National Jesuit Committee on Investment Responsibility

2008 Annual Report

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NJCIR Mission

To advocate for and effect changes in unjust corporate decisions and values which hinder the reconciliation of the world to God.
Chairperson’s Message

Greetings,

As you read NJCIR’s first annual report, may you be inspired to join our work and “Invest for Change.”

We engage companies through shareholder dialogues and resolutions that currently focus on access to HIV/AIDS medicines in Africa and promoting human rights. Our work gives witness to the truth that “[S]erving Christ’s mission today means paying special attention to its global context….we bear a common responsibility for the welfare of the entire world and its development in a sustainable and living-giving way” (GC 35: Decree 2: A Fire That Kindles Other Fires, #20).

In the midst of a busy year of dialogues with corporations, we faced a significant challenge when the Securities and Exchange Commission (SEC) announced in June 2007 a public comment period on proposals to severely curtail or possibly eliminate the right of shareholders to file advisory resolutions in publicly traded companies. NJCIR joined with our colleagues at the Interfaith Center on Corporate Responsibility (ICCR), a coalition of 275 faith-based investors, to actively oppose these proposals. ICCR helped generate thousands of e-mails and letters and NJCIR’s Consultant joined representatives of other socially conscious institutional investors to meet with elected officials on Capitol Hill. The SEC voted to maintain the status quo for the time being on November 27, 2007.

Situations such as the proposed rule changes by the SEC underscore the value of collaborating with other socially conscious investors. We are grateful for the strong support of ICCR colleagues in the engagements that are led by Jesuit provinces. Another sign of Jesuit collaboration and leadership among religious institutional investors is the election of NJCIR’s Consultant to ICCR’s Governing Board.

The Committee is also grateful for the hospitality of the Wisconsin and Chicago Provinces that hosted our fall and spring meetings respectively. Among our accomplishments were adding OM Group as our newest engagement, strengthening our procedures by formally adopting guidelines for selecting and terminating company engagements, a training session for NJCIR representatives on the responsibility of corporations to respect human rights, a presentation by NJCIR’s Chair and Consultant to the Committee of Province Treasurers, expressing support of the Coalition of Immokalee Workers’ campaign for fair wages and just working conditions in a letter to Burger King’s CEO, and meeting with representatives of the recently formed Loyola University Chicago Shareholder Advocacy Committee.

Our work is possible because of the commitment of the Provincials, prayers of faithful people that under-gird this ministry, and a dedicated committee of provincial representatives. As we move forward with a challenging program over the next year, the Committee invites all Jesuits, lay collaborators, and Jesuit-sponsored institutions to participate in our mission to create “a more humane business culture” (GC 35: Decree 3: Challenges to Our Mission Today, #28).

Faithfully,

Mark C. Hallinan, SJ
Chairperson
September 22, 2008
Bristol-Myers Squibb Company (NYSE: BMY)

“In 2004, when Jesuits engaged Bristol-Myers Squibb because of our interest in HIV/AIDS as it impacted Africa, there was far less attention and resources being directed to the issue than is committed today,” notes Mark Hallinan, SJ who leads this dialogue for the New York Province. Over the course of this engagement, the Company has demonstrated a commitment to sub-Saharan Africa by not enforcing patents and granting voluntary licenses to generic manufacturers to reduce the price of medications and increase accessibility for the poorest patients.

Shareholders continue to press the Company to increase research and development for formulations appropriate for tropical climates and especially for children. The Company’s addition of two new board members who are acclaimed academic medical researchers hopefully signals greater commitment to neglected diseases and HIV/AIDS.

Chevron Corporation (NYSE: CVX)
Resolution to Adopt Human Rights Policy

For the third year in a row, our human rights resolution received the recommendations of two major proxy advisory services, Institutional Shareholder Services and Proxy Governance, and a strong vote of 24% at the May 2008 annual meeting. However, the road to these achievements was not easy. It was a very busy and productive year for the Wisconsin Province, the lead on the Chevron engagement.

Four months before the annual meeting, Chevron petitioned the SEC for permission to exclude the human rights resolution from the proxy statement on the grounds that the shareholder proposal was “substantially implemented.” Working closely with ICCR’s Legal Counsel, shareholders successfully refuted the Company’s claims and the SEC ruled in our favor.

The number of co-filers supporting this resolution was impressive. As the ICCR Proxy Voting Guide pointed out, with 30 filers, this represented one of the largest shareholder actions for the year. Particularly noteworthy were the presence of first time co-filers, Gesu Parish of Milwaukee and the University of San Francisco. In addition to the University’s co-filing, John P. Fitzgibbons, S.J., USF Vice President for Administration, gave the seconding remarks at the annual meeting held at the Company’s headquarters in San Ramon, California.
John Sealey, Provincial Assistant for Social and International Ministries at the Wisconsin Province, notes that “human rights is a core area of Jesuit shareholder advocacy as it coincides closely to the Society’s apostolic concerns regarding the marginalization of Africa, the rights of indigenous people, economic justice and conflict and violence.”

NJCIR acknowledges that Chevron has made some noteworthy recent steps including utilizing computer-based training for employees on human rights and including the corporate human rights statement into the Business Code of Conduct. However, as UN Special Representative for Business and Human Rights John Ruggie contends, the appropriate starting point is a human rights policy with board oversight. This instrument would simultaneously serve the interests of the Company as well as concerns of host communities particularly in high-conflict areas such as Nigeria and Burma. Such a pro-active policy would seek to avoid human rights incidents rather than reacting to lawsuits or divestment campaigns stemming from human rights allegations.

As shareholders prepare for the upcoming fall dialogue in San Ramon, we remain firm in the belief that establishing a Human Rights Policy will improve the Company’s social license in the 180 countries where it operates and position the Company as the partner of choice for all stakeholders.

Occidental Petroleum Corporation (NYSE: OXY)
Dialogue on Implementing and Monitoring Human Rights Policy

The Jesuits in the United States have been working collaboratively with their brother Jesuits in Colombia to help shape United States policy in a nation with a history of social division and conflict. The Jesuits of Colombia had concerns with regard to Occidental’s operations in Colombia, particularly with regard to possible human rights abuses by security forces assigned to protect the Company’s oil infrastructure. The California Jesuits took the lead on this engagement and in an unusually swift time of 15 months, the Company and shareholders developed a level of trust that resulted in a human rights policy adopted by Oxy’s Board of Directors on December 7, 2004.

NJCIR California Province Representative Mark Potter explains: “During our 2007 dialogue, the Company acknowledged wanting to be the leader in social responsibility reporting for its sector. NJCIR’s continuing dialogue with Oxy is an opportunity to influence the Company to con-
sider how emerging issues like Free, Prior and Informed Consent and revenue transparency can strengthen human rights performance.” Focal points of recent discussions include the progress made in conducting social impact assessments of overseas operations and how those operations could better benefit the social and environmental aspects of community development.

At the request of the Company, the NJCIR Consultant appeared in Oxy’s 2008 Social Responsibility video shown at the Company’s annual meeting. Another sign of our collegiality was that Occidental’s Director of Corporate Responsibility participated in a symposium on *The Future of Corporate Accountability and Oversight* sponsored by the University of San Francisco.


**Monsanto Company (NYSE: MTC)**

**Dialogue on Implementing and Monitoring Human Rights Policy**

Concerns from Jesuits in Colombia regarding Monsanto’s product *Roundup*, used in aerial spraying for anti-drug operations as part of the US-backed Plan Colombia, prompted NJCIR to approach the Company in 2004. Led by the Jesuits of the Missouri Province, we called on Monsanto to adopt a transparent and verifiable human rights policy. The conversation with Monsanto widened to include concerns about their complicity with child labor in India. In 2006, Monsanto’s Board of Directors ratified a human rights policy.

Over the past year, NJCIR conferred with Dr. Bama Athreya, Executive Director of the International Labor Rights Forum, an organization that has the capacity to monitor and report on child labor in the supply chains of multinational corporations operating in India’s agricultural sector. Dr. Athreya confirmed NJCIR’s sense that Monsanto was committed to exercising their Human Rights policy in good faith. However, she did note that Monsanto could speed the process of implementing it in all the provinces in which they operate and to regularly evaluate their business model to ensure that a living wage is paid to adult workers. To systematically eradicate child labor in India, shareholders and other stakeholders have also encouraged the Company to help shape industry standards and advocate for public policy measures in the country.

NJCIR’s experience with Monsanto illustrates the importance of remaining engaged with a company for several years following the adoption of a policy. Doing so allows opportunities to give critical and constructive feedback to assure the implementation of a self-sustaining program that includes regular reports to stakeholders. “We have been impressed with Monsanto’s transparency and willingness to share what they have learned with other companies even though they are still in the early stages of implementing the Human Rights Policy,” commented Sean Agniel, Provincial Assistant for Social and International Ministries in the Missouri Province, following the November 2007 dialogue.

OM Group (NYSE: OMG)

New Engagement with focus on Promoting Human Rights

OM Group may well be the only company in the NJCIR advocacy portfolio that is not a household name. Based in Cleveland, Ohio, the Company operates one of the world’s largest cobalt smelters in the Democratic Republic of the Congo (DRC). Cobalt is a mineral that is a small but essential component in many products, including rechargeable batteries, printing inks, tires, and memory disks.

This initiative is unique as it brings NJCIR into collaboration with the Jesuit European Office (OCIPE) and Jesuits in the DRC through the Center for Research and Social Action (CEPAS) in using shareholder advocacy in the United States to enhance peace initiatives in Africa. Another distinguishing feature of this engagement are eyewitness accounts of human rights concerns observed by Jesuit Conference Social and International Ministries Policy Director John Kleiderer on two visits to the DRC over the past year and a half.

Our objective is to work with the Company to develop and implement a human rights policy to ensure the greatest amount of safety for OM Group’s operations. NJCIR is particularly concerned with risks associated with small-scale miners, including child scavengers, who operate around OM Group’s processing areas in the DRC.

With the Detroit Province taking the lead on this engagement, Carrie Monnette, the Provincial Assistant for Social Ministry, led a delegation of Jesuit representatives to the May annual meeting in Cleveland where they were able to speak directly with the CEO/Chairman of the Board, other directors, and corporate officers. In her remarks to the assembly, Carrie noted that “the experience of too many companies in the extractive sector show that obeying laws in foreign companies where they operate is not sufficient to ensure that appropriate measures are in place to mitigate against human rights risks while operating in high-risk environments like the DRC.”
NJCIR Invites Your Participation

Individuals and Jesuit-sponsored institutions can advocate for and effect change in corporate behavior in many ways. There is a role for you to play.

- **Pray** for NJCIR to effectively communicate our message of faith and values within the corporate sphere and for those with whom we dialogue to be open to our message.

- **Stay informed** by visiting www.njcir.org to learn about advocacy priorities, program objectives, the history of Jesuit commitment to socially responsible investing, and current announcements. The Jesuit Conference is a member of the Interfaith Center on Corporate Responsibility, an organization of 275 faith-based investors that works to build a more just and sustainable world by integrating social values into corporate and investor actions. ICCR’s website, www.iccr.org, is also a source of information on emerging issues.

- **Co-filing on an NJCIR shareholder resolution** helps demonstrate broad support for change in corporate policy and behavior. For example, Chevron’s diverse co-filing base includes Gesu Parish of Milwaukee and Jesuit universities (Marquette, Creighton, and University of San Francisco in the past and the commitment of Loyola University Chicago for the 2009 filing season). Co-filers are consulted and included regarding corporate dialogues and strategies to engage the company. Your NJCIR provincial representative will assist you with the process.

- **Voting your proxies** is another indicator of investor interest in corporate social responsibility and socially responsible investing. Strong votes for shareholder resolutions are often the catalyst for dialogue and change in corporate policies and practices. Annually, ICCR publications are essential resources: *Proxy Voting Guide* gives an overview of socially responsible resolutions and guide to voting proxies and the *Proxy Resolutions Book* contains the texts of resolutions.

- **Contact your Provincial Representative** to become involved through a provincial socially responsible investing committee or regional coalition for responsible investment, to co-file on a resolution, and to learn more about an issue in this field and other investor actions.
National Jesuit Committee on Investment Responsibility

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