring to the use of divestment primarily as a vehicle for social protest.

> "A robust architecture for fossil fuel divestment will require alternative investment structures or asset classes, not just "alternative energy". In order to attract trillions of reinvested institutional dollars, clean energy will need a vast expansion of its YieldCo and green bond structures, or indeed, new, as-yet-unbuilt instruments."[14]
>
> - Bloomberg New Energy Finance

Some ICCR members used divestment in combination with other engagement strategies to great effect beginning in the early 70s during their campaign against the apartheid system in South Africa. While divestment can send a powerful message of protest, the finality it implies makes it a strategy of last resort for many engaged shareowners. Implicit in divestment is the forfeit of shareholder voice and the ability to influence corporate decision-making through shareholder engagement. That said, divestment does figure into the "toolkit" of some ICCR members in their work on climate change. Some members have divested of the most problematic of fossil fuels, such as thermal coal, seen to present excessive risk to portfolios. Others divest all but the shares necessary to remain engaged with a company in the hopes of promoting change.

It is important to note that, as fiduciaries, ICCR members have an obligation to act in the best interests of their clients and beneficiaries. The best interests of individuals, organizations and groups of people can vary considerably depending on the beneficiaries' goals, time horizon and priorities. Fiduciary duties, in addition to financial considerations, can include factors related to beneficiary wellbeing that are impacted by the financial consequences of climate change. While it is beyond the scope of this document to discuss all of the issues and permutations of fiduciary duties for the different ICCR members, it is important to highlight that ICCR members are addressing questions of divestment, engagement and reinvestment being fully mindful of their duties, respectful of the trust these duties represent and making every effort to meet these duties in good faith.

That said, the momentum built around the current divest/invest campaign has been valuable in highlighting how the management of invested capital can either advance or exacerbate environmental and social justice issues, including climate change. While divestment may have limited economic impact, a primary goal of the campaign is to underscore the urgency of the issue and to spur governments to enact carbon reduction legislation and regulation.

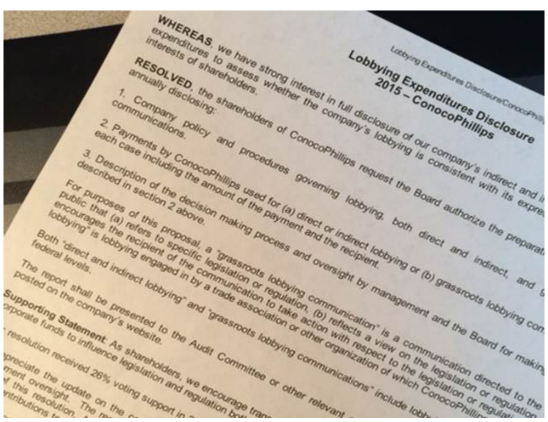
2. Screens (No-buy List): Responsible investors will typically choose to exclude or screen certain industries or companies from their portfolios for one or two of the following reasons: either the industry or company is engaged in a business that presents ethical conflicts for the institution, or the ESG risks make the investments unattractive financially. In terms of investment screens related to climate change, there are ICCR members who will screen out all fossil fuel companies as presenting excessive risk. Similarly, utility companies sourcing a majority of their energy from coal may be excluded for the same reasons; in some cases these screens have existed for years, and in other cases new guidelines prohibiting any new investments in these companies are being adopted.

The development of investment guidelines that factor in ethical considerations and ESG risk factors to screen out low-performing companies is a cornerstone strategy employed by many responsible investors.

Instruments of Socially Responsible Investment: Active Ownership

3. Shareholder Engagement: Shareholder engagement, also known as active ownership, covers a wide assortment of tactics used by investors to influence the companies they own on questions of corporate social responsibility. The method of engagement can range from letter writing to "dialogues" – face-to-face meetings with management – depending on both the issue and the priorities and resources of the investor. What this work assumes, however, is an acknowledgement of the responsibility that comes with stock ownership and a commitment to be in conversation with management, in order to address areas of concern. Here we discuss the three most common shareholder engagement strategies: dialogue, shareholder resolutions and proxy voting.

The vast majority of ICCR members practice shareholder engagement by participating in dialogues either by phone or in person. Shareholder engagement was first pioneered by members of ICCR, and over the course of 45 years and in thousands of dialogues its impact on corporate practices is testament to the experience and skill of our members. Today it is common for investors to be viewed as key partners by management and ICCR members are often invited to participate in the development of pivotal social and environmental policies. While concerned investors and management don't often see issues exactly the same way, dialogue calls for all parties to be in relationship and to engage authentically.



A ConocoPhillips shareholder resolution

Shareholder resolutions, also known as shareholder proposals, are another important tool of shareholder engagement. Resolutions are typically used to get management's attention and to either launch an engagement or to make an issue more public when a dialogue with a corporation stalls or is unproductive. Roughly one page (500 words) in length, resolutions contain a formal resolved clause, which is a specific request or "ask", with a number of rationales in the form of supporting statements. Resolutions typically ask corporations to disclose information or to measure and report on the potential impacts of their operations or to adopt or change policies and practices to mitigate those potential impacts. Since resolutions must be moved in person at corporate annual general meetings, they present a further opportunity to influence corporate board members, executive management and other shareholders, and because they appear on the company proxy statement they are a matter of public record which gives them press value. It is common for resolutions to prompt dialogues and, when these conversations are successful, to be withdrawn. We conservatively estimate that over the 25-plus years of engagement on climate change, more than 600 shareholder resolutions have been filed by ICCR members and many of these proposals, particularly those concerned with GHG reduction goals, receive very high votes among shareholders.

Sr. Valerie Heinonen presents an ICCR shareholder resolution at a corporate AGM during the 1980s.

Proxy Voting, used to both sanction and to encourage companies on ESG concerns, is the first critical rung on the ladder of shareholder engagement. When 20%-30% of shareholders vote in favor of a shareholder-sponsored proposal it sends a clear and powerful signal to management that often brings an immediate response or, at minimum, brings management to the table to negotiate on the issue. Each year ICCR publishes a *Proxy Voting Guide*[15] which contains the shareholder proposals filed by our members with the hundreds of companies they are actively engaging. We strongly encourage both institutional and individual investors to take the first step towards becoming active shareowners, and exercise their shareholder rights by voting their proxies.

4. Impact Investing/Climate Finance: While the current environment for green investments could benefit from stronger regulatory frameworks, investors are already acting on opportunities opening up in the climate finance space. Projects to achieve better carbon efficiencies and climate adaptation and resiliency programs, as well as the financing of green energy technology, infrastructure, manufacturing and transportation are attracting financing from both companies and investors. ICCR members have been active in the climate finance space as both investors and as program providers via portfolio management and green fund offerings.

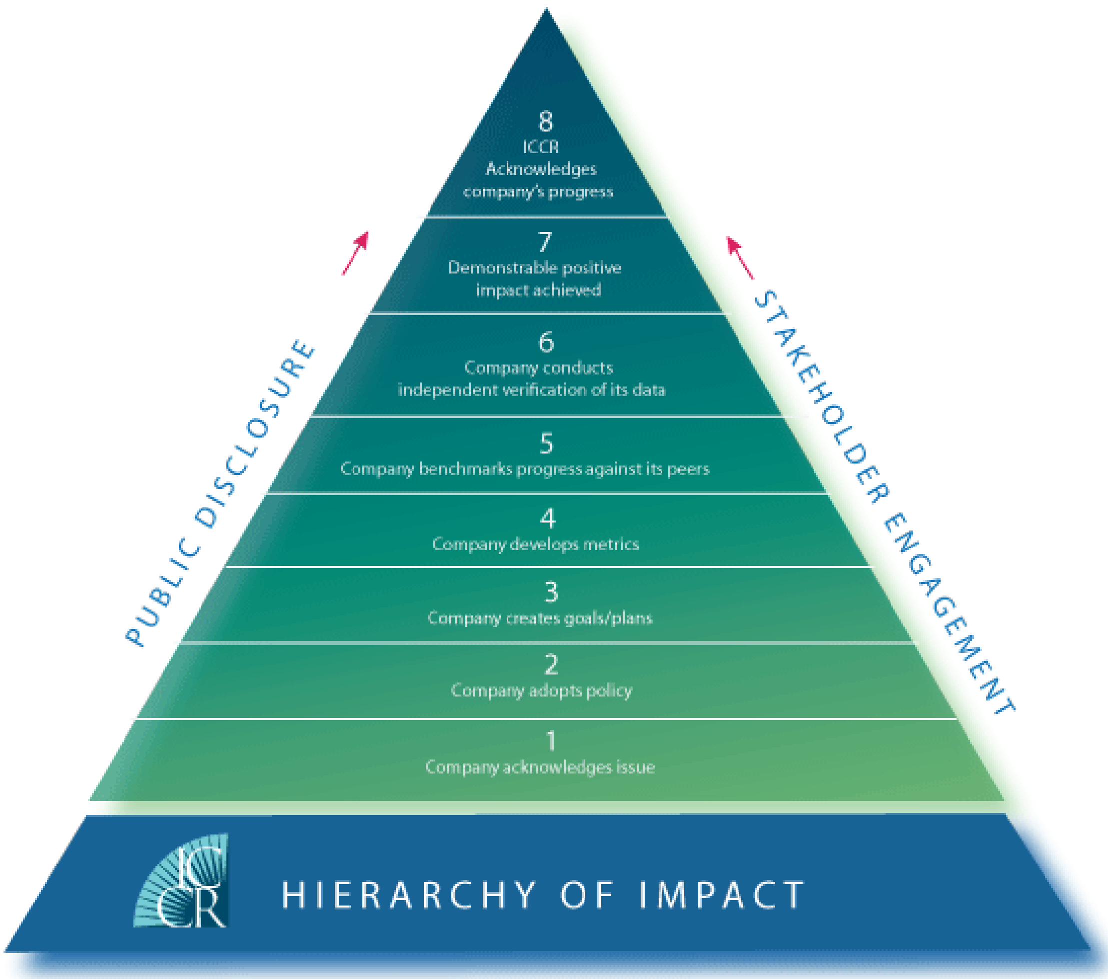
In most cases, our 300-plus members will adopt a hybrid approach that includes some or all of the above-mentioned strategies. In this way, they can continue to hold and engage companies where climate change mitigation is critical, screen out or divest when companies either prove recalcitrant or pose excessive portfolio risks, and proactively invest in companies or sectors that present opportunities to change the current climate paradigm.

VI. ICCR'S CLIMATE CHANGE PROGRAM: STRATEGIES AND EXAMPLES OF INVESTOR IMPACT

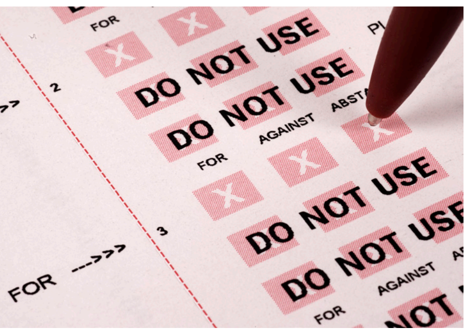
ICCR members began formal engagements with companies on climate change, then called "planetary warming," in 1989 (inside back cover). However, a 1974 resolution filed with Exxon, Mobil and Gulf Oil during the U.S. energy crisis clearly signaled investor concern about our economy's dependence on fossil fuel energy. The proposal called for reporting on the sovereignty of underground petroleum reserves and mineral rights as well as a breakdown of corporate profits. This resolution highlights the history of ICCR members' concerns about what we now refer to as climate change.

ICCR'S HIERARCHY OF IMPACT

In order to assess the effectiveness of corporate engagements, ICCR developed a tool we call the Hierarchy of Impact (HOI)[16] – a series of benchmarks which is intended to track corporate progress along a continuum towards greater social and environmental sustainability.



Investors adapt their engagements with companies depending on current business models, disclosures and impacts. Investors' concern about the moral implications of climate change is integrated by raising the impacts of each company's activities on local or global communities, and while the "asks" may not shift significantly due to this perspective, challenging companies to respond to the implications of their business models prompts important discussions. Along the hierarchy of impact, investors encourage leadership and forward thinking while requesting companies to assess and disclose their climate risks, to set rigorous, science-based emissions reductions targets, and to support board oversight of climate risk mitigation strategies. Understanding the important role of policy and regulation in driving the energy transition, investors also seek disclosure around companies' lobbying and encourage responsible political activity.



Nearly 200 total shareholder proposals may be filed in any given year[17] on discrete subjects and often multiple resolutions are filed at each company. There are an equal number of dialogues held between ICCR members, management team members and other relevant stakeholders including NGOs and groups representing impacted communities. In these dialogues, held both in person or via conference calls, participants address the integration of ethical, social and environmental considerations in corporate business plans on a more holistic level. Discussions related to climate change are included in approximately one-third of all corporate dialogues held each year. In most cases these are long-term discussions intended to move a company along the hierarchy of impact to improve its carbon disclosure and climate risk mitigation strategies.

Below is an outline of ICCR's current climate change program along with a few examples of corporate advancement in each engagement area:

ICCR'S 2015 CLIMATE CHANGE STRATEGY

Shareholder Engagements

1. **Climate Change Mitigation**
These engagements call for the measurement, disclosure and reduction of GHG emissions including setting quantifiable, specific, science-based and time-bound reduction targets. That is, GHG reduction targets are placed within the larger context of the emissions reductions necessary to meet the maximum 2 degrees Celsius global temperature increase. Other proposals have focused on carbon asset risk or the funding of new fossil fuel exploration in light of potential climate regulation. Many companies, including the top five U.S. oil companies, recognize the risk and opportunities associated with climate change and are taking action, including integrating carbon pricing into their business plans as they assess the economic viability of projects.

INVESTOR IMPACT: CLIMATE CHANGE MITIGATION

The Sisters of St. Dominic of Caldwell, NJ

DRIVING DOWN EMISSIONS AND DRIVING UP FUEL ECONOMY IN THE AUTOMOTIVE SECTOR

The Sisters of St. Dominic of Caldwell, along with other ICCR members, began engaging Ford Motor Company and General Motors in the mid-1990s on climate change, then called "planetary global warming". Ford was the first U.S. company to leave the Global Climate Coalition, a well-funded group dedicated to refuting the science of climate change, and when many more companies ICCR was engaging followed suit, the association ultimately was forced to close its doors. In 2003, a resolution was withdrawn when Ford agreed to a holistic report that included disclosure of its emissions, elements to increase fuel efficient technologies, and public policy. In 2005, Ford released a first-of-its-kind climate risk report in the auto industry analyzing the business implications of climate change on the company's strategic planning and overall competitiveness, and in 2008, Ford established a Greenhouse Gas Reduction Plan for its entire operation and pledged to reduce GHG emissions for its new vehicle fleet by at least 30% by 2020. It now continues to make commitments under this Climate Stabilization Commitment, reducing emissions in both its facilities and in the end use of its products through increased fuel efficiency – important steps needed to balance environmental and social concerns with the drive for strong returns for its investors that were brought about by shareholder engagement. Investor advocacy also facilitated Ford's support of robust Corporate Average Fuel Economy (CAFE) Standards[18] to significantly reduce emissions generated by their products.

INVESTOR IMPACT: CLIMATE CHANGE MITIGATION

Boston Common Asset Management

CONTROLLING GHG EMISSIONS IN ENERGY PRODUCTION

Starting in 2003, intensive shareholder meetings with Apache led directly to improved company practices that reduced environmental impacts and lowered costs, including (1) developing new practices of water sourcing, treatment and recycling for hydraulic fracturing in order to not use potable water; (2) deploying dual fuel drilling rigs and pressure pumping units to use natural gas, cutting related emissions and reducing diesel costs by 60%; (3) reducing chemical use by 47% by volume per fracking stage from 2012 to 2014, and also having an 83% reduction to safer U.S. EPA Design for Environment (or equivalent) chemical alternatives.

INVESTOR IMPACT: CLIMATE CHANGE MITIGATION

Green Century Capital Management and the Sisters of St. Dominic (Racine Dominicans)

HALTING DEFORESTATION IN THE PALM OIL INDUSTRY

Responding to unprecedented pressure from investors and leading brands, suppliers representing over 90% of the global palm oil trade have adopted groundbreaking policies to ensure that the palm oil they produce does not contribute to deforestation or human rights abuses. Wilmar's – the world's largest palm oil company – commitment alone should help avoid 1.4 gigatons of CO2 by 2020, equivalent to the emissions of Central and South America combined in 2010.

Investors withdrew a resolution with Sysco after it agreed to source RSPO certified 100% sustainable palm oil (no deforestation or exploitation) and to adopt a sourcing policy aligned with the UN Guiding Principles on Business and Human Rights[19].

INVESTOR IMPACT: CLIMATE CHANGE MITIGATION

Walden Asset Management

RAISING THE BAR FOR GHG REDUCTION COMMITMENTS FROM THE CONSUMER PACKAGED GOODS SECTOR

In 2013, as part of an effort to engage with companies in its client portfolios on the topic of climate change, Walden Asset Management sent a letter inquiring about Colgate-Palmolive's approach to managing the risks and opportunities of climate change. Walden, a long-time shareowner of Colgate-Palmolive, had previously engaged the company on numerous environmental and social issues and found it very receptive to shareowner engagement. This letter catalyzed a more detailed conversation with the company regarding its evolving approach to managing climate risk. In addition, Colgate was engaging with WWF and other environmental NGOs to gain their perspectives. In May 2014, the company announced a new GHG emission target: reduction on an absolute basis of 25% compared to 2002 and; a longer-term goal of a 50% reduction by 2050. These goals are in line with the CDP and World Wildlife Fund (WWF) report – The 3% Solution[20] – and, as stated in the company's press release, "should also serve as proof positive to our political leaders that robust action on climate change is imperative."

INVESTOR IMPACT: CLIMATE CHANGE MITIGATION

Mercy Investment Services

REDUCED METHANE FLARING IN OIL WELLS

Mercy Investment Services filed a resolution with Continental Resources asking the company to adopt quantitative goals to reduce or eliminate flaring, a byproduct of burning natural gas that releases approximately six million tons of carbon dioxide per year into the atmosphere. The resolution prompted a dialogue with the company which resulted in its commitment to reduce flaring to as close to zero as possible. Subsequently, a task force representing oil production companies in North Dakota announced its intention to increase the capture of natural gas during drilling, further reducing flaring, and has stated that it believes in six years it will be able to capture up to 90% of its carbon emissions.

INVESTOR IMPACT: CLIMATE CHANGE MITIGATION

Tri-State Coalition for Responsible Investment

PROMOTING SUSTAINABLE AGRICULTURE IN GLOBAL FOOD SUPPLY CHAINS

Understanding that climate risk extends beyond the energy sector, ICCR members have engaged in constructive dialogue with agricultural giant ADM to assess its climate impact, water risk, and human rights concerns throughout its vast supply chain. ADM has made important commitments to integrate respect for human rights into its business relationships throughout its supply chain, and has begun disclosure to CDP's supply chain reporting program, and is taking steps to integrate sustainability into its operations. ADM's responsiveness to investor recommendations demonstrates how investors frame holistic environmental and human rights issues for companies and are able to develop positive relationships that can produce change.

2. Public Policy

Our members maintain that in disclosing lobbying and political spending activities, including spending through third party associations and memberships, companies and investors can ensure that these activities are in alignment with corporate policies on environmental concerns. Members Walden Asset Management and Calvert Investments have published a Policy Engagement Toolkit[21] with eight recommendations to help investors effectively engage companies on these issues.

INVESTOR IMPACT: PUBLIC POLICY

Walden Asset Management and Trillium Asset Management

SEEKING CORPORATE DISCLOSURE OF CLIMATE-RELATED LOBBYING AND POLITICAL EXPENDITURES

Inconsistencies between companies' commitments to address climate change and their public policy positions can pose reputational risks, as well as undermine companies' actions to mitigate and adapt to climate change. To manage those risks, over the last several years investors have asked over 200 companies to disclose spending for both political and lobbying purposes, and ensure they have internal processes established to align any spending with corporate climate commitments. Accenture, Bristol Myers Squibb and Intel have developed clear disclosures on lobbying. Over 100 companies decided to end their relationships with the American Legislative Exchange Council (ALEC), while others have begun to voice support for state-level regulations promoting renewable energy, which has the potential to advance and strengthen these important initiatives. ALEC has been on the forefront of attacks on state renewable energy programs and other legislative efforts to address climate change.

Trillium has filed shareholder proposals and had active engagement with important companies in the fossil fuel supply chain including, Halliburton, Hess, and Marathon Petroleum leading the companies to make major improvements in political and lobbying expenditure disclosures that include disclosures of payments to trade associations and other third party conduits. Through a year-long effort, Trillium was instrumental in persuading eBay to not renew its membership in the American Legislative Exchange Council (ALEC).

3. Corporate Reporting and Accountability

Disclosure is a powerful tool to drive performance improvements and accountability and ICCR members continue to press companies for increased disclosure related to climate change. Through the CDP (discussed below) climate survey, members ask companies to disclose their carbon emissions, the risks and opportunities associated with climate change, as well as the governance structures established within companies to address these risks. Additional, more specific disclosure requests have been developed for industries such as oil and gas, and banks. ICCR members also supported work led by Ceres and the Environmental Defense Fund (EDF) that in 2010 led to the Securities and Exchange Commission (SEC) issuing interpretive guidance regarding company disclosure of climate risk in 10-K filings[22].

INVESTOR IMPACT: CORPORATE REPORTING

CCLA and Christian Brothers Investment Services

THE POWER OF GLOBAL INVESTOR COALITIONS TO PRODUCE EMISSIONS DISCLOSURES IN THE OIL AND GAS SECTOR

Highlighting the ability of global investor coalitions to achieve corporate change, Shell and BP announced in early 2015 their support of shareholder proposals seeking greater disclosure on greenhouse gas emissions, research and development on low-carbon alternatives, executive incentives, and public policy positions relating to climate change. The proposals are part of a U.K. investor campaign "Aiming for A" led by UK-based member CCLA, which encourages companies to achieve a high rating in the Carbon Performance Leadership Index. Members of ICCR, led by Christian Brothers Investment Services, were among the 53 participating institutional investors from the U.S. and Europe, with 52 million shares of Shell and 841 million shares of BP.

INVESTOR IMPACT: CORPORATE REPORTING

CDP

LEVELING THE PLAYING FIELD THROUGH CORPORATE CARBON MEASUREMENT AND DISCLOSURE

ICCR members have encouraged companies to disclose their carbon emissions for decades and welcomed the development of CDP (formerly Carbon Disclosure Project) as a tool for corporate disclosure of carbon risk. There is increasing evidence that companies that manage their energy costs and invest in efficiencies or renewables have increased returns to shareholders. For 12 years, CDP has been using shareholder (including ICCR member) endorsement to push corporations to report on their greenhouse gas emissions (GHG) and their strategies in response to climate change. As a result of sustained effort, more than 2,000 major global public companies and another 3,000 private companies are now reporting on their GHG emissions. This data can be used by analysts and investors to assess the leaders and laggards on climate change questions.

INVESTOR IMPACT: CORPORATE REPORTING

Investor Environmental Health Network & the Sisters of St. Francis of Philadelphia

INVESTOR GUIDELINES AND RECOMMENDATIONS FOR SAFER FRACKING OPERATIONS IN SHALE

In 2011, ICCR and IEHN published "Extracting the Facts: An Investor Guide to Disclosing Risks from Hydraulic Fracturing Operations"[23], which recommended corporate goals, practices and key performance indicators to oil & gas companies engaged in shale development ("fracking"). The guidelines have been used by JPMorgan Chase, the nation's largest energy lender, in reviewing its energy portfolio. In response to investor pressure, several companies have begun reporting the specific measures they are taking to use safer chemicals and to reduce risks from radioactive materials. The guidelines have also been the basis of engagements calling for improved reporting and management practices by major oil and gas companies. ICCR's Social Sustainability Resource Guide[24] has strengthened the case for the implementation of corporate human rights policies that fully integrate the social and community impacts of fracking operations. As a result, oil and gas companies are actively working with ICCR members to improve human rights policies and grievance mechanisms.

INVESTOR IMPACT: CORPORATE REPORTING

Trillium Asset Management

PRESSING FOSSIL FUEL COMPANIES FOR GREATER DISCLOSURES ON METHANE EMISSIONS

One of the biggest opportunities for investors to have a critical impact on fossil fuel companies is on the issue of methane emissions, a so-called super climate change gas. Trillium's actions in cooperation with many other ICCR members led exploration and production company EOG to make improvements to its disclosures on methane. We have good reason to believe that the result from many parties engaging EOG has been a reduction in its methane emissions.

4. Climate Change Adaptation

These engagements request formal climate risk assessments and management plans that will help companies and investors assess climate change impacts to companies' direct operations as well as throughout their supply chains. Members press companies to develop proactive plans to address potential climate change impacts such as storms or droughts in order to prevent operational disruption and to ensure sustained financial performance.

INVESTOR IMPACT: CLIMATE CHANGE ADAPTATION

Calvert investments

MITIGATING CLIMATE RISK DUE TO STORM SURGES/SEA LEVEL RISE

Calvert has engaged companies such as Phillips 66 to issue specific disclosure regarding the company's awareness of and preparation for physical impacts and risks related to climate change including storm surges and sea level rise. Diminished refining utilization rates, potential downtime or closure of facilities due to direct damage to the facility, danger to employees, disruption in supply chains, and power supply due to storm surges or sea level rise are proven to have a material financial impact on these companies' production and cash flows: investors view these disruptions as significant risks. As a result of this engagement, various companies have agreed to undertake substantive discussions with Calvert regarding the physical risks posed by climate change to their operations and will discuss how they identify and mitigate those risks.

5. ICCR's Advocacy and Climate Finance Initiatives

A key barrier for shareholders pressing for corporate climate reform as well as investors interested in the climate finance space has been the absence of strong public policy frameworks that will help propel the shift to a low-carbon future. For that reason, the responsible investment community is continuously advocating for stronger climate-related regulations at the state and federal levels. In addition, members are actively promoting proactive investment or climate finance among our allies in the investment community and in our engagements with the private sector.

Advocacy

Producers and private sector energy consumers are currently allowed to use fossil fuels and enjoy their benefits without paying for the "externalities", or costs, associated with the harmful effects of GHG emissions and resulting climate change. These externalized costs are passed on to consumers in a variety of ways but certainly via climate change impacts. Policy and regulation in the form of carbon pricing (e.g. carbon tax, cap and trade, etc.) are necessary to internalize this cost. Members active on climate change advocate for the elimination of fossil fuel subsidies and meaningful carbon pricing such as the imposition of a carbon tax. ICCR has advocated in favor of stricter EPA regulations for the automotive industry and supports the agency's Clean Power Plan to cut carbon pollution from power plants. Advocacy for the Clean Power Plan took the form of several member-placed op-eds in regional papers. Members have also sent letters to legislators, commented on draft legislation/regulation and called for corporate support of these initiatives in their corporate dialogues. USSIF organizes events on Capitol Hill called "Hill Days" to provide lawmakers with their perspectives on the need for stronger legislative and regulatory frameworks. In addition, members advocate for strengthened SEC reporting/disclosure language, and support for reporting and compliance mechanisms that assist investors in making the business case for appropriate climate change action.

INVESTOR IMPACT: PUBLIC POLICY AND ADVOCACY

Wespath Investment Management

SUPPORTING STRONGER EPA CONTROLS ON AUTO EMISSIONS

Wespath's climate change engagement strategy includes both corporate and public policy engagements. On two occasions, staff attended EPA public hearings and spoke in support of proposals designed to improve vehicle efficiency and reduce air emissions – one of which is estimated to reduce GHG emissions by nearly 250 million metric tons and save approximately 500 million barrels of oil over the life of medium- and heavy-duty vehicles sold during 2014 to 2018. Wespath was the only investor voice in the room and described how the regulations would create or retain shareholder value while also offering environmental and societal benefits. The proposals were later enacted.

INVESTOR IMPACT: PUBLIC POLICY AND ADVOCACY

Trillium Asset Management

INVESTORS LEADING THE CALL FOR STRONGER EPA REGULATIONS ON "SUPER CLIMATE CHANGE GAS" EMISSIONS

Federal public policy is one of the most important pieces of addressing the methane emissions problem. Methane emissions, a so-called super climate change gas, need to be kept under 1%. Trillium and the New York City Common Retirement Fund have led a group of investors including many ICCR members in advocating for strong EPA regulations. The results thus far have been promising, with the White House announcing its intention of setting the nation's first ever reduction target for methane.

Climate Finance Initiatives

These initiatives specifically seek to limit climate risk by advancing research and dedicated investment in climate change solutions; however, as mentioned earlier, a favorable policy environment that can ensure optimal risk-adjusted returns, which as fiduciaries investors are required to achieve, doesn't currently exist. As articulated in the Global Investor Statement on Climate Change[25] endorsed by 265 investors including ICCR and representing $24 trillion in assets, private investment will only flow at the scale and pace necessary if it is supported by clear, credible and long-term policy frameworks that shift the risk-reward balance in favor of less carbon-intensive investment. For this reason, ICCR members are working with others in the investment community, including some of the world's largest pension funds, to press for the climate policy shifts that will unleash this flow of capital and drive clean energy investment. At the same time, members are seeking to educate the broader responsible investment community about both current and future climate finance opportunities.

INVESTOR IMPACT: IMPACT INVESTING & CLIMATE FINANCING

Boston Common Asset Management

PUTTING CAPITAL TO WORK IN THE GREEN ECONOMY

Boston Common led an investor coalition with $540 billion in assets under management in sending letters to 63 banks asking them to explain their long-term approaches to climate risk. Over 20 banks responded, and both PNC Financial and JPMorgan have modified or developed policies and programs to address climate change, actively incorporating investors' feedback. Further, as a result of ICCR member engagement, PNC Bank recently announced it would no longer finance mountain-top coal removal a practice known to have devastating environmental and social impacts.

INVESTOR IMPACT: IMPACT INVESTING & CLIMATE FINANCING

ICCR's Climate Change Leadership Team

INNOVATIONS IN CLIMATE FINANCE

On February 9th, 2015 ICCR convened its first Climate Finance roundtable with investors, investment professionals and leaders in climate finance to catalyze investments in climate solutions. Recognizing that there is a critical role for investors to play in moving the economy toward a low-carbon path by investing in innovative new technologies and infrastructure, a group of roughly 100 shared vehicles, opportunities and strategies to promote increased investment in green energy solutions.

INVESTOR IMPACT: IMPACT INVESTING & CLIMATE FINANCING

Friends Fiduciary

INVESTING IN CHANGE

Friends Fiduciary has invested with a Cleantech equity manager that invests in companies with products and services focusing on sustainable use of agricultural resources, renewable energy, efficient transport, energy conservation, water filtration and conservation and other cutting edge clean technologies. In addition it has added green bonds to its fixed income portfolio. Green bonds now comprise 10% of that allocation with investments in the European Bank for Reconstruction and Development and others.

VII. QUESTIONS AND CONSIDERATIONS FOR INVESTORS IN RESPONDING TO CLIMATE CHANGE

If you are an institution concerned about climate change, please consider these key questions as you develop/refine your own climate change engagement programs:

- Has your organization assessed the carbon footprint of its portfolio and of its own operations and if so, what plans are in place to remediate/improve carbon efficiencies?
- Does your organization have a formal responsible and sustainable investment policy and does it include specific guidelines that account for the economic, environmental and social risks of high carbon investments and/or climate change?
- Do you have proxy voting polices specifically addressing climate change and do you vote all of your shares?
- If high-carbon footprint companies are held in your institution's portfolio, are they being actively engaged and, if so, what assessment tools and metrics have been developed to track compliance/performance?
- Do you have criteria to determine if and when an engagement has reached an end, and if so, do you have a policy for determining next steps?
- What avenues are available to your organization to help promote responsible public policy on climate?
- How can your organization best use its influence to catalyze climate action among its peers and across networks and constituents?
- Is impact investing/climate finance being considered by your organization to accelerate the transition to low carbon energy?
- Is there adequate communication and alignment between your institution's internal investment arms, i.e., Chief Investment Officers, investment committees and/or Board of Directors, and shareholder advocacy staff and external financial consultants/advisors?
- Have you asked your fund managers how they assess their securities holdings for carbon asset risk exposure and if they ask companies in their portfolios to take action to reduce such risks?

We hope these questions are useful in stimulating productive discussions among the relevant stakeholders of your organization and would greatly appreciate any feedback about how they were used and how they might be improved.

VIII. SUMMARY

Because fossil fuel energy is so broadly and deeply embedded into our economy and society, freeing ourselves from our dependence on it will be neither quick nor easy; it will require commitments from us all throughout the transition. In the meantime, investors are committed to remaining at the table with the companies we hold to insist that they continue to demonstrate leadership to find and fund climate solutions.

We need to remain mindful of the fact that energy companies supply a commodity we all consume regularly and upon which our global economy depends. While we all acknowledge the imperative to move with great haste towards renewables as a primary energy source, both the infrastructure and supply of green energy are at present insufficient to meet demand. Further, while carbon pricing mechanisms that will incentivize the drastic carbon reductions required are being seriously explored by legislators, as yet they don't exist. The transition to a low-carbon future will take careful planning to ensure that energy needs continue to be met, particularly in the resource-stressed developing world. For that reason, it will be critical for knowledgeable and concerned investors to remain at the table with the companies supplying those fuels.

> "Fossil fuels infuse our entire economy, the financial markets, and our lives. If you think your portfolio should be fossil fuel free, shouldn't your life be too? Fossil fuel companies will produce oil, gas, and coal as long as we demand it. To shift demand to less carbon-intensive fuels, we will need to make emitting carbon pollution, which is now free, bear a cost. This requires strong public policy. When the full cost, including planetary damage, is reflected in the prices we pay for these fuels, alternatives will become relatively more attractive and consumption will shift in that direction.[26]
>
> - Tim Brennan, Treasurer and Chief Financial Officer of the Unitarian Universalist Association"

Clearly there are many roles to be played in this global movement to counter climate change threats and many strategies that can and should be deployed. While others are better-suited to lead more public-facing activist campaigns from the outside, our role is to remain on the inside to build will and urge companies to plan, manage and set the carbon reduction goals necessary to bring about systemic and enduring change, and actively encouraging others in the investment community to join us in this work as they can. We view these inside/outside strategies as complimentary and mutually empowering, not at odds with one another.

We urge energy companies to evolve their business plans to better manage climate realities because we believe their resources, experience, capital and expertise are needed to hasten the development of our new, green-energy economy. We especially encourage fossil fuel producers to better reflect their intentions to become the energy companies of tomorrow by making the strategic shifts necessary to allow them to become renewable energy providers.

What is also clear is that investors can no longer afford to be passive about the effects of climate change; they must raise their voices, exercise their right to vote both in and out of the corporate boardroom and use their influence through whatever means possible to accelerate change. This mandate extends beyond the responsible investment community to encompass all investors as well as investment professionals, including analysts and proxy voting services. Shareowners of carbon-intensive companies, like the shareowners of any controversial company or industry, have an extraordinary responsibility to use these stocks to their best advantage. These shareowners must, at absolute minimum, vote their proxies to ensure that they are supporting shareholder proposals that seek to advance climate solutions. They may be called upon to vote on board directors and they should know what the candidates' positions are on environmental issues and whether they have specific expertise that will help the company transition to low-carbon models. Institutional investors have additional responsibilities and may want to consider participating with ICCR and other investor coalitions in shareholder campaigns on climate change. Without question, having more of us at the table will only increase our influence.

At the founding of ICCR nearly 45 years ago, our members understood the work to hold the world's wealthiest and most powerful corporations accountable to their social contract would not be quick or easy. The complexity and the effort required to create meaningful change through shareholder engagement only serve to highlight the importance of these initiatives as social change instruments. And, when we are successful, it makes the rewards for us, our planet and its people that much richer.

Many more voices of outrage and hope are needed to realize our vision of a sustainable, low-carbon future. If you can join us, we promise to save you a seat at the table and will be there to welcome you.

IX. RESOURCES

ICCR Publications

- 2015 Proxy Resolutions and Voting Guide
- Social Sustainability Resource Guide: Building Sustainable Communities through Multi-Stakeholder Collaboration
- Corporate Examiner: Raising the Bar
- Corporate Examiner: The Price of Denial
- Insights for Investors Working for Bolder Intervention on Climate Change

General

- Intergovernmental Panel on Climate Change: Fifth Assessment Report
- U.S. Global change Research Program: National Climate Assessment
- The World Bank: Turn Down the Heat
- UNFCCC Website: United Nations Framework Convention on Climate Change
- United Nations Environment Program: Climate Change Mitigation
- World Resource Institute: Solutions for Climate Change Mitigation and adaptation
- The Rockefeller Foundation: Climate Change Resilience
- The Global Compact/UNEP: Business and Climate Change Adaptation

Faith Communities

- Faith-Based Statements on Climate Change
- The Interfaith Declaration on Climate Change
- CAFOD: One Climate, One World: What Have We Done
- Interfaith Power and Light: Spring Climate Action

Investors

- USSIF: 2014 U.S. Sustainable, Responsible and Impact Investing Trends
- Caring for Climate: Guide for Responsible Corporate Engagement in Climate Policy
- Oxfam: The New Adaptation Marketplace: Climate Change and Opportunities for Green Economic Growth
- Ceres: Investing in the Clean Trillion: Closing the Clean Energy Investment Gap
- World Economic Forum: The Green Investment Report The Ways and Means to Unlock Private Finance for Green Growth
- USSIF: Investing to Curb Climate Change; A Guide for Institutional Investors; A Guide for Individual Investors

• Institute for Responsible Investment: Handbook on Climate-Related Investing Across Asset Classes

• Croatan Institute: The Impact of Equity Engagement: Evaluating the Impact of Shareholder Engagement in Public Equity Investing

• Ferraro-Buenza: Why Talk? A Process of Model of Dialogue in Shareholder Engagement

Corporations

• The Risky Business Coalition: American Climate Prospectus: Economic Risks in the United States

• We Mean Business Coalition: The Climate Has Changed

• World Wildlife Fund: The 3% Solution

• United Nations Environment Program Finance Initiative: Financial Institutions Taking Action on Climate Change

• CDP: The A List: The 2014 CDP Climate Performance Leadership Index

• CDP: Climate Action and Profitability; CDP S&P 500 Climate Change Report 2014

• CDP: Why Companies Need Emissions Reductions Targets

• Walden-Calvert: Policy Engagement Toolkit

• Ceres: Power Forward 2.0: How American Companies Are Setting Clean Energy Targets and Capturing Greater Business Value

• Ceres: Business for Innovative Climate and Energy Policy (BICEP): Climate Declaration

• Pivot Goals: The Sustainability Goals of the World's Largest and Leading Companies

• We Mean Business Coalition: Economic Opportunity through Bold Climate Action

• The Business Renewables Center

• The Climate Group: RE100

• The Cambridge Institute for Sustainable Business: Climate Change: Implications for Business

NOTES

1 http://www.ussif.org/trends

2 http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2419571

3 https://www.ipcc.ch/report/ar5/

4 http://www.riskybusiness.org/

5 www.wemeanbusinesscoalition.org

6 Speech delivered May 21, 2014 via Vatican Radio. See http://www.news.va/en/news/pope-at-audience-if-we-destroy-creation-it-will-de

7 http://www.uua.org/statements/threat-global-warmingclimate-change

8 April 18, 2012 speech at UC San Diego. See http://patch.com/california/lajolla/dalai-lama-talks-global-warming-san-diego

9 http://www.interfaithdeclaration.org

10 Full text: http://www.businessgreen.com/bg/analysis/2343646/christiana-figueres-st-paul-s-cathedral-speech-in-full

11 http://www.un.org/sg/statements/index.asp?nid=8028

12 http://www.ceres.org/issues/clean-trillion

13 http://www.unpri.org/press/global-investor-statement-on-climate-change-reducing-risks-seizing-opportunities-and-closing-the-climate-investment-gap-2/

14 http://docz.io/download/2519716

15 http://www.iccr.org/2015-iccr-proxy-resolutions-and-voting-guide

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17 http://www.iccr.org/iccrs-shareholder-resolutions

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19 http://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR_EN.pdf

20 http://www.worldwildlife.org/projects/the-3-solution

21 http://www.iccr.org/sites/default/files/resources_attachments/walden_-_calvert_policyengagementtoolkit_1.pdf

22 http://www.ceres.org/press/press-releases/sec-issues-ground-breaking-guidance-requiring-corporate-disclosure-of-material-climate-change-risks-and-opportunities

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24 http://www.iccr.org/building-sustainable-communities-through-multi-party-collaboration-iccr-social-sustainability

25 http://investorsonclimatechange.org/

26 http://www.huffingtonpost.com/tim-brennan/climate-change-divestment_b_2768852.html

The Evolution of ICCR Shareholder Proposals on Climate Change

1974
- Domestic/foreign oil reserves ownership rights (energy crisis)

1986
- Emissions control/acid rain

1989
- Environmental pollution (planetary warming)

1990
- Protecting the earth's ozone layer (CFCs)

- Valdez Principles (greenhouse effect)

1992
- Reducing global greenhouse gas emissions and global warming

1993
- Conservation and emissions

1996
- Utilities energy conservation CO2 and climate change

1998
- Financial exposure to climate change (insurance)
- Greenhouse gas emissions and lobbying (automotive)

2000
- Global warming (oil and gas)
- Renewable energy needed/ climate change (Exxon)

2002
- Invest in clean energy
- Embedded climate risk (off balance sheet liabilities)

2005
- Global warming – executive compensation
- Global warming financing (banks)
- Global warming – Kyoto compliance

2006
- Global Warming – new coal plants

2007
- Climate change report
- Determine percentage for renewables
- Leadership role on climate change (Exxon)

2008
- Meet new fuel economy standards
- Coal financing and lending/global warming

- Sustainability reporting

2009
- CDP disclosure

2010
- Oil sands
- Adopt climate change principles

2011
- Carbon price assumptions

- Financial risk of climate change and continued reliance on coal (energy)
- Report on federal subsidies

2012
- Palm oil sourcing from endangered forests
- Risk of lower than expected fossil fuel demand
- Set goal to reduce GHG

2013
- Climate change risk to company and society (stranded assets)
- Natural gas flaring
- Assess/report GHG emissions resulting from lending portfolio

2014
- Adopt near-term actions to reduce GHGs
- Climate change management plan

- Deforestation for palm, paper and soy
- Public policy advocacy on CC
- Report on methane emissions

2015
- Sustainable Ag policies
- Adopt time-bound, quantitative reduction targets
- Proxy voting policies relative to climate change (asset managers)
- Director with environmental expertise

- Executive compensation based on carbon reduction metrics
- Risk associated with rail transportation of crude oil
- Set quantitative goals for renewable energy sourcing
- Stranded assets/climate change
- Capital distribution/carbon asset risk
- Strategic resilience to climate change for 2035 and beyond

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