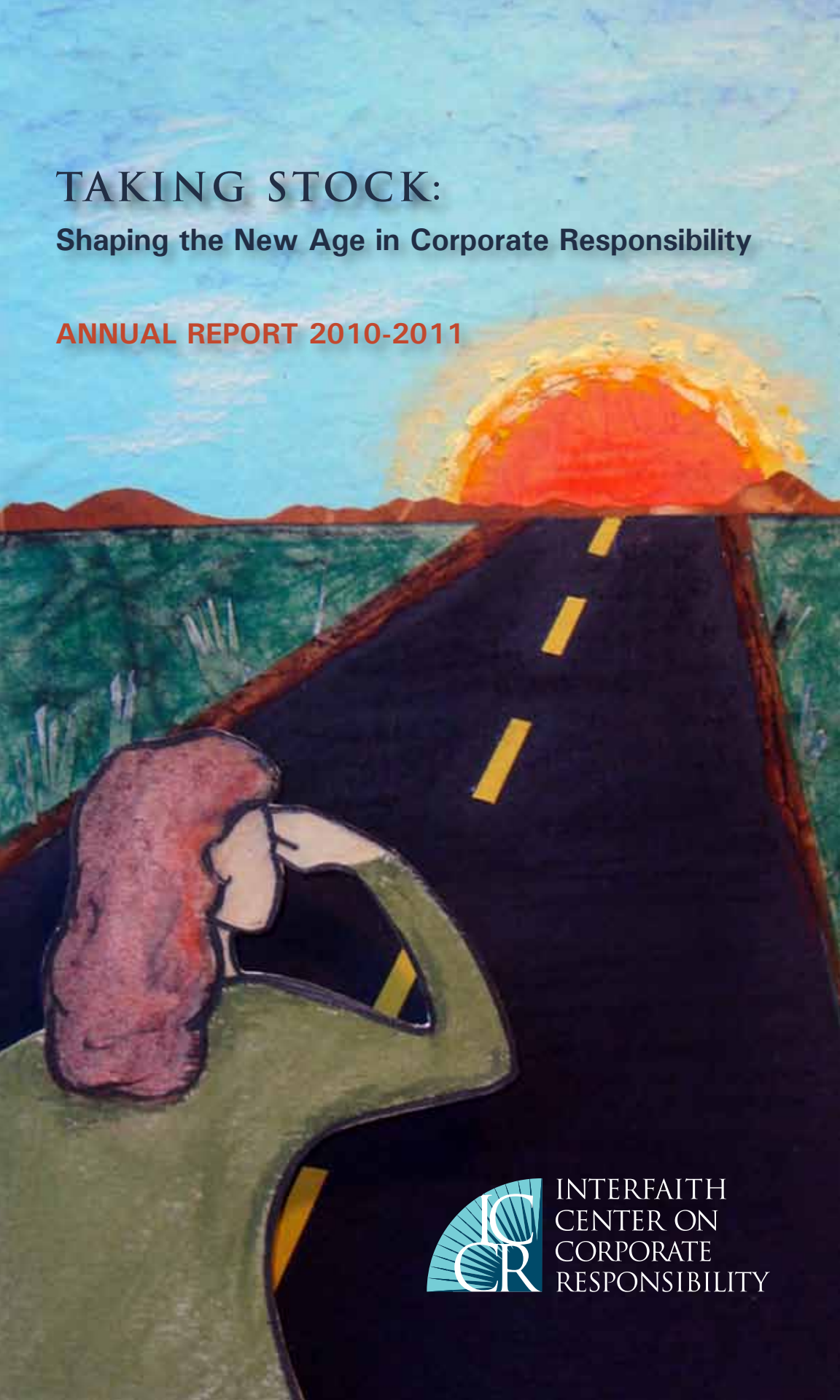


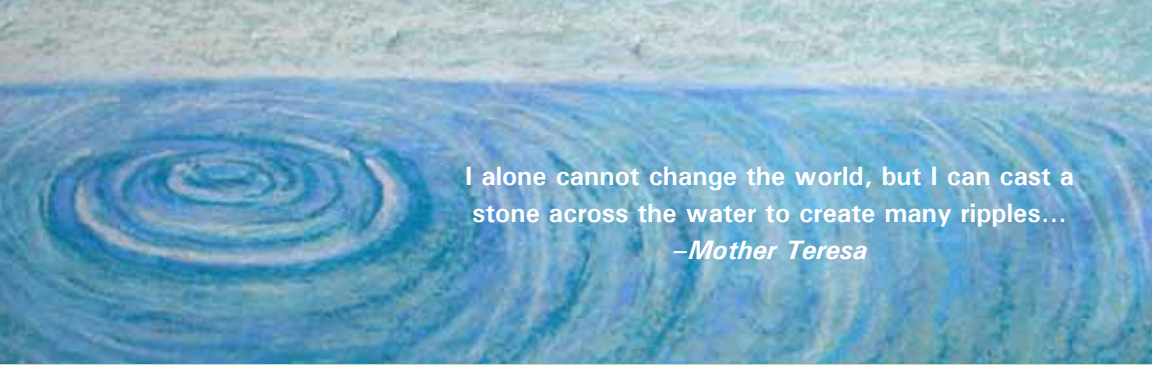
TAKING STOCK:

Shaping the New Age in Corporate Responsibility

ANNUAL REPORT 2010-2011



INTERFAITH
CENTER ON
CORPORATE
RESPONSIBILITY



I alone cannot change the world, but I can cast a
stone across the water to create many ripples...
—Mother Teresa

ABOUT ICCR

Currently celebrating our 40th year, the Interfaith Center on Corporate Responsibility first pioneered shareholder activism and has been a leader of the corporate responsibility movement for four decades. Beginning with our calls for divestment from South Africa in opposition to apartheid, ICCR members have been actively engaging the world's largest companies in an effort to transform corporate practices on a host of issues from rooting out human trafficking and supply chain abuses to ensuring safe food and water, to calling for financial and health care reform to protect the world's most vulnerable. Today our membership is comprised of 300 institutional investors with over \$100 billion in invested capital. Representing faith-based communities with congregations all over the world, SRI asset management companies, unions, pension funds and a global network of allies, ICCR members are not only shareholders, but trusted partners in corporate responsibility initiatives that promote a more just and sustainable world.

We do this in a variety of ways:

- **Corporate Dialogues:** As active shareowners who have built productive and long-term relationships with management, ICCR members conduct hundreds of dialogues every year to advance a wide range of issues. Because we have a vested interest in a company's success and propose realistic solutions as opposed to making demands, these dialogues often bear fruit in the form of meaningful reform and have a positive impact on long-term profitability.
- **Shareholder Resolutions:** When dialogues are unproductive, ICCR may issue shareholder resolutions to engage management and other investors' attention around a specific issue. While there is a rigorous process for filing resolutions, they are an effective tool to move strategic issues forward.
- **CSR Tools:** ICCR's database offers members a historical recording of shareholder actions with hundreds of companies. Known for our insightful reports on emerging trends such as our 2011 Social Sustainability Resource Guide, and our ability to convene key stakeholders from the business, NGO, community and investor sectors, ICCR has a history of enduring impact on the movement and is a resource for all those working in corporate responsibility.

OUR MISSION

ICCR seeks a global community built on justice and sustainability through transformation of the corporate world by integrating social values into corporate and investor actions.

We invite you to join us.

We are inspired by faith and committed to action.

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CONTENTS

Letter from the Chair.....	2
Letter from the Executive Director.....	3
Governing Board.....	5
Sacred Rites and Human Rights.....	6
The Bread of Life.....	8
The Building Blocks for Sustainable Communities...	10
The License to Cure.....	12
Fractured Communities.....	14
Committees.....	16
Annual Financial Report.....	17
Contributors.....	18
Staff and Interns.....	21
Members, Associates & Affiliates.....	22

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LETTER FROM THE CHAIR



As we remember our beginning in 1971, it is inspiring to see not only how we've developed as an organization, but how the corporate responsibility movement that we helped found 40 years ago has matured and progressed as well. Truly this is the

year for reflection, and for us all to take stock of our many accomplishments as ICCR assumes its rightful place in both the legacy and the new age of corporate responsibility.

During this past year, members and staff have engaged in significant collaborative efforts to implement ICCR's new program area priorities, and all are to be commended for the progress achieved and the foundation they have laid for future work. Consistent with our mission of leading from a perspective of faith, safeguarding human rights continues to drive ICCR members' efforts to transform the corporate world. This summer's release of ICCR's new Social Sustainability Resource Guide is another example of the splendid collaboration of members, staff and our network of allies, including some of the world's most influential companies and NGOs. The SSRG showcases best practices to measure the social impact of initiatives that help build a more sustainable world. The work is still in its infancy, but it advances the corporate responsibility conversation immeasurably, and we are eager to see this innovative tool put into practice in the field. We invite your continued feedback and input to help make the SSRG an even more effective tool in the future.

As we recall our four decades of service and the challenges along the way, we appreciate the record of influence we have built, evidenced by the enduring and respectful relationships between ICCR members and our corporate partners. We recognize the tremendous strides made by many of the companies we have worked with, and roundly applaud them for their progress. Know that we will persist in asking the important questions and raising the right concerns as we work together to promote just and sustainable business practices.

We would be remiss if we didn't acknowledge the founding ICCR members who have brought us to this pivotal moment. Their enduring commitment and crusading spirit are emblematic of our activist beginnings, and through their legacy a clear path forward has been forged for the next generation of shareholder advocates: we owe them all an enormous debt of gratitude.

As Nelson Mandela said, "After climbing a great hill, one only finds many more hills to climb." We pause briefly at this 40 year summit to admire the view and, with a renewed sense of purpose, continue forward.

With appreciation to all,

Susan Smith Makos
Susan Smith Makos

LETTER FROM THE EXECUTIVE DIRECTOR



This year's annual report represents a milestone for our organization, our much anticipated 40th anniversary year. ICCR has a long record of significant accomplishment as a truly pioneering organization.

This past year we have taken time to celebrate that history, kicking off the year with another spectacular annual special event in New York City last September and for our annual general meeting this past June, we had a week of solid work and festive celebration in Chicago.

Since that time I've noticed a deepening sense of awe as we've reflected on the accomplishments and progress made since ICCR's founding in 1971.

In my brief introduction to this year's report, I won't even try to describe the arc of ICCR's four decades of engagement. The persistence and commitment of our members as they have worked to build a more just and sustainable corporate world is impossible to capture in a few short paragraphs. I can share that throughout this year ICCR has put forth a strong and intentional effort to ensure the story of our first forty years is preserved, documented, reviewed, and reflected upon.

As I compose this letter, my fifth introduction to this annual document, I continue to be profoundly moved by the extraordinary accomplishments of everyone involved in ICCR's mission. First and foremost of course is the contribution of our members and their corporate partners: their inspired faith and commitment to real progress never wavers. This year, the accomplishments of my colleagues on ICCR's staff were especially noteworthy, with the launch of a new, and vastly improved member networking site and the publication of ICCR's Social Sustainability Resource Guide in addition to their steadfast efforts on behalf of our shared goals.

I have only been a part of ICCR's work for a fraction of its history and yet I have the privilege of representing this body of work at gatherings around the globe. The community of investors, scholars and activists who continue to be inspired by the faith and commitment of ICCR's members continues to grow. By working together, we can insure that the next forty years will be just as remarkable as the first.

For all of us who are committed to ICCR's future, let's agree that Walter Pitkin had it right when he opined that "life begins at forty!"

With gratitude for your hard work and generous support,

A handwritten signature in dark ink, appearing to read "Laura Berry".

Laura Berry



"When Bill Ford announced our intentions to become leaders in social responsibility when he became Chairman, our engagement with ICCR on shareholder resolutions and emerging issues helped form our objectives in climate change and human rights. Personally, ICCR coached me to develop leading business practices in human rights, and they have become my friends and my inspiration."

– David Berdish, Manager of Sustainable, Business Development, Ford Motor Company

"We've worked closely with ICCR members over the years and have found their counsel to be both insightful and informative. Our dialogue has been occasionally spirited but always respectful and the group continues to play a role in helping make us a better company."

– Mike Duke, President/CEO, Wal-Mart Stores, Inc.



ICCR'S GOVERNING BOARD

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Catholic Healthcare Partners

Kathryn McCloskey, Vice Chair
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*Wisconsin/Iowa/Minnesota Coalition for
Responsible Investment*

Jeffrey Dekro
The Isaiah Fund
Jewish Funds for Justice +
Progressive Jewish Alliance



Rev. Seamus P. Finn OMI
Missionary Oblates of Mary Immaculate

Donna Meyer
Christus Health

Cathy Rowan
Trinity Health

Sr. Susan Vickers
Catholic Healthcare West

Margaret Weber
Congregation of St. Basil

* Became Treasurer on July 1, 2011

**Member as of July 1, 2011 – replaced Constance Brookes whose term ended June 30, 2011

SACRED RITES AND HUMAN RIGHTS

Emerging Strategic Area: Water



When ICCR undertook a comprehensive assessment and prioritization of our issue work in 2010, something fundamental that we have always understood emerged about the essence of our organization: what has defined us from our inception and continues to distinguish our work from other investor coalitions is our social justice focus. For while we are very active on environmental and governance concerns, the lens through which we view all our issue work is clearly a human rights lens... how communities and the people living in them are impacted by business practices is what spurs us to action.

When we surveyed our many initiatives last year it also became evident that there were two overarching “bridges” connecting the vast majority of our work. Food and water, sacred to most faith traditions, have been identified as the two strategic priority areas where the synergies across so many of our initiatives are concentrated. Said Nadira Narine, Program Director of Strategic Initiatives, “ICCR members will intentionally focus future corporate engagements to ensure that the human right to water and food is a major thrust in our program work going forward.”

The Freshwater Crisis

Although access to water is a human right recognized by the United Nations, over 1 billion people presently lack safe water for consumption and sanitation. The freshwater that sustains all life constitutes less than 3% of the earth’s water, and only one third of this is accessible, making our current patterns of water use deeply unsustainable.

With agriculture accounting for close to 70% of the world’s water use, and industry 22%, corporations can play a key role in helping alleviate the freshwater crisis. In many water-scarce parts of the world, water allocated to multinational corporations reduces the amount available for individual and domestic uses such as subsistence farming.

For nearly a decade, ICCR Members have engaged key business sectors such as energy, food and beverages on water issues. What distinguishes ICCR’s work from that of many other NGOs working for water justice is its emphasis on the importance of measuring social risk. Says Narine, “ICCR is developing criteria that will not only help protect against the growing threat of water scarcity, but will ensure the right of all people to sufficient, safe, acceptable, physically accessible, and affordable water, which is the definition of the Human Right to Water.”

“This is an exceptional year for ICCR. Their work over 40 years to address some of the planet’s toughest issues is indeed a legacy to be celebrated. Over the years, The Coca-Cola Company built a relationship of trust and respect with ICCR as we worked together to address many challenges facing our company. This collaboration on a range of issues from workplace rights to water stewardship has truly led to improvement in our policies and practices.”

Mark Preisinger, Director of Corporate Governance, The Coca-Cola Company



Trusted Consultants on Water Sustainability Initiatives

Water scarcity and the externalities of manufacturing and processing pose a range of water-related risks to businesses, from higher costs due to scarce supplies, to major business disruptions from loss of license to operate and reputational damage.

Said Christina Herman of the Missionary Oblates of Mary Immaculate, “We approach the process of corporate dialogue with a deep commitment to the common good. Companies concerned both to do the right thing, and aware of the value of their brand listen closely to our feedback on their plans and operations. This has been particularly true in the area of water, which is vital to life itself. Not only is poor water management a reputational risk, but it threatens the very communities – and hence the markets – on which the companies depend.”

Anna Bradley, Consultant for Socially Responsible Investing for the Jesuit Conference, further clarifies ICCR’s aims: “We are seeking to make meaningful, systematic and comparable reporting on water a standard corporate practice globally.”

As investors and stakeholders in the long-term success of these companies, ICCR members help companies measure their water footprints and implement programs that will help them achieve their water sustainability goals. Says Bradley, “We are asking companies to measure impact beyond their own industrial ‘fence-lines’, and assess the water risks posed by their contract farmers and other major suppliers.”

Leaders in Sustainable Water Use

At the one-year anniversary of the UN’s adoption of the Human Right to Water, several of the companies ICCR members engage have shown tremendous leadership.

The Coca Cola Company has developed a state-of-the-art facility-level water risk assessment and management program for its global operations. Said Herman, “While Coke has not yet gone public with a human right to water policy, it has some of the best water data and management practices in the world.” Continues Herman, “The company has invested millions in important watershed conservation and sustainable community water programs in poor areas across the globe in an effort to offset its own water use.”

Meanwhile, as a result of dialogues with the Jesuits, Bunge has used the World Business Council for Sustainable Development’s “Water Tool” to identify 17 of its facilities that are near or adjacent to areas of water stress. The company also formed a new Water Taskforce to educate its operating units on water risks and to seek appropriate solutions.

And according to Patricia Jones, Environmental Justice Program Manager of the Unitarian Universalist Service Committee, “PepsiCo has set the high water mark for private sector bulk-water users by adopting the first human right to water policy, and by beginning negotiations with civil society and affected communities to implement a human right to water impact assessment of its operations.”

Our corporate partners’ leadership in setting meaningful goals for increased water efficiency, and in providing more systematic disclosure of water risks gives us real hope that we will be able to successfully navigate the water challenges that lie ahead.

THE BREAD OF LIFE

Emerging Strategic Area: Food

Non Therapeutic Use of Antibiotics

Antibiotics are generally used to treat sick farm animals and to prevent the spread of disease among livestock and poultry. But the operators of CAFOs (confined animal feeding operations) use enormous quantities of these drugs to blanket-treat entire herds whether they are sick or not.

The FDA estimates that animal agriculture is responsible for 80% of total antibiotic production as “food factories” looking for low cost/high yield solutions seek to accelerate growth and reduce diseases in animals living in overcrowded and unsanitary conditions. As a result, human antibiotic resistance linked to food animal operations is on the rise. Vulnerable populations such as children, the elderly and people with compromised immune systems suffer disproportionately.

For this reason, our company engagements on antibiotic use in animal agriculture also have implications for our domestic and global health work. Said Chris Matthias of the Adrian Dominican Sisters, “The major meat producers look primarily at the cost-benefit ratio, so keeping animal herds ‘healthy’ is a business priority. As responsible investors, our focus is on the ethical production of this meat, and in preserving the efficacy of life-saving medicines for humans.”

Worker Rights

For decades ICCR has championed workers’ rights and ethical supply chains, both in the apparel industry and in the cotton and tobacco fields. The Centers for Disease Control and Prevention calls agriculture one of the most hazardous industries in the U.S.. Workers on industrial farms and in food processing plants are at increased risk for a wide variety of illnesses, from respiratory and cardiac disease, to repeated-trauma disorders. Said Thomas McCaney of the Philadelphia Area Coalition for Responsible Investment (PACRI) “We can’t consider ourselves a just society until we address the exploitation of workers in the farming industry. These workers, many in vulnerable circumstances, are subjected to many forms of mistreatment, such as child or forced labor, dangerous working conditions, harassment from supervisors and co-workers, and the inability to redress unfair labor practices. Despite all the hard work ICCR and its members have done regarding workers rights,





"McDonald's values our engagement with ICCR first and foremost as a way to help us learn and understand important social and environmental issues better and deeper. With these dialogues, we take in good and useful insights that inform and stretch our strategic thinking."

Bob Langert, VP, Corporate Social Responsibility, McDonald's Corporation

I believe we've still got a long way to go." This aspect of our work directly correlates to our long term efforts to promote more ethical supply chains.

Responsible Nutrition

This year Michelle Obama went public with her "Let's Move" initiative in an attempt to raise public awareness about a dangerous trend in our nation: the growing epidemic of childhood obesity. The First Lady has met with policy-makers, school groups, food producers and other stakeholders, urging them to build more playgrounds, provide healthier school lunches and to make and market more nutritious options for children.

Recognizing that low income populations that can't afford the higher cost of organic and fresh foods are at greater risk for obesity-related illnesses, ICCR members have been working for over a decade with food producers and restaurant chains to encourage more responsible nutrition. Said Lauren Compere of Boston Common Asset Management, "We're asking the food and beverage companies we work with to make access to nutrition core to their business model, from R&D and product development, through sales, marketing and distribution. In particular, global

companies need to focus on the dual reality of growing obesity in emerging markets while continuing to address significant under-nutrition in those markets, as they look for ways to improve the accessibility and affordability of healthier foods."

Hedging Against Hunger

One might reasonably ask: What does commodity trading, a staple activity of world financial markets, have to do with global hunger? The answer isn't simple, but the potential outcome is: excessive hedging leads to volatility, volatility leads to hoarding, hoarding leads to food spikes and food spikes can lead to famine.

Says Kate Walsh, of the Tri-State Coalition for Responsible Investment, "Because so many of our faith-based members have missions in high risk communities all over the world, as responsible investors they are uniquely sensitive about this topic. We aren't against commodity investments per se, however, we feel the need to educate other investors about the correlation between excessive hedging on futures such as corn, soy and rice... staples diets for so many of the world's poor... and its impact on global food prices."

THE BUILDING BLOCKS FOR SUSTAINABLE COMMUNITIES

The Social Sustainability Resource Guide

In the universe of corporate responsibility, “sustainability” has emerged as the new mantra. Used most often in relation to environmental stewardship, sustainability is defined as the preservation of the earth’s resources for future generations. But in CSR circles, more and more we hear sustainability being discussed in another dimension; the social dimension... for communities and the people who live in them are by far the world’s most valuable resource.

Fully understanding the social impacts of corporate practices and helping to promote community participation in the development of sustainability programs formed the basis of an ICCR-led inquiry that would result in a generous grant from the Alcoa Foundation. Led by project coordinators David Schilling and Nadira Narine from ICCR and reflecting the work of nearly 20 contributors from the disciplines of responsible investment, including ICCR members, business, NGOs and on the ground community groups, the Social Sustainability Resource Guide (SSRG) was launched in June of 2011.

The SSRG interprets sustainability more broadly to include social, economic and environmental practices that protect and enhance not only the natural resources needed by future generations, but the human resources that will ensure a quality of life equal to or greater than our own. This broader definition

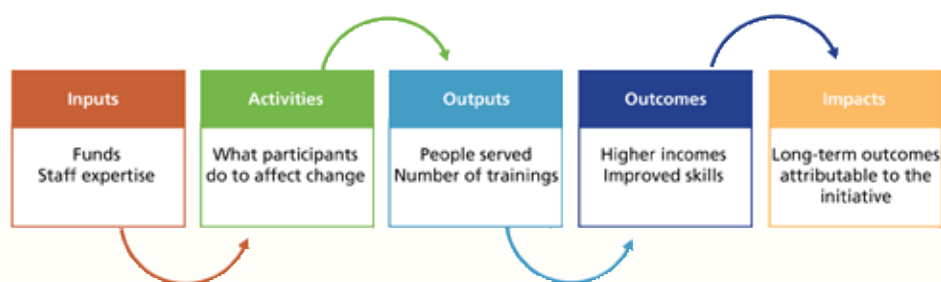


includes but is not limited to the right to development, the right to health care, access to safe water and food, education, the rights of indigenous peoples, free prior and informed consent, the continuous improvement of living conditions and importantly, the right to actively participate in the decisions that impact community and individual well-being.

Said David Schilling, “Our hope in publishing the SSRG is to catalyze social change by bringing the human and community impact of doing business to the forefront of corporate consciousness and to the core of business planning. We are asking companies to measure the long term impact of their operations and sustainability initiatives on communities because impact measures tell us what really makes a difference in people’s lives.”

“Timberland is grateful for ICCR’s thought leadership in social and environmental issues. ICCR has given Timberland relevant input into our program and strategy development in the past year, especially with regard to social impact measurement and human rights issues. We look forward to continued information sharing, as well as using the Social Sustainability Resource Guide in concert with our Sustainable Living Environments program.”

Beth Holzman, Manager, CSR Strategy & Reporting, The Timberland Company



Because our faith-based members have one foot in companies as shareholders and one foot in communities as religious organizations, ICCR is uniquely positioned to begin the social sustainability discussion. Further, ICCR's relationships with global NGOs working within communities and with local governments facilitate the convening of key stakeholders and promote the co-creation of successful and enduring social sustainability programs.

The SSRG proposes a multi-party, multi-sector, values-based framework as a way to begin the conversation. Further the guide includes 10 case studies all using slightly different models for measuring social impact. Said Nadira Narine, Project Coordinator, "Our contributors recognize that social sustainability initiatives require long-term commitments and multi-stakeholder input. To measure the effectiveness of their initiatives and their social impact, they must take into account how

they have improved the lives of community members as well as those of their workers." Said Laura Berry, ICCR's Executive Director, "The motivation for this work is grounded in the practical conviction that business leaders who choose to serve the common good build more profitable businesses over the long term. ICCR is initiating an intentional conversation and formalizing the analysis that moves us beyond output measures to recognizing the importance of positive community impact."

Contributors to the SSRG all acknowledge that it will take a while before the concept of social sustainability is fully internalized by companies. Says Schilling, "We hope that in laying the groundwork we will spur further dialogue, exploration and knowledge sharing between companies and communities and encourage initiatives that result in positive and sustainable social change."

"ICCR has been an important stakeholder for PepsiCo, particularly the expertise of the UUSC and their partnership as we navigate and activate our public commitment to respect water as a fundamental human right. More importantly, ICCR has been a leading voice for bridging the gap between the corporate and non-profit worlds. The SSRG is a landmark effort which does just that by helping to evolve the dialog around social investment from traditional measurement of inputs and outputs to more granular quantification of the true outcomes and impacts of social sustainability performance."

Dan Bena, Senior Director of Sustainable Development, PepsiCo, Inc.

THE LICENSE TO CURE

The Medicines Patent Pool

In a world in which 6 million people die each year from AIDS, TB or malaria, corporate action to increase access to treatment is crucial. ICCR is working with pharmaceutical companies to catalyze the development of a new business model that will facilitate delivery of medicines around the globe.

There is increasing pressure on pharmaceutical companies to increase availability of life-saving medicines by making the licenses to their formulations available to generic pharmaceutical manufacturers. Yet, branded pharmaceutical companies' stances on patents and licenses often put them at odds with the governments of developing countries attempting to ensure access to medicines for their citizens. With four decades of successful corporate engagements, ICCR is uniquely positioned to help pharma companies negotiate these challenges. Says Sr. Barbara Aires of the Sisters of Charity of St. Elizabeth, "We believe the holders of patents for life-saving medicines have a responsibility to make sure their medicines are

accessible to all those in need. We have been encouraging them to develop and participate in new models that strike a balance between profits and public health needs."

As faith-based investors with ministries in many developing nations, ICCR members witness the undue disease burden borne by the world's poorest and most vulnerable populations. That experience leads members to push for innovative approaches to public health crises in both domestic and emerging markets.

In 2010 the groundbreaking UNITAID Medicines Patent Pool Foundation was launched to increase access to the newer antiretroviral medicines needed to treat HIV and AIDS, and to encourage the development of pediatric formulations. In February 2011, ICCR hosted an invitation-only roundtable urging companies to join the Patent Pool and discuss new ways to promote access to medicines in the developing world. This "Roundtable on New Mechanisms" brought together institutional investors, pharmaceutical com-

"Merck understands that it must rise to the challenge of greater stakeholder expectations every day. We also recognize that we can't solve major health, environmental and economic challenges alone but must collaborate with others who share our commitment and who bring their own unique expertise to the table. This understanding forms the core of Merck's approach and commitment to its decade-long engagement with ICCR. Their input on our policies and practices over the years has helped to inform our strategies and decisions on a variety of issues, from our access to medicines strategy in developing countries and our HIV/AIDS access programs, to our role in the U.S. health care reform debate and our move to greater disclosure of our non-financial performance."

Maggie Kohn, Director, Corporate Responsibility, Merck & Co., Inc.

panies and non-governmental health organizations from the US and Europe.

“We have a unique power to convene different stakeholders,” says Cathy Rowan of Trinity Health. “Both as long-term investors in these companies and allies with the NGOs engaged in the struggle to improve access, we have a legitimate and respected voice in the conversation.” The

event was held in conjunction with Oxfam America, Knowledge Ecology International, and the Access to Essential Medicines Campaign of MSF/Doctors Without Borders.

The Roundtable focused on finding sustainable business models that allow pharmas to compete yet increase the availability of low cost alternatives in the countries hardest hit by life threatening pandemics. Discussion ensued regarding the best ways to develop drugs, price them, and manage corporate intellectual property - the three elements at the core of the pharmaceutical industry business model. According to a pharma representative in the room “There are very few forums where industry can sit down with civil society organizations and discuss this very important issue in a transparent, fair and objective way—the roundtable achieved that, much to ICCR’s credit.”

Effective strategies discussed included partnering with generic manufacturers to fulfill medicine needs, or partnering with civil society and government to accelerate neglected disease research, and exploring Base-of-The-Pyramid sales strategies.

In July of 2011, ICCR saw its first major



breakthrough when Gilead Sciences became the first company to join the Pool, sharing licenses for its vital HIV and Hepatitis B drugs. Said Judy Byron, OP, of the Northwest Coalition for Responsible Investment, “We commend Gilead Sciences for its continuing leadership in global health. This decision puts access to medicines at the heart of their business model.” The agreement allows for the production of the HIV medicines tenofovir, emtricitabine, cobicistat and elvitegravir and a “cocktail” of the four known as the “Quad”: the latter three medications are in clinical development and the licensing of these drugs will “significantly accelerate availability” according to Ellen T’Hoen, Executive Director of the Medicines Patent Pool.

Yet, challenges remain. Says Lauren Compere of Boston Common Asset Management, “In the years ahead, pharmaceutical companies must find a balance between the desire to protect both profits and their valuable intellectual property and the moral mandate to support potentially viable delivery systems. Companies must rise to the challenge.”

“FRACTURED” COMMUNITIES

Hydrofracking in the Natural Gas Industry

We have all borne witness to the environmental and social risks associated with the energy industry. Whether it's the despoiling of thousands of miles of coastline and ecosystems in the Gulf of Mexico from deepwater drilling gone awry, or the deaths of coal miners in the mountains of West Virginia due to sloppy safety procedures, we can all testify to the need for taking greater precautions in fuel exploration and production.

Hydraulic fracturing, more commonly known as “hydrofracking” or simply “fracking”, is no exception. A natural gas extraction method that injects a mix of millions of gallons of water, sand, and chemicals under thousands of pounds of pressure into underground rock to create fractures through which natural gas can flow for collection, fracking has come under increased scrutiny of late for its potential environmental and social tolls. In communities across NY, OH, PA, WV, VA and MD where the Marcellus Shale formation provides rich reserves of untapped gas, the

lines are being starkly drawn between those who see natural gas drilling as a potential boon to otherwise economically depressed neighborhoods and those who are leery of the potential health hazards.

While fracking, originally used to drill for water, is not inherently unsafe, the “slick water” fracking process used in natural gas production may contain harmful chemical additives like benzene, formaldehyde and hydrochloric acid -- chemicals that are known carcinogens, corrosive, or otherwise toxic. Given the extractives industry's record of late, ICCR members are calling on energy companies to implement proper safety mechanisms in fracking wells to ensure that toxicants or methane gas won't accidentally leak into local groundwater aquifers. “Once those chemicals get into the drinking water, there's no treatment plant that can remove them,” says Sr. Nora Nash of the Sisters of St. Francis of Philadelphia, with grave concern. Often, the wastewater is stored in open pits (see photo, left) and the by-products of fracking – contaminated water and airborne toxicants – can be very dangerous. “These companies need to have absolute control over every step of the process, and make a commitment to traceability and sustainability,” says Nash.

Several ICCR members are leading company engagements that call for increased scrutiny and the implementation of controls that will safeguard against these risks. Apart from the moral mandate to protect





"ICCR has been, for forty years now, the embodiment of the five words that summarize the essence of the world's major faiths: "Always do what love requires." ICCR is an organization that understands that faith requires listening but also action, patience but also tenacity. Apache benefits from real dialogue with long-term shareholders like ICCR—we have never believed that all good ideas come from within—rather we believe our ability to run a responsible, sustainable company is strengthened by our shared insights and continued engagement."

*Sarah Teslik, Senior Vice President,
Policy and Governance Apache
Corporation*

our communities, the potential material and reputational risks, should yet another energy disaster occur, are compelling business reasons that are gaining traction with certain companies.

"Using BP as a cautionary example, we have been pressing companies that use fracking in their operations to closely monitor and disclose potential hazards," said Richard Liroff of the Investor Environmental Health Network (IEHN). "Water quality needs to be continually assessed and they need to look for ways to reduce the toxicity of the entire process," said Liroff.

A multi-year dialogue between Boston Common Asset Management and Apache Corp. on a range of issues provided the crucial basis of trust on which an important breakthrough on fracking was reached. The company is now in talks with BCAM, IEHN, and other investors about improving its fracking lifecycle Key Performance Indicators

and, importantly, Apache is endeavoring to bring other companies into the conversation. "By convening investor forums, developing new ways to reduce or eliminate freshwater use, and pressing other companies to disclose their fracking chemicals, Apache has assumed a real leadership role in its industry," says Boston Common's Steven Heim. "It has made remarkable progress."

ICCR and IEHN are also making progress through shareholder resolutions. Of those that went to a vote of shareholders this spring, our Energen resolution won a near majority with 49.5% of the vote, the Ultra Petroleum resolution 41.7%, and Chevron achieved 40.4% — powerful incentives for companies who haven't yet done so to begin engaging with shareholders on their fracking practices. "There are both leaders and laggards in the natural gas industry. While many companies have adopted a 'circle the wagons/shoot the messengers' approach, some are making meaningful progress," said Liroff.

Meanwhile, Nash's Pennsylvania community of sisters, shareholders in oil and gas companies ExxonMobil, Anadarko, Chesapeake and Chevron, are asking these companies and State legislators to address significant human rights and environmental violations. Said Nash, "I'm a resident of Pennsylvania, and I've seen communities split in two because some people leased their mineral rights to the industry for a practice they knew nothing about while others are sounding the alarm. The thing is, either way your water may get contaminated."

"Fracking doesn't just fracture shale — it fractures communities, too" says Nash.

ICCR COMMITTEES **as of August 1, 2011*

STANDING COMMITTEES

Finance

Edward Gerardo - Chair
Sr. Barbara Aires, S.C.
Lauren Compere
Rev. Margaret Ann Cowden, Ph.D.
Jacqueline Edwards - Staff
Rev. Seamus P. Finn OMI
Paul Klinck
Sr. Susan Mika, O.S.B.
Mark Regier
Gail Shamilov - Staff

Nominating

Sr. Mary Ellen Gondeck, CSJ - Chair
James Gunning - Co-Chair
Sr. Kathleen Coll, S.S.J.
David Foster
Tom McCaney
Chris Meyer
Colleen Scanlon
Sr. Stella Storch



Personnel

Margaret Weber - Chair
Jeffrey Dekro
Jacqueline Edwards - Staff
Robert Koppel
Kathryn McCloskey
Steven P. O'Neill, SM

*Board Chair Susan Smith Makos and Executive Director
Laura Berry serve in an ex officio capacity on all committees.*



FINANCIALS

Interfaith Center on Corporate Responsibility Year Ending December 31, 2010
Statements audited (with unqualified opinion) by TCBA Watson Rice LLP

STATEMENT OF FINANCIAL POSITION

December 31, 2010

ASSETS

<i>Current Assets</i>	
Cash and cash equivalents	\$ 324,696
Receivables	87,893
Prepaid expense	13,166
Endowment (Invested Assets)	1,060,650
Property and equipment	3,525
Total Assets	\$1,489,930

LIABILITIES

Accounts payable and accrued liabilities	\$ 545,483
Other liabilities	220,790
Total Liabilities	766,273

NET ASSETS

Unrestricted net assets	
- board designated	63,588
Unrestricted net assets	
- undesignated	(400,581)
Permanently & Unrestricted net assets	1,060,650
Total Net Assets	723,657
Total Liabilities and Net Assets	\$1,489,930

STATEMENT OF ACTIVITIES

Year Ended December 31, 2010

REVENUE

Member dues and fees	\$ 954,143
Contributions	160,173
Events	368,267
Other Revenue	166,178
Interest Income	2,683
Total Revenues	\$1,651,444

EXPENSES

Salaries & Related Costs	1,314,894
Other Operating Expenses	275,399
Fundraising	125,196
Total Expenses	\$1,715,489

Change in net assets	(64,045)
Net Assets - January 1	787,702

Net Assets - December 31 **\$ 723,657**

OUR CONTRIBUTORS

* Includes gifts made for donation activities held between 7/1/2010 and 6/30/2011.

We are deeply indebted to the following donors whose generous support enables ICCR to continue its important work.

\$25,000-\$50,000

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\$10,000-\$24,999

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*As of 12/31/2010

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“Our ongoing engagement with ICCR helps us keep a pulse on trends and perspectives within the socially responsible investment community. Our constructive dialogue with ICCR staff and members has provided us with insights into how we can better communicate our social and environment performance to external stakeholders. In turn, we have found ICCR willing to listen and learn from our industry experience. We look forward to continuing this fruitful dialogue in the years to come.”

Silvia Garrigo, Manager, Global Issues and Policy

Chevron Corporation

“Today’s increasingly complex social and environmental issues require a broad stakeholder approach which is collaborative, informative and mutually supportive. ICCR has routinely provided experience, insight and a results-orientation to a relationship with The Walt Disney Company which began in the mid-1990’s. If people and organizations are in fact known by the relationships they keep, we are truly honored to be considered a member of the ICCR community.”

Mark Spears, Director, Sustainable Business Practices

Disney Consumer Products

“When I began speaking out on environmental and social issues more than 30 years ago, ICCR was a welcome voice of encouragement among many that were doubtful. They cheered us on when we made progress, and challenged us to move faster and do better when we didn’t. Thanks in large part to the work done by ICCR, today the idea that businesses can do well by doing good is widely acknowledged.”

William Clay Ford Jr., Executive Chairman

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“The dedicated representatives of ICCR have been important voices at J&J for decades now. We share a common mission to improve the health and well-being of people around the world. Our discussions with ICCR are genuine dialogues — open, productive and enlightening.”

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“Southern Company congratulates ICCR on its 40th anniversary. Our long-standing interaction and collaborative dialogue with ICCR has been an opportunity for us to understand its concerns and views and to share our thoughts on energy and the environment. We value ICCR’s continued guidance and input as we work to find the right solutions for meeting the future energy needs of our customers.”

Tom Fanning, Chair/CEO

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INSPIRED BY FAITH, COMMITTED TO ACTION



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