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Gifts and Grants

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By Ian Wilhelm

Most foundations are wasting a valuable tool by failing to align their charitable missions with how they vote on proxy statements -- proposals corporations send to stockholders to make certain business decisions -- said Douglas Bauer, senior vice president of Rockefeller Philanthropy Advisors, in New York.

With grant makers investing billions in the stock market, foundations could use proxy votes to influence how companies run their operations and increase corporations' support for environmental and social causes. "We have \$476-billion sitting on the sidelines," he said, referring to the estimated amount foundations hold in assets.

According to Mr. Bauer, the overwhelming majority of grant makers vote on a proxy according to what a company suggests or simply allow their investment managers to decide. The group encourages foundation board members to establish a policy to guide how financial officers vote on proxies.

The Nathan Cummings Foundation, in New York, which has a proxy policy, has taken the idea a step further by proposing shareholder resolutions, in which a stockholder can request information or changes at a company. While such resolutions are nonbinding, meaning the company does not have to respond to them, they usually influence corporate decisions, said Caroline L. Williams, the organization's chief financial officer.

For example, Cummings proposed a shareholder resolution that would have required Valero Energy Corporation, in San Antonio, to explain its policy on climate change. While only 10 percent of shareholders supported the effort, Ms. Williams said, Valero responded by announcing plans to cut its greenhouse-gas emissions by 5 percent by 2008. (A spokeswoman for Valero said the shareholder resolution did not trigger the decision to reduce emissions, but the resolution did prompt the company to design a Web page that outlines its environmental policies.)

"You can have a huge impact," Ms. Williams said. "We'd love to have more foundations join us in filing resolutions."

While foundations remain unaware of or have dismissed the potential benefits of adopting policies for handling proxy votes, state regulators might force the issue, suggested Mark Pacella, chief deputy attorney general for Pennsylvania. If foundations continue to ignore the charitable value of proxy votes, it may be considered an "oversight in fiduciary duty," he said.

"I do see this as being an issue down the road," Mr. Pacella said. "Regulators are likely to take notice of it."

During the conference, Rockefeller Philanthropy Advisors released a guide for foundations on the issues involved in many pending proxy votes. The guide, "Proxy Season Preview Spring 2005: Helping Foundations Align Mission and Investment," is available free on Rockefeller's Web site at <http://www.rockpa.org> or may be obtained by contacting the organization at (212) 812-4330.