



January 19, 2007

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Dear Ms. Stonesifer:

We have followed with great interest the *Los Angeles Times* series on the Gates Foundation's grant programs and the discussion of the relationship between mission and investments. Your letter to the *Times* published on Sunday stated "it is naive to suggest that an individual stockholder can stop that suffering."

As You Sow Foundation has studied shareholder advocacy and proxy voting by foundations. We believe investment practices have a profound effect on corporate behavior. Perhaps the strongest example of social impact is the divestment campaign by institutional investors in the 1980s which helped end apartheid in South Africa. Nobel Prize winner Nelson Mandela has credited shareholder activism with hastening the demise of apartheid. More recently, shareholder-led efforts have helped preserve old growth forests, reduce the price of HIV/AIDS drugs in developing countries, and improve the lives of supply chain workers who make goods for Americans in overseas factories.

Over the past 30 years, thousands of socially-oriented shareholder resolutions have broken new ground in fostering more progressive corporate policies. These include increased representation of women and minorities on corporate boards and in executive positions, nondiscrimination in employment, improved disclosure of environmental liabilities, and better wages, benefits and factory conditions for workers. Some shareholders work in collaboration, others on their own, but yes, one investor can make a difference.

Part of our mission is to educate the foundation community about how it can better align its mission, programs and investments. We co-published "*Unlocking the Power of the Proxy: How Active Foundation Proxy Voting Can Protect Endowments and Boost Philanthropic Missions*," with Rockefeller Philanthropy Advisors. We demonstrate that foundations have a fiduciary duty to make informed judgments about how they vote proxies. These votes are important because of the direct connection between the mission of many foundations and the social issues they vote on as prominent shareholders. The study also discusses instances where foundation shareholder advocacy has made a difference. I am enclosing a copy of the proxy book and an annual proxy season preview we provide to foundations, focusing on the links between philanthropic mission and upcoming proxy votes.

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Even if a foundation decides not to focus on social issues, there is still a fiduciary duty to take informed positions on corporate governance issues in proxy votes. Institutional investors who challenge underperforming companies help create billions of dollars in added value for investors. For example, the winner of the 2006 Moskowitz Prize for excellence in research on social investing studied the "CALPERS Effect," long standing efforts by the California employees' retirement system to pressure underperforming companies to improve financial return. The study demonstrated that between 1992 and 2005, CALPERS' efforts generated an additional \$3.1 billion in returns for investors.

Paul Brainerd's comments in the *Seattle Times* on Jan. 14 are instructive. He said his first thought was to maximize his portfolio's return but he soon realized his money would be much more effective by "managing both sides of the equation." While initially a complicated process, he was able to align investment policies with his foundation's goals.

As You Sow's decade-long experience in corporate engagement on social issues can help foundations review their assets and develop ways to engage companies held in portfolios to improve corporate policies and practices. Some foundations prefer dramatic, public engagement; others prefer discreet discussions with management.

As one of the world's largest charitable foundations, other charities look to you for leadership on philanthropic best practice. We encourage you to investigate the positive social impact foundations and other investors have had who actively seek to align mission, programs and investments.

We would be glad to provide additional information about instances where shareholder efforts have made a difference in improving corporate social and environmental practices and the lives of millions of people. Please let us know if we can be of assistance in your deliberations.

Sincerely,



Conrad B. MacKerron
Director, Corporate Social Responsibility Program

Enclosures