Investing for a Better World

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INSIDE

Trillium Asset Management Clobbers Yankees in Annual Meeting Shocker

By Shelley Alpern

If only the accomplishments of the shareholder season could be captured in a series of neat little statistics, like baseball. One figure (the percentage of "yes" votes in favor of a shareholder proposal) is all a corporation is required to record in its public filings, but that's as informative as a pitcher's batting average. Behind every resolution there's a story. A withdrawal often signifies that the company has started to address the issues at hand in a way that satisfies the proponent. Any vote, however low, brings pressure to bear upon a corporation in a very public way, with sometimes interesting results. These back-stories don't make it into mainstream media accounts of corporate annual meetings – and thank goodness for that, or there'd be no market for cheap, sensationalistic tabloids like *Investing For A Better World.*

We didn't clobber the Yankees. In fact, all

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Spilling the Beans at Starbucks

By Steve Lippman

Any regular reader of *Investing for a Better World* knows that we take corporate reporting on social responsibility issues seriously here at Trillium Asset Management. Indeed, promoting transparency and disclosure is one of the central themes underlying most of our advocacy with companies, and we spend a lot of time just asking for companies to issue corporate social responsibility (CSR) reports.

"Why" you may ask. Aren't most of those reports just greenwashing to make companies look good? Do they make a difference? We think they do, particularly given the development of recognized standards for social responsibility reporting through the Global Reporting Initiative (GRI). Strong reports provide information that's increasingly useful to us and to others in making in-

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Dear Reader

Joan Bavaria

Corporate Social Responsibility (CSR) has been under intensified attack in the past several months. Some if not most of the underlying rationale against CSR is old, leaning on Milton Friedman's piece published in *The New York Times Magazine* in 1970 or on even older works by Adam Smith. I spent some time reading a recent issue of *The Economist* devoted to the attack, publications from various conservative think tanks, and anything else that seemed relevant.

Adam Smith is still used as a kind of guru. Actually, reading Adam Smith yields pithy tidbits like "Disagreeableness and disgrace affect the profits of stock in the same manner as the wages of labour. The keeper of an inn or tavern, who is never master of his own house, and who is exposed to the brutality of every drunkard, exercises neither a very agreeable nor a very creditable business. But there is scarce any common trade in which a small stock yields so great a profit." Adam was clearly thoughtful about his time – he wrote over 7,500 words on the issue of labor alone. But this was the late 1700's. A lot has happened since then.

Detractors of CSR are prone to overstatement and oversimplification. Writers sneer that corporate responsibility denigrates and discourages investment or works against capitalist enterprise or threatens the "liberty" of the free-market system. Detractors also idealize the capitalist system and assume checks and

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Chevron and Unocal: Two of a Kind

By Blaine Townsend

On Wall Street, mega-mergers are usually celebrated. After all, they portend layoffs, bumped up profit margins and investment banking revenues. What's not to like? In the case of **Chevron's** proposed $16 billion acquisition of **Unocal**, plenty. At least if you care about national security, the environment or what the rest of the world thinks about America.

Chevron, Texaco and Unocal cut quite a swath through the 20th century. With few limits placed on their behavior they amassed both wealth and political power. But the companies also left a wake of instability that is now, in the first fitful years of this new century, crashing down on society.

Chevron, for example, is a company that has relied on a partnership with a violent, undemocratic regime in Nigeria to derive a significant share of its crude oil supply. Unfortunately, for all the billions in revenue Chevron has reaped in Nigeria, its investment in the West African country has not helped fund the institutions necessary for a democratic movement in the country. On the contrary, oil money from San Ramon has poisoned the opportunity to increase American influence in the region.

To this day, Chevron's government partners are widely believed to tap into oil pipelines to hijack oil. The practice, called "bunkering," provides an estimated $3 billion to $15 billion of black market currency to thugs in Nigeria and elsewhere annually. Needless to say, the proceeds from the stolen oil are not going to finance a stable democratic Nigeria. In fact, the cash is almost certainly falling into the hands of anti-American interests in the region.

In this way, Unocal is a perfect fit for Chevron. Maybe this is what Wall Street means when they talk about "synergies" in mergers. In the late 1990s, Unocal tried desperately to go into the oil pipeline business with the Taliban in Afghanistan, hoping to put $250 million into the hands of the Taliban pre-9/11. Feminists and socially responsible investors, not Wall Street, helped block that deal. Today, it is Unocal's 10.3% stake in the Azerbaijan International Oil Consortium and its 9% stake in pipelines designed to move oil from the Baku to Turkey that enticed Chevron.

Will Chevron learn from Nigeria and take this opportunity to improve America's influence in this critically important region? Doubtful. After all, in 1999 Chevron acquired Texaco's horrible legacy in South America and has done nothing to improve it. The abhorrent behavior of American companies in South America fermented such opposition to American interests that Congress felt impelled to approve nearly a billion dollars to provide military protection for American pipelines in the region.

Since Unocal's most valuable assets lie just north of Iran, you can expect to see more of these types of expenditures. The cash-strapped Bush Administration will borrow most of the money needed to protect oil installations in the former Soviet states, but will also raise some through cuts like those to the National Science Foundation ($100 million in 2005 and 2006) and the science programs at the Department of Energy. Big Oil likes this strategy because it helps them now and later. Progress on energy issues is not on their agenda.

This merger sheds light on a sad fact: influence that took a century to develop won't end until American investors (and citizens) figure out how to turn off the spigot of money propping up Big Oil - from the gas pump and from the halls of Congress. When that happens, small, innovative energy companies will have their day and mergers like this one won't be viable or necessary.

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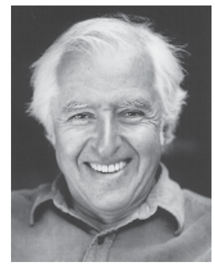
New Reports from GE and Nike: A Watershed in Social Disclosure

It Seems to Me

Milt Moskowitz



In 37 years of writing about corporate social responsibility, I have done my fair share of scolding companies. And there was never a shortage of targets. Inherent in those critiques, though, was the sense — my sense anyway — that companies could do better, that they did not have to behave like beasts in a jungle. I am looking at two reports that demonstrate that companies can change and address social issues in constructive, meaningful ways.

The reports come from companies absent from most social investment portfolios: **Nike** and **General Electric.**

GE's 2005 Citizenship Report, "Our Actions," is the first social responsibility report issued by the company. It provides a window into GE that we didn't have before. Here are some nuggets:

- GE has decided not to pursue business opportunities in Myanmar because of this country's "history of human rights violations," a sharp contrast to the actions of the big French oil company, **Total**.
- One-third of GE's officers and 40% of its senior executives are women, U.S. minorities and non-U.S. citizens, up from 22% and 29%, respectively, in the year 2000.
- GE now compels its suppliers to be in compliance with environmental, health & safety and labor standards. Since 2002 GE has terminated 200 suppliers for their failure to improve performance.

It's great to welcome GE to this dialogue (*pace* Jack Welch), but if awards are being passed out for social responsibility disclosure, the Oscar has to go to Nike. Its "Corporate Responsibility Report" is a gem.

Nike is the world's largest supplier of athletic shoes, apparel and equipment. It makes virtually none of its products, sourcing them from contractors, mostly located overseas. The company has long been the *bete noire* of activists who deplored the working conditions in Asian factories. When those protests first surfaced, Nike stonewalled them. Now it has done an about-face. In its new report, it not only faces up to the responsibilities a company has when it outsources manufacturing, it sets a level of transparency for others to emulate. Nike currently has a roster of 830 approved factories in 52 countries. They employ more than 650,000 workers, the majority of them women between the ages of 19 and 25. Some 200,000 of these workers are employed at factories in China; another 84,000 work at plants in Vietnam. View the full list at Nike's website, www.Nikeresponsibility.com/reports, where you will see the names and addresses of 731 active contract factories. Nike hopes this disclosure will stimulate other companies to follow suit.

Nike's Code of Conduct bars child labor, respects the right of employees to form unions and binds factory owners to provide "a safe and healthy workplace" and "to promote the health and well-being of all employees." The report details an elaborate system of inspection and grading to insure that factories meet the standards and correct deficiencies.

An admirable feature of Nike's report is its tone. It is modest in its appraisal, conscious of past mistakes and aware of how much still needs to be done. Nike had help from a Report Review Committee consisting of nine people from the NGO, academic, labor, investor and public interest communities. The chair was Deb Hall, director of accountability programs at CERES. Another member was Thomas Gladwin, professor at the University of Michigan business school and a Trillium Asset Management board member. The group issued its own report on Nike's report, commending the company for its candor and suggesting ways to improve future reporting. Nike included the committee's comments in its full report.

The message for other companies: Just Do It!

Milt Moskowitz is a journalist and author who has been writing about corporate social responsibility since 1968. He is co-author of the annual *Fortune Magazine* survey, The 100 Best Companies to Work for in America.

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of the shareholder proposals we sponsored this year concerning social and environmental issues were defeated. So why are we smiling?

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Season Highlights

In April, **Whole Foods Market** made a surprise announcement at its annual meeting that it would update its private product labels to note that ingredients are derived from non-genetically engineered seed. Trillium, joined by other shareholders, had been pressing Whole Foods to do so since 2002. Our most recent proposal, which became moot upon the announcement, garnered 6.8% of votes cast.

We withdrew resolutions asking for a report on efforts to address climate change at **Anadarko Petroleum** and **Apache Corporation**. After dialogues with both companies, we were satisfied that both are making progress toward inventorying greenhouse gas emissions, a reasonable short-term goal. We co-filed a climate change resolution at **ExxonMobil** that garnered the highest environmental vote ever at the oil behemoth. Thirty-four percent of votes cast favored the proposal to have the company report on how it is meeting its international obligations under the Kyoto Protocol. Our climate change resolution at **Dominion Resources** did not fare as well, attracting only 8.3% of votes cast.

Early this year, **ConocoPhillips** announced it is dropping out of Arctic Power, the main lobbying group pressing Congress to open the Arctic National Wildlife Refuge to oil and gas drilling. The move came after Green Century Asset Management, Trillium Asset Management and other shareholder advocates filed a shareholder resolution on the issue, which we withdrew once the company dropped its support for Arctic Power.

We also withdrew resolutions at **Nucor** and **Reliant Energy** when both companies updated their nondiscrimination policies to include a specific reference to "sexual orientation." Similar proposals at **Emerson Electric** and **ExxonMobil** remained on the ballot upon those companies' continued refusals to do the same, with shareholder support up from previous years (to 34% and 29.4%, respectively).

Speaking of high votes, a resolution on **General Electric's** ballot calling attention for the umpteenth year in a row to the company's efforts to delay cleanup of PCBs from the Hudson River, received its highest support ever (27.5%). Last fall, we filed a proposal calling for GE's subsidiary NBC to report on how its local affiliates are meeting their public interest obligations (e.g., public service announcements, public affairs programming, news programs, children's programs). It was deemed excludable by the Securities and Exchange Commission on the grounds that it intruded on matters of ordinary business. But a third resolution at the company calling for increased transparency on political giving, scored 10.5%. A similar resolution at **Southern Company** garnered 11.2%, while at **Johnson & Johnson** one was withdrawn when the company agreed to more transparency and to ensure its political contributions receive board-level oversight and accountability.

It was déjà vu all over again last fall when we co-sponsored a proposal at **Home Depot** calling for the disclosure of EEO-1 data, which illustrates a company's workforce demographics with respect to race and sex. In 2001, Home Depot entered into an agreement with a coalition of over two dozen shareholder proponents to disclose this data to investors upon request, but by 2004 had changed its mind. Hopefully the 29% vote supporting further disclosure will cause reconsideration of the reconsideration.

In March, activists put an end to the Taco Bell boycott when parent company **YUM! Brands** agreed to its longstanding chief demand: a penny-per-pound increase in the price paid for tomatoes picked by migrant

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fieldworkers. In response, the shareholder coalition led by the Center for Reflection, Education and Action withdrew a proposal calling for a report on the company's social and environmental sustainability initiatives. (See story on page 11.)

Look, Ma, No Resolution!

In many cases, we made enough progress with companies that we never needed to file a resolution at all. Our three-year efforts to convince **J.P. Morgan Chase** to adopt environmental leadership policies similar to **Citigroup** and **Bank of America** yielded more progress this spring, when the bank unveiled new environmental policies that govern the company's global business activities. Under the new policies, the bank has adopted the Equator Principles, which apply World Bank environmental standards to financing of large projects like pipelines and dams financed by private banks. J.P. Morgan will apply the Equator Principles to projects greater than $10 million in environmentally sensitive industries, exceeding the threshold of $50 million set by the Equator Principles. The new policies include strong provisions addressing climate change, sustainable forestry, the protection of critical natural habitats, illegal logging, and the concerns of indigenous peoples. In a particularly notable development, J.P. Morgan Chase is publicly advocating the reduction of greenhouse gas emissions and has committed to lobbying for better U.S. policies to address this key issue.

Our dialogue with chipmakers on environmental issues, water stewardship, and working conditions led **Analog Devices** to publicly report on its progress reducing water use and addressing other environmental issues. **Semtech** agreed to incorporate social responsibility issues into its annual supplier selection and review process.

Discussions with **Starbucks** encouraged the company to strengthen its policies discouraging the development of genetically engineered coffee or tea plants.

Note: The text of the shareholder proposals referred to in this article can be found at: www.trilliuminvest.com/pages/activism/activism_resolutions.asp.

*Trillium Asset Management works in coalition with other social investors and non-governmental organizations to sponsor proposals. Those for which we were the "lead" shareholder are highlighted in bold.

2005 Trillium Resolution and Dialogue Results*	
Environment	
Climate Change	General Motors (5.2%), **Dominion Resources** (8.3%), Exxon Mobil (28.3%)
Pollution Legacy in Ecuador	**ChevronTexaco** (9.2%)
Toxic Chemicals	**Dow Chemical** (7.7%)
PCB Cleanup in Hudson River	General Electric (27.5%)
Label Foods Re Genetically Modified Content	**Whole Foods** (6.8%)
Equal Employment Opportunity	WalMart (18.8%) Home Depot (29%)
Sexual Orientation Nondiscrimination	ExxonMobil (29.4%), Emerson Electric (34.7%)
Political Contributions	Merck (8.8%), **General Electric** (10.5%), **Southern Company** (11.2%), Eli Lilly (6.5%)
Corporate Governance	Textron (51.4%)
Healthcare	Pfizer (10.2%), **Avon Products** (6%)
Land Procurement Policy	Costco (4.2%)
Withdrawn	**Andarko Corporation**, Ford Motors & Apache Corporation (climate change report), Johnson & Johnson (political contributions), **Nucor** & **Reliant Energy** (sexual orientation), ConocoPhillips (drilling in the Arctic National Wildlife Refuge), YUM! Brands (sustainability report)
Omitted	**General Electric** (public interest broadcasting obligations)

Spilling the Beans at Starbucks

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vestment decisions. Just as importantly, we constantly hear from companies that the process of pulling together such reports helps them better manage the complex social and environmental issues they face and often helps their business in unexpected ways. In fact, at a recent conference, the head of CSR reporting for a major automaker told the audience he thought it would be worth it to do their report even if copies never left their buildings or were read by anyone outside the company.

"If we don't tell people what we're doing, they might assume we're not doing the right thing or we're not doing anything."

—Amy Anderson, Starbucks

This spring **Starbucks Coffee Company** issued its fourth annual corporate social responsibility report, which we think represents real leadership in CSR reporting. It includes specific quantitative targets on important issues like how much Fair Trade Certified™ coffee Starbucks buys and plans to buy in the future, indicates where Starbucks is meeting its social responsibility goals and where it's falling short, and even includes questions from some of its toughest critics, like the group Global Exchange. It's not a coincidence that we like the report, since after its CSR report came out last year, Starbucks asked for feedback and suggestions for improvements from us and about 25 other stakeholder groups, including Fair Trade activists, environmental groups, community organizations, and student groups.

To get a company perspective on how and why Starbucks prepares a CSR report and what they get out of it, I visited Starbucks headquarters to talk with Amy Anderson, Communications Program Manager, who leads the preparation of Starbucks annual CSR reports. Here are some of the highlights of our conversation:

How do you choose what goes in the report?

We start by looking at what are the most relevant and material social, environmental and economic impacts of our business – so we look at our supply chain from the coffee farmer all the way through to the coffee drinker, asking what are our social and environmental impacts along that whole chain. We also use the GRI as a guide and surveys from socially responsible investors. They help us understand what content and metrics are important to the SRI community and that's helped our reporting process.

We also really take into account stakeholder feedback. Last year was the first time we asked stakeholders what they think of our report, how credible is it, what information is most important, and how can we improve our report. From my perspective, that really propelled us to the next level of transparency and credibility with this year's report because you learn a lot by listening. If we're not listening to stakeholders and are not reporting what they want us to report, then what's the point of reporting? At the end of the day, that's why we're reporting, to build trust with our stakeholders. It's always helpful to let executives know that external stakeholders want this information. [As we decided what to put in the report] every time we told them stakeholders are asking for this they said, "Okay, if they want to know it, why not?" If we don't tell people what we're doing, they might assume we're not doing the right thing or we're not doing anything.

How do you ensure the report's accurate and what does it mean that it's independently verified?

First, we work closely with our partners in financial reporting and have a rigorous internal approval process and internal auditing process to double-check everything in the report. This year's report is 72 pages, but we have 5 notebooks of back-up documentation that could fill a bookshelf. As part of their independent review process, our verifier Moss Adams tests certain data and assertions in the report, interviews executives and management, and talks to external parties who are in the report to verify what we're saying about them or the data we're reporting on their behalf is

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accurate. Having this independent verification adds an extra level of assurance and credibility, which most external stakeholders said they wanted. It also brings even more rigor and credibility internally. When you meet with people who are providing data and you say, "This information will be independently verified and you have to have back-up documentation and all your ducks in a row," it lets them know how important social responsibility and the CSR report is to the company.

How does the report affect Starbucks business decisions? Has Starbucks' past reporting affected how it does business now?

Broadly, it's really heightened awareness for CSR across the company and has elevated our CSR strategy, so that people can see how their actions and their decisions are a part of CSR as opposed to CSR being a separate department. It enables us to have ongoing and regular conversations about our CSR strategy and check-in meetings with people to see how they are doing against the targets we've put in the report. The report is the final product, but the exciting part is the process we go through and the conversations we get to have, not only with the people at the very top of the company but also the managers who are making sure this all happens.

Last year's report was the first time we set public CSR targets, which was putting a stake in the ground, saying "This is our roadmap, this is what we're committed to doing." That has been really helpful because people want to meet those public targets. A concrete example is that in last year's report, we put out five-year projections for our purchases of beans covered by Coffee and Farmer Equity (CAFE) practices [a set of social, environmental, and economic accountability guidelines focused on the sustainability of high-quality coffee production]. I hear on a monthly basis how this is helping to guide our purchasing. We set aggressive goals, but people want to go beyond them, and this year we reported that we exceeded our 2004 goal of 30 million pounds and bought 43.5 million pounds of coffee under CAFE practices.

The report includes questions on controversial topics from critics and some indicators of where the company hasn't met goals it set for itself. Was it hard to get the company to share this information and why does it do this?

We addressed many of the sticky questions we get – questions about unions, Fair Trade, individual stores not recycling – but we did not have a lot of pushback internally about including them. These are questions we get asked often, and including them in the report helps our internal partners understand how to be able to talk about this and feel proud about what we do. And many of our critics told us "Thanks so much for including my question in your report." We knew it was a risk, but this builds relationships instead of shying away from engaging.

What's next for Starbucks reporting and what do you think the report will be like in five years?

From my perspective, we're committed to reporting on an annual basis. That regular cycle and consistency just like financial reporting shows a sense of commitment to our external stakeholders and internally too. Some companies now do CSR reports every other year, but I don't want to have an off year. In five years, our goal is that our report will be more global and our international markets will have regional supplements that localize what they're doing. And as [U.K.-based consulting group] SustainAbility says, "When reporting ends, communicating begins." So it's a challenge to figure out how do we not just produce a report but actually communicate the information that's in there. That's where companies are now evolving, and learning best practices from each other.

View the Starbucks Corporate Social Responsibility Report 2004 at *www.starbucks.com*.

Groupe Danone

Portfolio Profiles

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Since 1997, **Groupe Danone** (NYSE – DA) has focused on three categories – fresh dairy, beverages and biscuits, which are benefiting from an association with nutrition and health. The company is the global leader in water and fresh dairy, holding a leading position in most of the markets in which it competes. Due to its strength in these attractive categories, Danone is poised to deliver above average growth (10%+ earnings growth) versus its packaged food peers in the coming years. Danone has limited exposure to the U.S. (8% of revenues in 2004), so its international revenue base also provides diversification for portfolios.

Recently health and nutrition have become an increasing concern for consumers. Categories such as dairy, water and non-soda drinks have been beneficiaries of this trend. Pro-biotic drinks (yogurt drinks with beneficial bacteria), functional drinks (vitamin-enriched, etc.) and organic products provide large potential growth opportunities.

Over the past decade Danone has expanded its reach beyond its core Western European markets, establishing leading positions in a selective group of countries. Many of these markets still have low per capita consumption of Danone's products, providing a huge opportunity. The company was an early mover in high growth markets such as China and India. Currently, its presence is limited to beverages and biscuits in the Asia-Pacific region, leaving dairy as a future growth opportunity.

We have been actively pushing companies to address water scarcity issues, and are pleased that Danone unveiled a Groundwater Resources Protection Policy in late 2004. It also reports on social and environmental issues within the Global Reporting Initiative framework.

—Laura McGonagle, CFA

PowerShares Clean Energy Portfolio

PowerShares WilderHill Clean
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In March, a new exchange traded fund (ETF) launched that allows investors for the first time to invest in a basket of clean energy stocks through the purchase of one security. Called the PowerShares WilderHill Clean Energy Portfolio (PBW – AMEX), the ETF tracks the performance of the WilderHill Clean Energy Index (ECO – AMEX), an index of clean energy related stocks that was launched in January 2001.

Stocks in the index include companies in six areas: renewable energy supplies, energy storage, cleaner fuels, energy conservation, greener utilities, and power delivery and conservation. More specifically, the index includes companies focused on solar power, wind energy, fuel cells, and superconducting materials.

The new security trades like a single stock, but gives investors exposure to about 40 clean energy companies that are included in the index. This gives investors a chance to bet on the long-term future of the alternative energy industry without having to pick individual stocks or technologies that face significant risks. It's a lower-risk way of investing in this promising but volatile area.

WilderHill excludes companies involved in nuclear power from the index. The index does not have a military screen due to the fact that the Department of Energy and Department of Defense fund a considerable amount of R&D in the clean energy area, some of which is used for military applications. Of the fund's 37 holdings, only two have weapons revenues over $1 million, and for both of those companies the contracts account for less than 2% of revenues.

—Eric Becker, CFA

University Bank

Impact Story

A condemned century-old home in Saint Paul's West Seventh Street neighborhood was a shadow of its former self. Renovator Hunter Miley saw the two-story structure and had an idea to bring it back to life.

Miley, a former substance abuser, wanted to rehab the house and create a home for people recovering from addiction. He had the building know-how, but needed financing. Miley contacted University Bank and learned that they could provide him with guaranteed funds from the city of Saint Paul to obtain a loan for the project.

University Bank helped finance two additional houses that became homes for adults in recovery. Hunter Miley is now director of Second Step Supportive Housing.

"University Bank took a risk with me," Miley explained. "Many banks wouldn't embrace a project like this one. University Bank had the foresight to see that this project was positive for the neighborhood and would give people like me a second chance"

Overview

As Minnesota's first federally insured Community Development Financial Institution (CDFI), University Bank (UNNB) strives to be the leader in improving communities by providing financial return with social impact. Through the creation of innovative programs, University Bank's mission is to provide loans in low-income communities and to make urban St. Paul and Minneapolis a better place to live.

Programs

University Bank provides a variety of services and products, including checking and savings accounts and consumer and commercial loans. In addition to these basic services, University Bank has developed a number of programs that focus on community development, mainly in the lending sectors of affordable housing and small business loans.

Houses to Homes: University Bank finances the renovation of homes in distressed communities, which are then targeted to first-time buyers or low- to moderate-income home buyers.

Urban Revitalization Fund (URF): University Bank allows a customer to open any depository account and pools the account balances in the URF to support affordable housing, small businesses, non-profit organizations and community services.

Neighborhood Lending Partnership (NLP): University Bank utilizes "gap financing" for the purchase and rehabilitation of residential or commercial real estate in Saint Paul. Through the NLP, University Bank fills the "gap" between what a customer has in liquid assets versus what a bank needs for a down payment in the form of a loan guarantee.

Client Population

University Bank's clientele consist of low-to-moderate-income individuals living in urban areas of the Twin Cities. Over 30% of the bank's customers have a household income at or below the area's median income.

Impact

Since inception, University Bank has lent $268 million to individuals and institutions, including minority-owned companies and nonprofits in communities throughout the Twin Cities. During the past year affordable housing received the most attention with 341 total housing project loans, 485 total housing units financed, and 341 total housing units developed or rehabbed.

Investing with University Bank

Trillium Asset Management (TAMC) added University Bank to its list of approved Community Investments in February of 2005. On behalf of our clients, TAMC will make investments in MCDC of at least $5,000 for a minimum term of two years.

Community Investment Profile™ *

Randy Rice

Geographic Impact:

Minneapolis/St. Paul, Minnesota

Lending Focus:

Affordable Housing
Community Development

Financial Indicators

Finances as of 12/31/04 (in 000's)

Total Assets:	$116,003
Total Liabilities	$110,808
Shareholders' Equity	$5,195
Total Income	$8,224
Total Expenses	$5,936
Loan Portfolio	$86,584
Loan Loss Reserves	$1,758

***Based upon the Community Investment Profiles information service of Calvert Social Investment Foundation (not meant as investment advice). For a database of CDFI Profiles, visit: www.calvertfoundation.org**

New Steps Toward Media Accountability

Shareholder Activism

Steve Lippman

The Open Media reporting framework will create a yardstick for measuring how well or poorly companies across a diverse range of media perform on their fundamental responsibilities to serve the needs of a democratic society.

Charles Lindbergh flew airmail routes to St. Louis and named the plane he made his historic solo flight across the Atlantic in 1927, "The Spirit of St. Louis." Communications technologies have evolved since Lindbergh's time, but I found the Spirit of St. Louis alive and well when I flew to the city earlier this month for the second National Conference on Media Reform, organized by the group Free Press. The conference brought together media reform activists from around the country and around the world to talk about how to promote democratic, fair, and independent use of the cutting edge communication technologies of our day.

The conference featured several current and past Commissioners at the Federal Communications Commission (FCC), members of Congress, journalists like Bill Moyers, and commentators and entertainers like Al Franken, Jim Hightower, and Patti Smith. They all came to discuss the challenges our democratic society faces from the fact that a small handful of giant corporations increasingly control the media, and with it, control citizens' access to information. (We last wrote about the problems associated with media concentration in the February 2005 issue of *Investing for a Better World*.)

I was there to learn and gain information for Trillium Asset Management's media reform advocacy, and to enlist support from the media reform community for an Open Media reporting framework that we are developing in partnership with the public interest advocacy group Common Cause. The Open Media reporting framework will create a yardstick for measuring how well or poorly companies across a diverse range of media perform on their fundamental responsibilities to serve the needs of a democratic society. These include responsibilities such as informing the electorate, reflecting the diversity of the communities they serve, and disclosing conflicts of interest and potential sources of bias. We hope to convince media companies to measure and report on their own performance using this new framework and hold themselves more accountable for meeting their special responsibilities. (After all, the unique role media plays in our democratic society has been recognized since the First Amendment guaranteed the right to a free press.) We also think the framework will provide a new tool for everyone from university researchers to local community groups can use to evaluate how well media companies are serving the public interest.

With Common Cause, we held a special reception at the conference to present this idea, and were thrilled it drew leaders from the publishing world, Federal Communications Commission, members of Congress, and even some well-known public figures like Phil Donahue and Jim Hightower. The idea got an even warmer reception than we'd hoped, and we're starting to consult with key media reform groups to select the right performance measures to include in the reporting framework. We'll write more on its development and roll out in the months ahead. For now, though, I'll end with a quick story.

During a break at the conference, I took a walk through downtown St. Louis to the beautifully restored Union Station, built in 1894 and once the largest and busiest passenger rail station in the world. On the way, I passed the city's opera house, which had this quote from Woodrow Wilson inscribed on its side in large letters: "Simple means should be found by which, by an interchange of points of view, we may get together, for the whole process of modern life is a process by which we must exclude misunderstandings, bring all into common counsel, and so discover what is the public interest." I stopped for a minute, struck by how perfectly the quote summarized the need for an open and democratic media landscape, and hopeful that our media reform work can be one of those simple means of bringing people together to serve the public interest that Wilson called for.

A Reason to Celebrate: Taco Bell Concedes to Worker Demands

Shareholder Activism

Shelley Alpern

One of the questions I hear most frequently when I give a talk about socially responsible investing is, "What about boycotts? Do they work?" My response is always the same. Shop as ethically as you can, but don't count on your purchasing decisions having an impact unless (a) you are one of many persons who not only boycott a company, but also tell it why, and how much spending you did at one of their competitors, and (b) you manage to persuade some institutional buyers to do the same.

The Coalition of Immokalee Workers (CIW) has just called off one of the most successful boycotts in recent memory, dubbed "Boot the Bell" – Taco Bell, that is, a subsidiary of **YUM! Brands.** The CIW represents 2,500-plus itinerant workers of mostly Mexican and Guatemalan origin who labor in the tomato and citrus fields of Florida (where Immokalee is) and elsewhere along the East Coast. Formed in 1993, CIW spent its first few years trying to get wages back up to the pre-1980 levels to which they'd fallen, which *still* didn't crack the poverty line. They also have achieved some success in contesting cases of virtual slavery in the fields.

Under any circumstances, field work is brutal on the body, mind and heart. Workers put in ten to twelve-hour days, without health insurance, vacation, sick pay, or the right to organize. The prevailing wages the CIW was contesting were 40-45¢ per 32-pound bucket; at that rate, one has to pick nearly two tons of tomatoes per day to earn about $50.00. All things considered, the boycott's core demand was exceedingly modest — a penny-per-pound raise – but it would lift workers above the poverty line, on paper at least.

"Boot the Bell" was the first-ever farm worker boycott of a major fast-food company. Its tactics included hunger strikes, media tours, marches, protests, and celebrity endorsements. The pressure was tangible. Laborers spoke up at the YUM! Brands annual stockholder meeting in Louisville, Kentucky several years in a row, where allies like Trillium had co-sponsored shareholder proposals that pressed YUM! to address the systemic social and environmental sustainability challenges embedded in its contractor relationships; the resolutions twice attracted around 40% of the vote. The Student/Farmworker Alliance persuaded 21 universities nationwide to either terminate or deny Taco Bell contracts worth millions of dollars. And in 2003, three CIW members received the 2003 Robert F. Kennedy Human Rights Award, the first one given to an American group by the RFK Center for Human Rights in its 20 years of existence.

Finally, the tipping point was reached. In March 2005, YUM! Brands agreed to pay an additional penny per pound. Taco Bell president Emil Brolick stated, "We recognize that Florida tomato workers do not enjoy the same rights and conditions as employees in other industries, and there is a need for reform. We have indicated that any solution must be industry-wide, as our company simply does not have the clout alone to solve the issues raised by the CIW, but we are willing to play a leadership role within our industry to be part of the solution." In addition, YUM! pledged to "aid in efforts at the state level to seek new laws that better protect all Florida tomato farmworkers."

As the apparel and footwear companies are doing, the retail food and agricultural sectors must take responsibility for their impact on workers' lives. The success of the Taco Bell boycott shows that if they don't do it of their own initiative, others will make sure it happens anyway.

Resources

Coalition of Immokalee Workers

www.ciw-online.org

Student/Farmworker Alliance

www.sfalliance.org

Center for Reflection, Education & Action

www.crea-inc.org

Strategic Outlook: Pushing Markets to Take the Long View

By Adam Seitchik, CFA

I've been asked several times recently how the stock market could be rebounding in the face of such bad news, and in particular what appear to be large long-term imbalances. Out-of-control health care and military spending are driving up government borrowing, and consumers are awash in debt backed by the mirage of million-dollar, three-bedroom homes.

The markets have joined the politicians and become hooked on short-termism, with the election cycle being compressed into the four-times-per-year earnings report. None other than William Donaldson, outgoing Chairman of the Securities and Exchange Commission (SEC), highlighted this problem in a May speech to the leading society of investment analysts:

For companies, the short-term outlook has given rise to the disturbing syndrome of trying to force earnings into an artificial model of uninterrupted quarter-to-quarter growth… "Making the numbers" often results in unsound corporate strategies, which pay no regard to the cost of postponed investment. Such a goal is often achieved only by bending accounting standards.

Highlighting the breadth of the problem is the finding contained in a National Bureau of Economic Research working paper. The authors surveyed 401 financial executives and 78% said they would sacrifice an initiative they expected would create economic value if it would affect their ability to realize smooth earnings.[1]

If company and analyst behavior is going to change, the vanguard will be owners of stock, who have the ultimate power to shape management behavior. A good example of investor leadership for the long term is in the area of climate change. The Investor Network on Climate Risk (INCR) is devoted to raising climate risk awareness among institutional investors. It includes 45 members with $2.7 trillion in assets. These investors realize that climate change is a long-term investor issue with fundamental impact on regulation, liability and the very structure of the underlying economy that drives investment returns.

At the INCR conference at the United Nations in May, a group of state treasurers, state and city comptrollers, public and labor pension funds, foundations and religious institutional investors signed a call for action, including commitments to 1) deploy $1 billion of capital to achieve attractive long-term investment returns in clean technologies, 2) develop investor proxy voting policies around this issue, and 3) create a reliable global standard for company disclosure on climate risk.

As investor money focuses on the long term, both Wall Street analysts and the companies themselves will react. Climate change proxy resolutions, which received less than 5% of shareholder votes a decade ago, are now achieving more than 30% approval at energy companies like **Anadarko** and **Apache**. After a process of shareholder engagement **Cinergy,** which is the country's largest emitter of greenhouse gases, has agreed to cut emissions by 5% by 2012.

It is on a multi-decade view, not a quarter-to-quarter basis, that society and its corporations are dependent on sustainable policies that ensure a healthy, balanced economy. A true investment horizon encompasses our lifetimes and those of our children and grandchildren. As such, the big-picture issues like government finance, international relations, consumer debt and climate change policy will be the ultimate drivers of market returns. The more that owners of capital demand a focus on the long term, the better these returns will be.

[1] CFA Institute Annual Conference, Philadelphia, May 8, 2005.

Dear Reader (continued)

balances, ignoring the forces of consolidated power.

CSR is, fundamentally, all about long-term prosperity. A responsible corporate management should enhance, not detract from, the ability of a firm to yield a return to its shareholders. As Philip Rudolph, a partner at Foley Hoag LLP (Trillium Asset Management Corporation's law firm) said in a recent letter to the editor of *The Wall Street Journal*, "Conclusions are premised entirely upon the establishment of a false dichotomy between profit and responsible business conduct. Social responsibility is simply not such a zero-sum game."

Cinergy President and Chair James Rogers writes eloquently in the company's stunning annual report entitled "Global Warming: Can We Find Common Ground?" This is the best language I've seen to describe CSR from this perspective:

"What makes a good company? Certainly the products it makes and services it provides must be of high quality and affordable to consumers. It treats its employees fairly and, in turn, they are productive and engaged. It is profitable and innovative. What makes a great company? A great company thinks and plans for the future. It recognizes the need to use its resources wisely, to protect the environment and contribute to the quality of life in its communities. At Cinergy, sustainability is about providing for our customers today while protecting the ability of future generations to inherit a better, more productive society. Sustainability encourages us to look at our business through a kind of time machine and it proves what we've always known: That responsible actions lead to long-term success."

Sincerely,

Joan L Bavaria

Joan L. Bavaria, President
Trillium Asset Management Corporation