

# Proxy Season Preview

Spring 2005

*Helping Foundations Align Mission And Investment*

*Included in this issue:*

## **HOT ISSUES**

Global Warming, HIV/AIDS, Sexual Bias Policies

## **FASTEST GROWING ISSUES**

Animal Welfare, Political Contributions

## **TOP VOTE GETTERS**

Equal Opportunity, Sustainability

## **ONGOING CAMPAIGNS**

Corporate Governance, Genetically Engineered Food, Human Rights, Labor Standards, Military Sales

## **OTHER KEY ISSUES**

Affordable Housing, Breast Cancer, Job Loss, Nature Protection, Nuclear Waste, Prescription Drugs, Recycling, Tobacco, Toxics, Violent Videos

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**As You Sow**

Planting Seeds for Social Change

# Proxy Season Preview – Spring 2005

*Helping Foundations Align Mission And Investment*

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*To view this Preview online please visit [www.asyousow.org](http://www.asyousow.org), [www.rockpa.org](http://www.rockpa.org), or [www.noyes.org/mrinvest.html](http://www.noyes.org/mrinvest.html)*

## INTRODUCTION

In February 2004, Rockefeller Philanthropy Advisors and As You Sow Foundation published *Unlocking the Power of the Proxy: How Active Foundation Proxy Voting Can Protect Endowments and Boost Philanthropic Mission* in an effort to encourage foundations to play more active roles in voting on key corporate governance and social responsibility issues at publicly held companies. Over 10,000 copies of this booklet have been distributed and readers suggested that a missing element is to make foundations more aware of important upcoming proxy votes and to ensure that they vote in an informed manner.

This 2005 proxy season preview addresses that need by highlighting social and environmental issues that are directly relevant to the missions of foundations. We will also highlight instances where foundations are actively filing proxy proposals.

### Why this is Important:

Philanthropic influence is maintained by the ability to execute grants funded from a well-managed endowment fueled by equity holdings. With literally billions invested in the stock market, foundations are indeed major shareholders. Companies communicate with shareholders using a proxy statement that each year provides details and ask for a vote about the company's structure as well as critical social issues raised by shareholders. Yet when it comes to using the proxy process to enhance both its mission and investments, most foundations have been passively following management recommendations even when they are not aligned with the foundation's own interests and values. *Foundations annually commit 5% of the endowment to support their mission but how many consider the potential embedded in the remaining 95% to promote the same mission?*

### Why Now:

Spring is "proxy season." The majority of companies hold their annual meetings in the spring and several hundred proxy proposals will be voted on in the next two months (a smaller proxy season follows in the fall). This is the time for foundations to identify and support those proxy issues that are most related to their mission.

### Shareholder Proposals

Shareholders file two types of proposals – governance and social.

**Governance Proposals** focus on traditional management issues such as executive pay, election of directors, and selection of auditors. These issues are crucial to the basic financial health of a company and investor returns. Our Resource section includes numerous sources for this information. This preview focuses only on those governance proposals relating to social issues such as board diversity.

**Social Proposals** call for reports or policy changes on social or environmental issues. These are the proposals most directly related to foundations' programmatic goals.

Most foundations delegate proxy voting to investment managers, who often automatically vote in accordance with company management's recommendations that are almost uniformly against social proposals. These foundations are, quite simply, supporting company action that could be opposed to their program mission.

This will be a record setting year for proxy proposals with more than 200 social proposals to be voted on this spring. Proposals coming to a vote are current as of March 30. Do not be surprised if some are not listed on your proxy statement. Changes occur constantly as proposals are withdrawn by the filers in exchange for company dialogues, or omitted by the company in accordance with SEC regulations.

When describing these proposals we will provide some information about who filed them, and the number of proposals filed, withdrawn or omitted to give a full sense of the shareholder energy behind these issues. We believe you will find many of these related to your foundation's grantmaking and mission.

## SOCIAL PROPOSALS

In the past 25 years, hundreds of social proposals filed with companies by shareholder activists have broken new ground in fostering more progressive corporate practices. These include nondiscrimination in employment, better disclosure of environmental liabilities and health risks, stopping environmentally damaging projects, redesigning toxic products, getting companies to leave countries with human rights abuses, and improving the wages, benefits and conditions of workers.

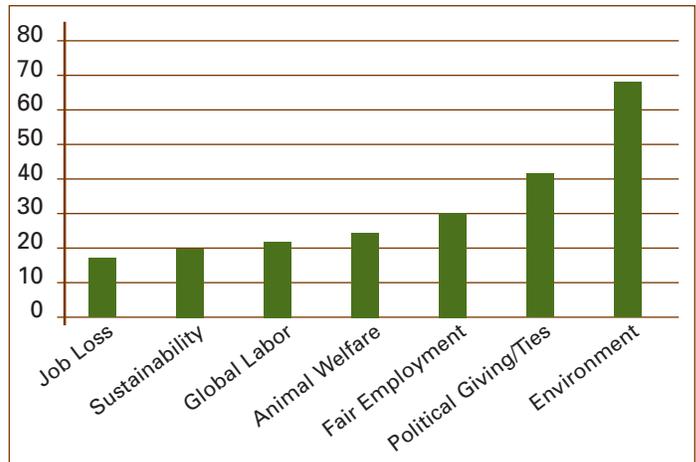
### Overview:

Environmental issues continue to dominate the number of social proposals filed over the last several years. In 2005, these account for more than a third of social proposals filed (see Graph 1) with large shareholder campaigns focusing on Climate Change and Genetic Engineering. Almost another third of this year's proposals are focused on workers rights such as Sexual Bias, Equal Employment, Global Labor Standards and Job Loss. Health related proposals such as HIV/AIDS, and Access to Prescription Drugs, remain prominent. Political Contributions and Animal Welfare are the fastest growing issues of the last two years. Sustainability and Equal Opportunity proposals were the biggest vote getters in 2004 (see Graph 2).

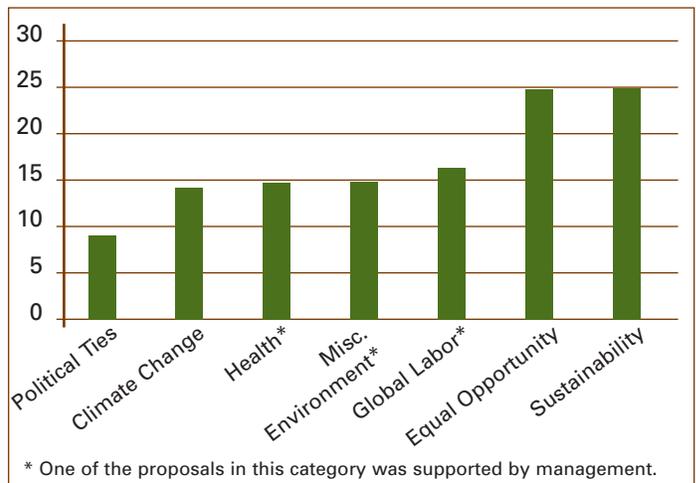
The Interfaith Center on Corporate Responsibility (ICCR) accounts for half of all 2005 social proposals filed. ICCR does not own stock itself but its members and associates work together through ICCR to co-ordinate efforts on many of these proposals. ICCR is comprised primarily of religious institutional investors, along with socially responsible investment (SRI) firms and some foundations.

Pension funds – led by New York City Employees Retirement System (NYCERS) and the State of Connecticut Treasurers Office; and labor unions – led by SEIU and Teamsters, also continue to be major proposal filers. The few foundations that actively file proposals – led by As You Sow and Nathan Cummings Foundation, increased their efforts. And NGOs continue to increase their use of proxy proposals as a campaign tactic.

**Graph 1: Top 2005 Social Issues, by Filings**  
(Courtesy of IRRC)



**Graph 2: Top 2004 Social Issues, by Vote Results**  
(Courtesy of IRRC)



# HOT ISSUES

## Global Warming, HIV/AIDS, Sexual Bias

### Global Warming

Environmental funders seeking to address global warming will find their concerns matched by investors. Many of these proposals complement (and in some cases were filed by) grassroots organizations active on this issue. Global Warming continues to be the hot social issue for the second year in a row and 2005 will see a record number (30) of Global Warming related proposals at a wider range of business sectors. The companies targeted are among the nation's largest greenhouse gas emitters and investors claim this makes them especially vulnerable to the risks of regulatory and market-based limits on carbon dioxide emissions. Shareholders are also engaged in dialogues with dozens of other companies regarding disclosure and climate risk. This effort is led by a large investor coalition comprised of ICCR and the Coalition for Environmentally Responsible Economies (CERES). Other participants include State Pension Funds, SRIs and a few foundations.

Global Warming is also the leading "cross-over" social issue for investors. These proposals are helping to change traditional financial risk analysis by pushing mainstream investors to assess the financial liabilities associated with ecological and social impacts. Last year's votes averaged 14%. This year will see three different Global Warming proposals:

### Greenhouse Gas Emissions Reduction

These proposals ask auto, electric power, real estate, manufacturing, financial services and oil & gas companies to report on "how the company is responding to rising regulatory, competitive and public pressure to significantly reduce carbon dioxide and other greenhouse gas emissions."

*Proposals: Centex, Dominion Resources, Ford, General Motors, Health Care Property, Lennar, Liberty Property, Nucor, Ryland, Simon Property, Vintage and XTO Energy.*

### Climate Science

These proposals take on those companies with the most anti-global warming stance. Companies are being asked to report on the research data relevant to their stated positions on the science of climate change. Two compa-

nies also face new proposals asking for a report on lobbying against tighter fuel economy and compliance with the Kyoto Protocol.

*Proposals: Exxon Mobil, Ford, and General Motors.*

### Renewable Energy

One renewal energy proposal was filed this year. It asks for a report on "how the company is responding to rising regulatory, competitive and public pressure to significantly develop renewable energy sources."

*Proposal: ChevronTexaco.*

### HIV/AIDS Pandemic

The AIDS issue is a staggering pandemic that is at or near the top of the agenda for many health funders. More than 42 million people worldwide are living with HIV/AIDS and 2.5 million will die from AIDS this year. Over 95% of affected people live in the developing world. Effective treatments for HIV/AIDS exist, but only 4% of those infected have access to treatment. Proposals are asking for reports on the economic effects of the HIV/AIDS, tuberculosis and malaria pandemics on business strategy. Shareholders, led by ICCR, cite that the pandemic creates poverty among millions of people, erodes human capital, weakens government institutions and threatens business activities and investment.

*Proposals: Abbott, Bristol Myers Squibb, Caterpillar, ChevronTexaco, General Motors, Gilead Sciences, Johnson & Johnson, Merck, and Pfizer.*

### Sexual Bias

NYCERS leads this effort and companies appear particularly eager to avoid having proxy fights over those proposals asking them to adopt sexual orientation anti-bias policies. Of the 21 proposals filed, 15 have already been withdrawn in exchange for company dialogues.

### Anti-Bias Policy

The first sexual anti-bias policy proposal of the year has already received a very high 34% vote at Emerson Electric.

*Proposals: Advance Auto Parts, Cerner, Delta, Exxon Mobil, Gentex, Toys R Us, and Universal Health Services.*

### Pro-Bias Policy

A rare conservative social proposal was filed asking three companies Not to Extend Benefits to Domestic Partners. Two of these were omitted but one is still pending a vote.

*Proposal: NCR Corp.*

# FASTEST GROWING ISSUES

## Animal Welfare, Political Contributions

### Animal Welfare

The animal rights group PETA has jumped into shareholder activism in a big way filing 24 proposals so far, compared to 10 in 2004 and 3 in 2003. Fourteen call for alternatives to animal testing (a recent vote at Monsanto received 2%) while 7 require humane slaughter methods at suppliers. Three of the latter proposals have been withdrawn after McDonalds, Safeway and Denny's agreed to publicly release studies on this issue. *Proposals: 3M Co, Abbott, Amgen, Applebee's, Baxter, Bristol Myers, ChevronTexaco, Dow, DuPont, General Electric, Kroger, Lilly (Eli), Merck, Schering-Plough, Wal-Mart, Wendy's, Wyeth, and Yum Brands.*

### Political Contributions

The change in campaign finance laws and record breaking donations to political action groups led to a flood of political disclosure proposals both before and after the presidential election. This year 42 proposals are already filed compared to 51 for all of 2004 and only 5 in 2003. These proposals are notable for being filed by a large cross section of investors including unions, religious institutions, NGOs, foundations, state pension funds, SRIs and individuals. Many of these proposals are not concerned about party affiliation but, like those proposals filed at pharmaceutical or logging companies, are used as a means of addressing lobbying or political integrity.

Shareholders have filed proposals asking for reports on company policies and procedures of political contributions and public disclosure and identification of those making the decision. The vast majority of these 37 proposals are new. Proposals at Lucent Technologies and Tyson Foods were already voted on receiving 20% and 1.5% respectively (this large discrepancy in votes is due to the Tyson family and board controlling 80% of their company stock). Two proposals filed by an individual shareholder ask the company to affirm political non-partisanship.

*Proposals: Abbott, American Express, AmSouth, Anadarko, Bank of America, Bell South, Boeing, Bristol*

*Myers Squibb, Caremark Rx, Citigroup, Comcast, DuPont, Exelon, Exxon Mobil, First Energy, General Electric, Home Depot, Lilly, Lowes, Merck, Microsoft, Office Max, Pepsi, Pfizer, Plum Creek Timber, Riggs National Bank, SBC, Schering-Plough, Southern, Verizon, Wal-Mart, Waste Management and Wyeth.*

# TOP VOTE GETTERS

## Equal Opportunity, Sustainability

### Equal Employment Opportunity

Last year's EEO proposals averaged a 24.7% vote. This spring there are four proposals calling for an EEO report with three of those asking specifically about "glass ceiling" policies and one asking about plans for the disabled. These proposals have dozens of co-filers including ICCR, SRIs, state pension funds, foundations and NGOs. *Proposals: Amgen, Home Depot, Wal-Mart, and Yum Brands.*

### Sustainability

Last year's 11 sustainability proposals were the top social issue vote getters, averaging a 25% vote with a top vote of 42% at Ryland. This year's early votes include Hormel at 15.7% and Tyson Foods at 4.8% (once again, family control of Tyson stock make this vote an anomaly).

Twenty proposals filed this spring also make this one of the fastest expanding issues of the last few years. Most ask for reports on economic, social and environmental impacts based on the Global Reporting Initiative (GRI). The GRI is a multi-stakeholder process that has developed globally applicable sustainability reporting guidelines. Guidelines have been developed for voluntary use by companies for reporting on the economic, environmental, and social dimensions of their activities, products, and services. An increasing number of companies are agreeing to publish such reports thus creating models for other companies to emulate.

A few proposals ask the company to define and report more generally on sustainability. Similar to political contributions, this is another proposal that can be used to indirectly address related environmental or social concerns.

This year's effort is led by NYCERS with ICCR, and a handful of foundations and NGOs filing several proposals as well.

*Proposals: AGCO, Albertson's, Best Buy, Cooper Tire, Dean Foods, General Electric, Kinder Morgan, Kroger, Lowe's Companies, Office Depot, Safeway, Seaboard, Smithfield, Terex, Wal-Mart, Wendy's, and Yum Brands.*

## ONGOING CAMPAIGNS

### Corporate Governance, Genetically Engineered Food, Human Rights, Labor Standards, Military Sales

#### Corporate Governance

The recent corporate governance scandals have resulted in a huge increase in these proposals with several hundred being filed in 2005. These deserve a separate preview for themselves but this section only focuses on those governance proposals most directly related to social issues that are likely related to a foundations mission.

Perhaps the most controversial proposal, and most numerous with more than 75 already filed, is the union led call for a majority vote to elect directors. Another controversial proposal concerned proxy access (allowing investors to nominate board members) that was thrown out by SEC (see News & Notes).

#### Board Diversity

SRI's lead this year's effort to ensure that women and minority candidates are recruited for corporate boards. At least two companies are being asked to ensure that 50% of board members are minority or female.

*Proposals: AmeriCredit, Amphenol, Bank of America, Danaher, Emulex, Everest Expeditions, Key Energy, Kimberly-Clark, Met Pro, NY Community Bancorp, Rite Aid, Safeway, Semtech, Torchmark, and Werner Ent.*

#### Link Executive Compensation to Social Criteria

For several years ICCR and SRI's (plus the occasional NGO) have filed proposals asking companies to link executive compensation plans to include social responsibility as well as financial criteria. Shareholders decry that compensation may be paid for meeting financial goals even in those cases where a pattern of unlawful discrimination or environmental damage resulted in costly fines, protracted litigation, and reputational damage. One proposal specifically links compensation to predatory lending practices by banks.

*Proposals: Amgen, ATT, Broadcom, Citizens Communications, Ford, GEO Group, Halliburton, SBC, Time Warner, Wells Fargo, and Xerox.*

#### Genetically Engineered (GE) Food

Thirteen proposals were filed with seed producers, grain distributors, food manufacturers, restaurants and supermarkets asking them to report on the scope of their GE products, environmental impacts, evidence of long term safety testing and contingency plans for removing GE products if necessary. This effort is led by ICCR and enters its 5th year with more than 40 companies engaged over that time. A recent vote at Monsanto received 7.6%. A similar vote on a labeling proposal at Whole Foods resulted in a huge victory for shareholders when management announced at its April annual meeting that it would label its products for GE ingredients. While votes remain moderate, this effort has clearly been successful in getting companies to remove or reduce the amount of GE ingredients in their food and continues to be one of the best sources of educating senior management about the economic, ecological and social implications of GE food.

*Proposals: Archer Daniels Midland, Con Agra, Dow, Dupont, Kellogg, Kraft, McDonald's, Ruby Tuesdays, Smucker, Wendy's, Whole Foods, and Yum Brands.*

#### Human Rights

ICCR, NYCERS and NGOs have filed several proposals calling for the development of human rights policies. Other proposals ask for reports on specific issues including the murder and abuse of hundreds of women in factories in Ciudad Juarez, Mexico; Indonesian army abuse in protecting oil and mining operations; anti-union violence in Colombia; and Israel's use of bulldozers as weapons against civilians.

*Proposals: A.O. Smith, Boeing, Caterpillar, Delphi Automotive, Exxon Mobil, Freeport McMoRan Copper & Gold, Petro-Canada, and Vishay Technology.*

### Labor Standards

ICCR and NYCERS are lead filers for two-dozen proposals asking companies to review, implement or monitor International Labor Organization (ILO) standards, MacBride principles (religious employment bias) or vendor standards (sweatshops). Last year all of these proposals went to a vote. Several of this year's proposals focus specifically on China.

*Proposals: 3M, Apple, Bard, Claire's Stores, Cooper Industries, Cummins Inc., Dell, Dillard's, Disney, DuPont (2), ExxonMobil, Hasbro, Illinois Tool Works, IBM, Kimberly-Clark, Mattel, Maytag, McCormick, Primus, Raytheon, TeleTech, TJX, and Yum Brands.*

### Military Sales

ICCR leads this decades long effort to make military contractors report on processes and criteria used to determine and promote foreign sales, choosing companies with which to do business, as well as codes of conduct for international operators. NYCERS has filed four proposals calling for a report on company sales to countries involved in state sponsored terrorism.

*Proposals: Aon, Boeing, Cooper Cameron, General Dynamics, General Electric, Halliburton, Lockheed Martin (2), Raytheon, and United Technologies.*

## OTHER KEY ISSUES

### Affordable Housing, Breast Cancer, Job Loss, Nature Protection, Nuclear Waste, Prescription Drugs, Recycling, Tobacco, Toxics, Violent Videos

Funders concerned about fair housing, charity transparency, environmental justice, health and safety, resource efficiency, outsourcing, government agency integrity and environmental protection will also find proposals to support this spring.

#### Affordable Housing

ICCR and health care providers are asking for develop-

ment of a policy that sets affordable housing goals that conform to the Community Reinvestment Act.

*Proposal: Freddie Mac.*

#### Breast Cancer Fundraising

A new proposal asks for disclosure of money received from charitable fund raising and the research and grantees it supports.

*Proposal: Avon*

#### Government Service

Two proposals resulted from "revolving door" scandals – one version asks for disclosure of prior government service and another requires board approval of hires from government.

*Proposals: Boeing and DuPont.*

#### Job Loss

Unions have initiated a slew of new proposals on job loss and relocation of companies. Proposals targeting 19 companies are asking for reports related to decision making process, estimated cost savings and impacts, and effects on senior executive pay over the last 5 years. Several companies successfully challenged these proposals and the SEC allowed them to be omitted from proxies so it is possible that many of these may not come to a vote.

*Proposals: Black & Decker, First Data, JP Morgan Chase, Procter and Gamble, Sara Lee, and Sprint.*

#### Natural Resource Management

The Sierra Club, SRIs and individuals have filed proposals over drilling in sensitive areas including Ecuador and ANWR, and timber purchases from National Forests. SRIs and Sierra Club Mutual Funds have also filed proposals on the social and environmental impacts of land development in Mexico that may be a preview of an issue that could grow rapidly as grassroots opposition to "big box" stores escalates.

*Proposals: ChevronTexaco, Conoco Phillips, Costco, ExxonMobil, and Weyerhaeuser.*

#### Nuclear Waste

Three proposals address nuclear waste, two focus on the radiation risks from the interim storage of irradiated fuel rods, and another calls for a report on nuclear accident risk.

*Proposals: Ameren, PG&E, and General Electric.*

### Prescription Drugs

ICCR, health care providers and foundations are addressing another major area of concern for health funders – affordable prescription drugs for seniors, the poor and in developing countries. Three proposals ask for a policy that does not constrain the reimportation of prescription drugs into the US from foreign markets. One proposal seeks a policy of responsible price increases tied to the rate of inflation.

Shareholders have also filed political contribution or governance proposals (for example, separate chairman and CEO) at companies including Abbott, Merck and Eli Lilly, as another means for raising these issues. Furthermore, shareholders are taking the unusual step of opening a dialogue directly with the pharmaceutical industry trade association.

*Proposals: Lilly (Eli) (2), Merck, Pfizer (2), and Wyeth.*

### Recycling

The last few years have seen several recycling proposals voted on, many of which have turned into effective dialogues and company action such as Dell's computer take back policy and Coke increasing its bottle and can recycled content from 0 to 10%. This spring two container recycling proposals will be voted on, while an IBM computer recycling proposal was withdrawn for a dialogue.

*Proposal: PepsiCo and PepsiAmericas Inc.*

### Tobacco

ICCR has been the lead filer of anti-smoking proposals for many years. Current proposals address risks to pregnant woman, internet sales, workplace smoking, restaurant policy, "fire safe", and "light" and "ultra light" cigarette risks.

Recent scientific studies indicating that teens are more likely to begin smoking after seeing it portrayed in the movies, has led to a series of new proposals by As You Sow and ICCR that is resulting in dialogues with major media owners Time Warner, Disney, Viacom (Paramount) and General Electric (Universal).

*Proposals: Altria (3), Brinker, Lowes (2), Reynolds (3), and UST.*

### Toxics

SRI and ICCR have filed 6 proposals asking for information on waste incineration, toxic waste clean up, toxics phase out from products, reformulating products

to meet the EU toxics ban, and cost of PCB cleanup delay. An exporting hazardous pesticide proposal at Monsanto recently received a 13% vote.

*Proposals: Avon, ChevronTexaco, Dow, General Electric, Monsanto, and Stericycle.*

### Violent Video Sales

Citing parental and public health community concerns over the higher tendency for aggressive behavior by children exposed to violent programming at a young age, ICCR and public health organizations are asking for a report on company policies regarding the sale of mature rated video games to children and teens.

*Proposals: Best Buy, Circuit City, Toys R Us, and Wal-Mart.*

## FUTURE ISSUES

### Environmental Health, Wal-Mart

Foundations concerned about Environmental Health or social and economic issues relating to Wal-Mart may want to evaluate how upcoming shareholder campaigns can add value to the activities of their grantees. Shareholder and grassroots activists believe that their campaigns complement each other and are much more effective when targeted companies face both internal (investor) and external (grassroots) pressure.

### Environmental Health

A new coalition will launch an Environmental Health investor campaign in 2005 – 2006. The coalition consists of shareholders, NGOs, and foundations (As You Sow, Nathan Cummings Foundation, Rose Foundation) that plan to simultaneously apply internal and external pressure to change company practices regarding environmental health impacts. Investors will focus on making the business case as to why it is in the company's best interest. Coalition members will develop benchmarks for product detoxification, and case studies will be produced that pinpoint health risks of products and the accompanying financial risks to the company and its investors. Economic alternatives such as green chemistry will also be highlighted. State officials will be encouraged to assess their cost in paying for health impacts from consumer products, and thus open another avenue to compel companies to make safer products.

## Wal-Mart

An even broader grassroots effort focusing on Wal-Mart will be launched this fall. The multi-pronged campaign will bring together groups involved with a number of issues including: labor, small businesses, communities, environment, social justice, sweatshops, religion and people of color. Shareholders have already raised several of these issues at Wal-Mart through proposals on sustainability, worker discrimination, animal welfare, violent video games, and political donations. Shareholder proposals face a special challenge given that the Walton family itself controls 38% of the company's shares and investors are exploring other ways of influencing the company.

# NEWS AND NOTES

## Foundation Involvement

Foundation interest in proxy voting and shareholder activism continues to grow. This issue is finally being addressed at major annual conferences such as the Environmental Grantmakers Association, Council on Foundations, and Grantmakers for Effective Organizations. The book "Unlocking the Power of the Proxy" (see Resources) is now in its second printing and was a finalist for the Virginia Hodgkinson Research Prize awarded annually to published research that furthers the understanding of philanthropy. A list of several foundation proxy voting guidelines are currently available online and the Foundation Partnership for Corporate Responsibility web site provides information and technical assistance for foundations exploring these issues (see Resources).

Foundations involved in filing proposals or related activities this year include:

**As You Sow Foundation** was the lead filer at Disney, Time Warner, Viacom, (Smoking and Movies), and co-filed proposals at DuPont and Monsanto (Genetically Engineered Crops), JP Morgan Chase (Climate Change), Pepsi (Recycled Content of Bottles), and Wal-Mart (Sustainability). As You Sow is also engaged in nearly two-dozen shareholder dialogues on the above issues as well as on sweatshops, electronic waste, and human rights at such companies as Caterpillar, GAP, General Electric, Home Depot, Kraft, McDonalds, Nordstrom,

Proctor & Gamble and Starbucks among others (also see Educational Foundation of America below). As You Sow pioneered large-scale shareholder solicitations on social issues and is a founding member of the Shareholder Action Network and a steering committee member of the Environmental Health shareholder campaign. [www.asyousow.org](http://www.asyousow.org), [www.proxyinformation.com](http://www.proxyinformation.com)

**Conservation Land Trust (Foundation for Deep Ecology)** co-filed at Amgen (Equal Employment Opportunities) and TJX (Vendor Standards). [www.theconservation-landtrust.org](http://www.theconservation-landtrust.org)

**Boston Foundation** was the first community foundation to undertake proxy voting and has developed the most extensive proxy voting policy among foundations. [www.bostonfoundation.org](http://www.bostonfoundation.org)

**Granary Foundation** co-filed at Whole Foods (Label Genetically Engineered Food). [www.cfra.org/center/granary.htm](http://www.cfra.org/center/granary.htm)

**Educational Foundation of America** has consciously voted its proxies for more than 20 years and is a pioneer in screened investing and supporting shareholder advocacy. It continues to be a leader in groundbreaking dialogues and proposals – working in partnership with As You Sow for eight years to support recycled beverage container content initiatives (Coke, Pepsi), recycled paper (Office Depot, Staples, Time Inc) and electronic waste (Apple, Dell, Hewlett Packard, IBM,). EFA has also co-filed numerous resolutions with ICCR members in the past 10 years. [www.efaw.org](http://www.efaw.org)

**Funding Exchange** co-filed at Amgen (Diversity Report), Exxon Mobil (Sexual Orientation Non-Discrimination), Home Depot (Equal Employment Opportunity), Pepsi (Recycled Content of Bottles), and TJX (Vendor Standards). [www.fex.org](http://www.fex.org)

**Haymarket People's Fund** co-filed proposals at Home Depot (Equal Employment Opportunity), IBM (Recycling Computers), Pepsi (Recycled Content of Bottles), and TJX (Vendor Standards). [www.haymarket.org](http://www.haymarket.org)

**Jessie Smith Noyes Foundation** is another pioneer in harmonizing investments and mission. Noyes incorporates the full range of shareholder activity including set-

ting social screens, filing resolutions, dialoging with companies, and establishing proxy voting guidelines (currently applied to over 200 holdings). Noyes is a founding member of the Foundation Partnership for Corporate Responsibility (see Resources). [www.noyes.org](http://www.noyes.org)

**Lemmon Foundation** co-filed at IBM (Recycling Computers). Contact them c/o Tides Foundation (see below).

**Nathan Cummings Foundation** is leading a dialogue at Centex (Energy Efficiency); is the lead filer for proposals at Centex, Lenner and Ryland (Energy Efficiency), Merck (Political Contributions), Smithfield (Sustainability – Contract Farms), Vintage Petroleum and XTO Energy (Emission Reduction); and co-filed proposals at Anadarko and Apache (Climate Change), and Pfizer (Prescription Drugs). [www.nathancummings.org](http://www.nathancummings.org)

**Needmor Fund** co-filed proposals at Carlisle and Exxon Mobil (Sexual Orientation Non-Discrimination), IBM (Recycling Computers), Pepsi (Recycled Content of Bottles), TJX (Vendor Standards) and Yum Brands (Diversity). <http://fdncenter.org/grantmaker/needmor/>

**Rockefeller Philanthropy Advisors** is a nonprofit philanthropy service dedicated to helping donors create thoughtful, effective philanthropy throughout the world. RPA is a leader in promoting awareness of how active foundation proxy voting can protect endowments and boost philanthropic mission. Among other projects, it serves as the home for The Carbon Disclosure Project, an innovative effort that is the world's largest institutional investor collaborative on the business implications of climate change. [www.rockpa.org](http://www.rockpa.org), [www.cdproject.net](http://www.cdproject.net).

**Rose Foundation for Communities and the Environment** is spearheading a citizen petition to the SEC (endorsed by investors representing a combined \$1 trillion) seeking increased corporate environmental liability disclosure. Rose released a series of publications related to fiduciary responsibility and corporate environmental performance, including: *"The Environmental Fiduciary: The Case for Incorporating Environmental Factors into Investment Management Policies"* (2002), *"The Gap in GAAP: An Examination of Environmental Accounting Loopholes"* (2003), and *"Fooling Investors and Fooling Themselves: How Aggressive Corporate Accounting and*

*Asset Management Tactics Can Lead to Environmental Accounting Fraud"* (2004). [www.rosefdn.org](http://www.rosefdn.org)

**Shefa Fund** launched the Jewish Shareholder Engagement Network in 2003. This network represents more than \$1.3 billion in assets and recently distributed its first proxy voting recommendations. This is the first-ever organized Jewish effort to use stock ownership to promote corporate responsibility. [www.shefafund.org](http://www.shefafund.org)

**Tides Foundation** co-filed proposals at Amgen and Home Depot (Equal Employment Opportunities), Pepsi (Recycled Content of Bottles), and at TJX (Vendor Standards). [www.tides.org](http://www.tides.org)

### NGO Involvement

Foundations may already be supporting shareholder activism via NGOs as grassroots groups are increasingly adding this tactic to their tool kit. NGOs currently involved in shareholder campaigns, proposals or dialogues include Amnesty International, Bluewater Network, Friends of the Earth, People for the Ethical Treatment of Animals, Public Interest Research Group, Rainforest Action Network, Sierra Club and the SouthWest Organizing Project, among others. Several more will likely be involved next year as the Environmental Health and Wal-Mart campaigns are established.

### Securities and Exchange Commission Rulings

A significant trend to watch is not just what social proposals are being filed, but how they are being evaluated. Shareholders are expressing concerns over the SEC's seeming reinterpretation of what constitutes "ordinary business" for environmental proposals. Under SEC rules, companies receiving shareholder proposals may petition the SEC to allow them to omit the proposal based on any 1 of 13 criteria. An often used exception allows topics deemed to be "ordinary business" to be disallowed. The SEC regularly allowed shareholders to ask for reports relating to impacts from environmental or social risks, but has been increasingly unwilling to allow proposals that seek disclosure of financial risks from these issues.

For example, in 2004 the SEC allowed several proposals asking for financial risks reports on such issues as global warming and the Bhopal chemical disaster. Yet in 2005, the SEC deemed these same proposals could be omitted

as “ordinary business.” Shareholders are now faced with a Catch-22 wherein the SEC says financial risk reporting is ordinary business, yet when the company does not provide risk data the SEC is not allowing shareholders to request it.

### SEC Backs Away From Proxy Access

The SEC is allowing proposals relating to shareholder nomination of board members to be omitted from proxies this year after agreeing to allow them last fall. The so-called “proxy access” proposals arose out of concern during the recent corporate scandals that many corporate boards were asleep at the wheel. Corporate board elections are not democratic; they typically involve no real contest and candidates can only be nominated by management.

Labor and pension funds have been leading a reform effort. Last fall, the American Federation of State, County and Municipal Employees (AFSCME) and pension funds in Connecticut and New York filed proxy access proposals at several companies. The proposals would let investors vote on nominating their own board candidates the following year. At the same time, SEC commissioners have been divided over a proposed rule that would develop a process for shareholders to nominate board members. After allowing a resolution to go forward on the Walt Disney proxy last fall, SEC staff soon reversed itself and recently allowed similar proposals at AIG, Halliburton, Verizon Communications and Qwest Communications to be omitted. Last month AFSCME sued AIG in federal court, seeking to force the company to include a binding proxy access shareholder proposal on its proxy materials that would allow a shareholder vote at the company’s annual meeting in May.

### Mutual Funds and Investment Managers Ignore or Oppose Social Resolutions

If your foundation holds significant assets in mainstream mutual funds, you have the opportunity this year to strengthen your funds’ awareness of social and environmental issues. Mutual funds were required to disclose their proxy votes and policies beginning in 2004. The new rule was designed to avoid potential voting conflicts of interest and to make fund managers demonstrate they are voting in the best interests of shareholders.

Two recent studies analyzing the voting records of mutual fund companies have concluded that most funds are routinely voting against the majority of social proposals and doing so without evident consideration of the important issues raised by the proposals. Just 2% of fund assets voted in favor of proposals asking companies to report on the impact of global warming, an issue that has received the support of many state pension funds and social investors, according to a study by CERES and IRR. Conventional funds voted for several key indicator social issues only 15% of the time, opposed 67% of the time, and abstaining 18% of the time, according to another study by the Social Investment Forum (SIF).

Many funds utilize boilerplate language stating they routinely vote against most social proposals, giving no indication that they actually consider them. The lack of serious case-by-case analysis appears to be a shirking of the fiduciary duty of the funds. As a follow up to the SIF study, CERES and SIF are urging all investors with mainstream funds to contact their fund managers this year and urge them to develop proxy voting policies favoring consideration of social and environmental proposals. Copies of sample letters for investors to send to fund managers will be posted soon at [www.proxyinformation.com](http://www.proxyinformation.com) and [www.shareholderaction.org](http://www.shareholderaction.org)

Similarly, investors may need to clarify how their investment managers are assessing social proposals as the vast majority of managers automatically vote against them. Clients have been known to be misled by managers who tell them that they review information from proxy services from a social point of view, creating the presumption that they make voting decisions using social guidelines. It is important to remember that proxy services offer several different levels of recommendations, many of which are predisposed against social proposals. Proxy service clients report that the overwhelming majority of recommendations by Institutional Shareholder Services and Glass-Lewis, two of the largest proxy services, routinely vote against social proposals. Investors should be sure to ask for written confirmation of how your proxy guidelines are implemented.

# RESOURCES

## [A How-To Guide Book](#)

**“Unlocking the Power of the Proxy: How Active Foundation Proxy Voting Can Protect Endowments and Boost Philanthropic Mission.”**

This book makes the case for proxy voting and shows how developing and implementing a proxy voting policy can be done simply and efficiently. With more than 10,000 copies distributed, *Unlocking the Power of the Proxy* has helped move foundations to consider the impacts of their investments and to vote their proxies.

Please contact us for free copies or view online at [www.asyousow.org](http://www.asyousow.org) or [www.rockpa.org](http://www.rockpa.org)

## [Foundations with Proxy Voting Policies Online](#)

### **Boston Foundation**

<http://www.bostonfoundation.org/uploadedFiles/ProxyVoteGuidelines2003.pdf>

### **Educational Foundation of America**

<http://www.efaw.org/page8.html>

### **Jenifer Altman Foundation**

<http://www.jaf.org>

### **Jessie Smith Noyes Foundation**

<http://www.noyes.org/investpol.html>

### **Nathan Cummings Foundation** <http://www.foundationpartnership.org/nathancummings.html>

### **Needmor Fund** <http://www.needmorfund.org/InvPol.pdf>

### **Shefa Fund** <http://www.shefafund.org>

### **William Bingham Foundation**

<http://fdncenter.org/grantmaker/bingham/assets.html>:

## [General Web Resources](#)

### **The Corporate Library** [www.thecorporatelibrary.com](http://www.thecorporatelibrary.com)

Comprehensive web site with a focus on governance issues. Good corporate responsibility news section and financial analysis.

### **Friends of the Earth’s Green Investments Program**

[www.foe.org](http://www.foe.org)

Features online guide to shareholder activism: “*Confronting Companies Using Shareholder Power.*” Describes the basics of filing & writing proposals.

### **Foundation Partnership for Corporate Responsibility**

<http://www.foundationpartnership.org>

Provides information and technical assistance to foundations that want to become more active as shareholders on social and environmental issues. The list of foundations is private and there is no obligation to participate in any action.

### **Interfaith Center on Corporate Responsibility**

<http://www.iccr.org>

The country’s leading shareholder advocacy organization lists its shareholder resolutions and posts articles by religious institutional investors and associate members.

### **Proxy Information** [www.proxyinformation.com](http://www.proxyinformation.com)

Web site developed by As You Sow to provide detailed information for investors and analysts on selected shareholder proposals and issues.

### **Shareholder Action Network** [www.shareholderaction.org](http://www.shareholderaction.org)

Features shareholder news and resolutions, web resources, pre-written letters to CEOs, action alerts and extensive links section.

### **SocialFunds.com** <http://www.socialfunds.com>

Has a database of shareholder resolutions, and news on SRI activities

### **Social Investment Forum** <http://www.socialinvest.org>

SRI association - reports on industry initiatives, community investing, shareholder advocacy, divestment and screening, trends and performance.

## [Proxy Voting Services](#)

### **Investor Responsibility Research Center (IRRC)**

[www.irrc.org](http://www.irrc.org) helps develop proxy voting policies, and generates reports that provide background and objectively discuss the merits of both sides of each proposal.



Kinder Morgan	Sustainability	Stericycle	Toxics
Kraft Foods	Genetically Engineered Food	TeleTech Holdings	Global Labor Standards
Kroger	Sustainability	Terex	Sustainability
	Animal Welfare	Time Warner	Executive Pay
Lennar	Global Warming	TJX	Global Labor Standards – ILO
Liberty Property Trust	Global Warming		Global Labor Standards – Vendor
Lilly (Eli)	Political Donations		Standards
	Prescription Drugs – reimportation	Torchmark	Board Diversity
	Prescription Drugs – policy	Toys ‘R’ Us	Anti Sexual Bias Policy
	Animal Welfare		Violent Video Sales
Lockheed Martin Corp	Militarization – Global Standards	United Technologies	Militarization
	Militarization – Contract Criteria	Universal Health Services	Anti Sexual Bias Policy
Loews Corp	Political Donations	UST	Tobacco
	Tobacco	Verizon	Political Donations
	Tobacco	Vintage Petroleum	Global Warming
Lowe’s Inc	Sustainability	Wal-Mart	Political Donations
	Tobacco – public smoking		Anti Sexual Bias Policy
	Tobacco – fire safe cigarettes		Violent Video Sales
Mattel	Global Labor Standards		Sustainability
Maytag	Global Labor Standards		Animal Welfare
McDonald’s	Genetically Engineered Food		Equal Employment Opportunities
Medtronic	Political Donations	Waste Management	Political Donations
Merck	Political Donations	Wells Fargo	Executive Pay
	Prescription Drugs		Predatory Lending
	Animal Welfare	Wendy’s International	Animal Welfare
	HIV / AIDS Pandemics		Genetically Engineered Food
Met-Pro	Board Diversity		Sustainability
Microsoft	Political Donations	Werner Enterprises	Board Diversity
NCR Corp	Pro Sexual Bias Policy	Weyerhaeuser	Natural Resource Management
NY Com. Bancorp	Board Diversity	Whole Foods Market	Genetically Engineered Food
Nucor	Anti Sexual Bias Policy	Wyeth	Prescription Drugs
	Global Warming		Political Donations
Office Depot	Sustainability		Animal Welfare
OfficeMax	Political Donations	XTO Energy	Global Warming
PepsiAmericas	Recycling	Yum Brands	Global Labor Standards
PepsiCo	Political Donations		Genetically Engineered Food
	Recycling		Animal Welfare
Pfizer	Prescription Drugs – reimportation		Equal Employment Opportunities
	Prescription Drugs – policy		Sustainability
	Prescription Drugs – price restraints		
	Political Donations		
PG&E	Nuclear Waste		
Plum Creek Timber	Political Donations		
Primus Telecom	Global Labor Standards		
Procter & Gamble	Job Loss		
Raytheon	Militarization		
	Global Labor Standards		
Reynolds American	Tobacco – Internet sales to youth		
	Tobacco – fire safe cigarettes		
	Tobacco – light cigarette risks		
Riggs National	Political Donations		
Rite Aid	Board Diversity		
Ruby Tuesday	Genetically Engineered Food		
Ryland	Global Warming		
Safeway	Sustainability		
	Animal Welfare		
	Board Diversity		
Sara Lee	Job Loss		
SBC Communications	Political Donations		
	Executive Pay		
Schering-Plough	Animal Welfare		
	Political Donations		
Seaboard	Sustainability		
Simon Property	Global Warming		
Smithfield	Sustainability		
Southern	Political Donations		
Sprint	Job Loss		

**We Want to Hear From You:**  
 More and more foundations are aligning their mission and investments, yet few of us know of each other’s activities. Please let us know if your foundation is involved with developing proxy voting policies, filing shareholder proposals, engaged in shareholder-company dialogues, supporting shareholder activism, or otherwise engaged in related activities. As this is our first proxy season preview we would especially like to know what information is most useful to you or what you would like to see in future issues. For questions or comments please contact: Michael Passoff, As You Sow Foundation. [michael@asyousow.org](mailto:michael@asyousow.org), (415) 391-3212.



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