



April 12, 2010

Foundations can step up as shareholders

By [Todd Cohen](#)

Many foundations continue to miss a great opportunity to put their money where their mission is by failing to be more informed and active shareholders in the companies in which they invest their endowment funds.

As You Sow Foundation estimates that, despite the crisis in the capital markets, the combined value of the endowments of the 75,000 private foundations in the U.S. totals roughly \$550 billion.

Yet most foundations typically delegate responsibility for voting their proxies in stock they own to their investment managers, who often side with recommendations by the company's management.

As a result, As You Sow says, "these foundations, which equal the size of major institutional investors, fail to influence corporate policy, and worse, often support actions in direct opposition to both their own mission and the activities of their grantees."

Michael Passoff, senior program director for the corporate social responsibility program at As You Sow, says the "market upheaval and reduction in funds available for traditional grantmaking" have prompted a growing number of foundations to look at ways to use their endowments to support their missions.

"Most foundations only pay attention to the 5 percent of their endowments that is granted out," he says, "but there is more potential for positive impact in the 95 percent that is invested."

Proxy voting, he says, "is a basic first step in aligning investments and mission."

As You Sow has just released its [Proxy Preview 2010](#), the sixth edition of a free resource for private foundations that is a companion to an earlier publication, [Unlocking the Power of the Proxy](#).

The new edition of the Proxy Preview says executive compensation is the year's biggest shareholder campaign, and that other big social issues include political donations, climate change, sustainability, and non-discrimination involving sexual orientation.

Emerging issues to shareholders, it says, include internet privacy, environmental and public-health impacts from natural-gas drilling and coal-ash waste disposal, and human rights.

Foundations increasingly are pushing nonprofits to be more accountable, to get more involved in policy change, and to use all the tools in their toolbox to build their capacity and advance their mission.

Foundations should practice what they preach.

By taking a more active role as shareholders, foundations can use all their assets, not just the small share they use to make grants, to advance their mission.