2015 Shareholder proposal to C.R. Bard calls for sustainability reporting including greenhouse gas (GHG) emissions reduction goals

C.R. Bard (ticker: BCR) is a multinational developer, manufacturer, and marketer of medical, surgical, diagnostic, and patient care devices for the Oncology, Urology, Vascular, and Surgical Specialty fields. The company has approximately 13,900 employees, markets its products to customers in over 100 counties, and has operations in more than 30 countries including manufacturing plants in the United States, Puerto Rico, and Mexico.

Walden Asset Management (Walden), a division of Boston Trust & Investment Management, is an investment manager with approximately $3 billion in assets under management. Walden is a long-term shareholder of C.R. Bard and has filed, along with other sponsors, a shareholder proposal for the sixth year calling for greater sustainability transparency. For the past five years, vote outcomes in support of this proposal have frequently garnered nearly a third or more of shareholder votes cast. Last year, the vote in favor of the proposal increased to approximately 38% (excluding abstentions).

The proxy statement indicates that the company is beginning to internally track some of its environmental impacts, however, the company has yet to commit to report consistently on its environmental, social, and governance (ESG) policies, practices, metrics, and goals.

The resolution presses C.R. Bard to improve transparency in its business practices, which is in investors’ interest since these issues may affect shareowner value.

It is clear that the company still lacks leadership and transparency on sustainability when considering the following:

- C.R. Bard has not responded to CDP’s Climate Change survey since the company was invited to first respond in 2010. In comparison, C.R. Bard’s competitors such as Johnson & Johnson (disclosure score of 99 in 2014), Medtronic (disclosure score 81), Baxter International (disclosure score of 78), and Boston Scientific (disclosure score of 46) all responded to the 2014 CDP Climate Change Survey.
- C.R. Bard also declined to participate in the CDP Water survey, whereas Johnson & Johnson, Medtronic, Baxter International, and Boston Scientific have all provided responses to past CDP Water surveys.
- C.R. Bard does not have a public carbon emissions reduction goal. In 2013, 75% of CDP responders made their GHG targets and goals publicly available. Competitor’s goals include the following:
  - JNJ: Achieve an absolute reduction in CO₂ emissions of 20% from a 2010 baseline by 2020.
  - MDT: Achieve a reduction in CO₂ emissions intensity of 15% by 2020 on a 2013 baseline.
  - BSX: Achieve an absolute reduction of CO₂ emissions of 15% from a 2009 baseline by 2014 (a goal which it recently achieved).
C.R. Bard’s many competitors, including Johnson & Johnson and Medtronic, are already addressing material ESG risks and opportunities and report on them in a sustainability report. Furthermore, C.R. Bard’s competitors are setting goals to improve performance on water, waste, employee wellness, supplier standards, among others. Johnson & Johnson, for example, has set 6 environmental goals, 7 goals related to their employees, 5 related to suppliers, as well as a handful of other goals related to areas such as community, transparency, and global health. These peers understand that the provision of metrics is an important component to their own ability to make decisions and progress on these matters as well as to communicate these programs to external stakeholders who hold these companies accountable.

C.R. Bard currently has a “Social Responsibility” section of its website. However, the proponents believe the content in this section can be described as anecdotal at best and does not enable shareholders to evaluate the company’s management of ESG related risks and opportunities. Plus, the sparse metrics that are provided do not enable shareholders to assess corporate wide-performance. For instance, the proxy statement tells us about the recycling performance of BCR’s South Carolina facility and BCR’s website on Recycling discusses the company’s facility in Reynosa, Mexico. However, what can be said of the company’s many other facilities?

Walden finds it encouraging to see that C.R. Bard has begun to expand the amount of disclosure provided in its proxy statement in the past two years in response to the resolution. Shareholders who read the proxy statement can now deduce that the company is tracking its energy usage, carbon emissions, and employee diversity data. To the extent that the company has systems in place to already monitor this ESG performance, improved disclosure should not be burdensome.

Walden believes that support for our resolution is still necessary until the company:

1. Improves transparency by disclosing the ESG information it is already tracking in an easy to access location such as its “Sustainability Reporting” webpage
2. Commits to periodically updating ESG data and will take steps to expand disclosure on material ESG issues.
3. Commits to set goals to guide future ESG performance and communicate to stakeholders their efforts to mitigate ESG risks including goals for carbon emissions reduction.

The proponents’ position reflects the view of more than one thousand investors who are signatories to the Principles for Responsible Investment (UN PRI), who believe ESG factors can effect shareholder value long term and thus integrate these factors into investment decision-making. UN PRI signatories together represent more than $45 billion in assets, up from $4 trillion at the PRI’s launch in 2006.

The resolution is led by Walden Asset Management and co-filed by more than 20 other proponents including religious organizations, various foundations, not-for-profit organizations, and endowments.

Contact
Carly Greenberg
ESG Analyst
cgreenberg@bostontrust.com