2018
Shareholder Advocacy

Friends Fiduciary
Theory of Change

As long-term, socially responsible investors, Friends Fiduciary believes that *what is good for society is good for business.* We are active owners of our shares. One of our levers of change is shareholder advocacy.

Shareholder advocacy has three components, and we use all three: **dialogues, shareholder resolutions, and voting proxies.**

**DIALOGUES**
We talk directly with companies to express our concerns.

Friends Fiduciary approaches the dialogue process with a voice grounded in Quaker values and focused on long-term sustainable business practices.

**SHAREHOLDER RESOLUTIONS**
When companies are unwilling to make substantive changes through dialogue, Friends Fiduciary can file shareholder resolutions, which are voted on by all shareholders. Resolutions often lead companies back to the dialogue table; if so, the resolution is withdrawn when a company commits to change.

Resolutions often receive media attention, drawing more eyes to the issue at hand and putting pressure on the company.
Shareholder Resolution Process

1) OWNERSHIP
To file a resolution, a shareholder must have held at least $2,000 of the company’s stock continuously for at least a year.

2) DIALOGUE
Friends Fiduciary first reaches out to the company to see if our concerns can be met through dialogue. If the company is not willing to make substantive changes or is unresponsive, we can file a shareholder resolution.

3) FILE
Resolutions can focus on a variety of issues. Friends Fiduciary’s have included greenhouse gas emissions, employee or board diversity, executive compensation, deforestation, and others.

4) DIALOGUE
Companies are usually interested in keeping resolutions off of their proxy statement—it’s bad publicity. If Friends Fiduciary and the company come to an agreement, the resolution is withdrawn.

5) VOTE
Once on the proxy, a resolution goes to a vote by all shareholders on the resolution at the company’s Annual General Meeting. Any shareholder can, and all should, vote their proxies. Every vote counts.

If a resolution passes, the company is under significant public and shareholder pressure to comply, although resolutions are legally non-binding.
Shareholder Advocacy
2018 Proxy Season Overview

PRIORITIES AND SCOPE

In the 2018 proxy season we engaged 40 companies on a wide variety of environmental, social, and governance issues. We are one of the most active faith-based investors doing shareholder advocacy.

Environmental
- Emission reduction goals
- Methane management
- Sustainability reporting
- Water use policy
- Food waste
- Financed emissions
- Climate change business model
- Deforestation

Social
- Diversity and inclusion
- Paid family leave
- Drug pricing
- Ethical recruitment of workers
- Fair chance hiring
- Human rights

Governance
- Lobbying disclosure
- Proxy voting on climate change
- Business standards review
- Separation of Chair and CEO
- Cybersecurity risk
- Board Diversity

COLLABORATION AND LEADERSHIP

We identify companies, coordinate company dialogues, and collaborate with other investors through our investor networks, the Interfaith Center on Corporate Responsibility and Ceres.

![Graph showing Co-engagements and Engagements as lead from 2016 to 2018]

This year, we are leading with 15 companies. Taking the lead means we developed expertise in the subject area, gathered other interested investors, coordinated dialogue, and are the investor with the primary relationship with the company.

IMPACT

We were able to withdraw 12 resolutions after companies agreed to all or part of our resolution ask. That’s an almost 50% success rate of our resolutions resulting in significant progress.
WHY METHANE?

Methane gas is incredibly potent. It accounts for 10% of all emissions – but it causes 25% of global warming. Methane is emitted into the air in the natural gas and fossil fuel extraction processes.

MAKING THE BUSINESS CASE

When we approach companies, we work to make the business case for change, grounded in Quaker values.

1) Wasted Methane = Lost Profit

Natural gas companies sell methane as fuel—so when methane leaks from pipelines or extraction sites, the company is losing saleable product, and investors are missing out on potential profit.

2) Better Stewardship = Better Prospects

Natural gas is commonly seen as a cleaner “bridge” fuel between oil and renewables—but methane leaks, with their significant environmental and social impacts, threaten that calculus, posing risks to potential demand as a bridge fuel and to social license to operate.

MAKING AN IMPACT

We joined investors in approaching EQT because they are the largest natural gas production company in the country, with significant operations in our home state of Pennsylvania. They also were lagging in their disclosures about their methane emissions and management practices.

EQT didn’t respond to our initial request for transparency, so we filed a shareholder resolution, which brought the company to the table. After a productive dialogue, the company agreed to publish comprehensive information on their methane measurement and management efforts and to establish a methane emission reduction goal in Q4 2018.
Human Rights and Worker Safety in Bangladesh

In 2013, 1,134 Bangladeshi garment workers were killed and thousands more injured when Rana Plaza, a poorly constructed building with insufficient safety features, collapsed.

Collaborating for systemic change
We collaborated with other investors to push international clothing brands sourcing in the region to fund inspections and remediation of garment factory buildings. Over 1,600 factories have been inspected so far and we are encouraging companies to continue the effort.

THE QUAKER CONNECTION

In 2017, reports emerged of child labor and extreme environmental degradation in Dhaka’s leather tanneries, from which major brands sourced leather, including shoe manufacturer Clarks, founded by Quakers.

Friends Fiduciary contacted Clarks – even though it is privately held – because we could leverage our shared Quaker heritage.

Leveraging our Quaker heritage
We recruited the Joseph Rowntree Charitable Trust, a British Quaker grant making trust and Clarks shareholder, to join us in engaging the company about its sourcing practices.

Our dialogue is in progress and includes non-profit partners on the ground in Dhaka.