

Sustainability Investment News
April 13, 2010

As You Sow Publishes 2010 Proxy Season Preview

by Robert Kropp

The sixth in an annual series of publications, the 2010 Preview highlights the successes of 2009 while identifying the major issues for shareowner advocates this year.

SocialFunds.com -- Since 2005, As You Sow has published an annual preview of the proxy season, in which it lists the shareowner resolutions submitted and describes the issues involved in them. Last week, the organization, whose mission is to ensure that corporations act in accordance with environmental and social standards, published its 2010 Proxy Season Preview.

As with its earlier publications, this year's Proxy Season Preview "will help foundations learn about important upcoming proxy votes and ensure that they vote in an informed manner on these social and environmental issues that are directly relevant to their mission and programs." On the basis of more than \$600 billion in endowments, foundations are significant institutional investors. While they routinely dedicate five percent of their endowments to grants that support their missions, too many tend to follow management recommendations in their proxy voting instead of aligning their proxy voting with those missions.

Even before As You Sow began its annual series of Proxy Previews, the organization issued a guidebook entitled *Unlocking the Power of the Proxy*. Published in 2004, *Unlocking the Power of the Proxy* sought to address the absence of proxy voting policies at most foundations. The presence of such a policy can help foundations in two ways, according to As You Sow. By supporting actions that can help improve corporate management, proxy voting by foundations can enhance share value.

Secondly, a proxy voting policy can strengthen the missions of foundations, by using proxy voting to support social and environmental goals.

While written specifically for foundations, the guidebook and the annual Proxy Previews that have followed are useful resources for institutional investors as well.

The 2010 Preview identifies several major players among activist shareowners that regularly submit resolutions addressing either corporate governance or social issues.

Faith-based investors, represented by the Interfaith Center on Corporate Responsibility (ICCR), have filed more than 100 proposals this year, addressing issues of diversity, environment, global warming, health, human rights, labor, violence, and militarization.

Labor unions, traditionally a source of resolutions on corporate governance, are led this year by the American Federation of State, County and Municipal Employees (AFSCME), which is coordinating a campaign of more than 50 executive compensation "Say on Pay" proposals.

Among pension funds, the New York City Pension Funds, which is a coalition of the New York City Employees' Retirement System (NYCERS), the Teachers' Retirement System for the City of New York, the New York City Police Pension Fund, the New York City Fire Department Pension Fund, and the New York City Board of Education Retirement System, has filed nearly 50 proposals, addressing sexual orientation discrimination, labor rights, political donations, sustainability, climate change, and Internet freedom.

Socially Investors are led in 2010 by Walden Asset Management, which along with AFSCME is coordinating the Say on Pay campaign. Other prominent social investors include Calvert Group, Green Century Capital Management, and Trillium Asset Management.

According to As You Sow, Non-Governmental Organizations (NGOs) "have increasingly employed a strategy of promoting one issue across many companies in an industry." In the wake of the US Supreme Court's controversial Citizens United decision, more than 50 proposals spearheaded by the Center for Political Accountability (CPA), addressing corporate disclosure of political spending, are of particular importance.

Foundations that have aligned their proxy voting policies with their missions include As You Sow, which has filed 14 shareowner proposals this year. The Needmor Fund and the Nathan Cummings Foundation have each filed ten proposals.

As You Sow's 2010 Proxy Season Preview says of the 2009 proxy season, "Sweeping changes in company disclosure requirements and shareholder rights were ushered in." Financial companies receiving funds from the Troubled Asset Relief Program (TARP) were required to include an advisory vote on executive compensation in their proxy ballots.

The Securities and Exchange Commission (SEC) proposed a rule requiring companies to include shareowner nominations for directors on their proxy ballots. The SEC also clarified guidelines for requiring companies to report on risks and opportunities associated with climate change, and moved to end the exclusion of many environmental and social proposals on the grounds of ordinary business.

Accompanying such legislative and regulatory directives has been a marked increase in shareowner votes in favor of social and governance proposals. The average vote for social proposals has more than doubled over the last decade, according to As You Sow, and in 2009 more than one-third of social proposals received more than 20% support. A major victory was scored by As You Sow, whose proposal at IDACORP marked the first time that a proposal addressing greenhouse gas (GHG) reduction goals won a majority vote. Following the vote, IDACORP "then committed to reduce GHG emissions 10-15% by 2013, announced their first wind energy projects, began a solar generation feasibility study, and submitted detailed information to the Carbon Disclosure Project (CDP)," according to As You Sow.

For 2010, executive compensation remains the leading corporate governance issue, with over 80 shareowner resolutions filed. In addition, nearly 300 TARP participants will be required to include resolutions on executive compensation in their proxy ballots, and more than 60 non-TARP companies have agreed to hold advisory votes. Many of the proposals on executive compensation are expected to gain majority support this year.

On the social front, the Citizens United decision is likely to "dramatically increase public and shareholder concern about the tie between corporate political spending and unchecked corporate influence," according to As You Sow. This year, more than 60 resolutions addressing political spending by corporations have been filed.

Almost 100 proposals have been filed requesting that companies report on the risks and opportunities associated with climate change and regulatory actions addressing it. And thus far this year, nearly half of the proposals submitted addressing sexual orientation non-discrimination have been withdrawn after companies agreed to engage in dialogue.

New issues introduced by shareowners this year include requests for disclosure of investment strategies by TARP companies, hydraulic fracturing, coal ash waste disposal, and behavioral tracking of online browsing activities by Internet companies.

As You Sow's 2010 Proxy Season Preview concludes with several recommendations for foundations wishing to align their investments with their missions. The recommendations identify proxy voting as part of an investor's fiduciary responsibility and a starting point for alignment. The next stage is shareowner advocacy in the form of filing shareowner resolutions, followed by screening according to environmental, social, and governance (ESG) considerations and mission-related investing.