

Overcoming Obstacles to Active Ownership

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PRI Small Funds Initiative Webinar
October 20, 2009

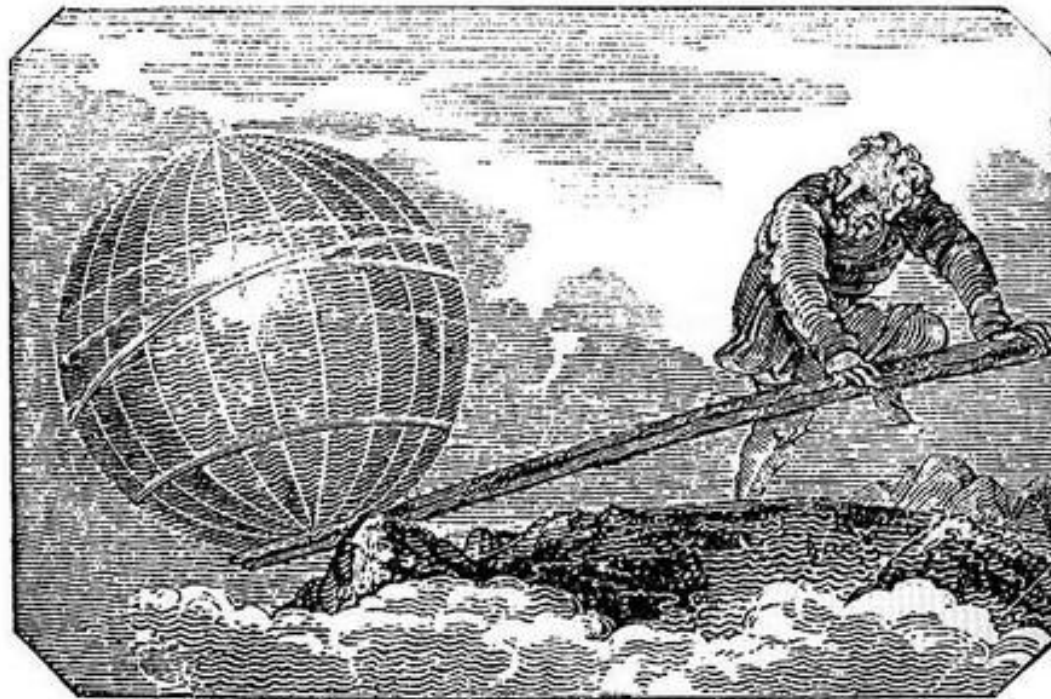


C-SocPhil's Action Agenda

- Conduct innovative capital market research: data aggregation and development, surveys, case studies
- Benchmark endowment and manager activities
- Identify barriers and tear them down
- Develop data-driven strategies to overcome obstacles
- Consult and convene

C-SocPhil: The Archimedes Project

Reclaiming Leverage



C-SocPhil: The Archimedes Project

Six Core Strategies of Fully Leveraged Philanthropy

1. Mission-Related Investment
2. Program-Related Investment
3. Active Ownership Strategies
4. Historical Asset Management
5. Sustainable Operations
6. Responsive Grantmaking

The Active Ownership Agenda

Encourage active shareowner initiatives:

1. Actively vote proxies in support of environmental, social and governance (ESG) issues, based on written guidelines and/or advisory committees
2. Insist that investment managers vote proxies actively according to guidelines
3. File or co-file shareowner resolutions
4. Directly dialogue with companies about issues of concern
5. Engage through investor coalitions
6. Support proxy transparency and shareholder rights

C-SocPhil is tracking shareholder resolutions filed by foundations

✓ PROXYDEMOCRACY

For

Report on Political Contributions

CONOCOPHILLIPS, May 13, 2009

C_SocPhil's remarks on this proposal:

Nathan Cummings Foundation

- ▶ 22 voters agreeing (in advance)
- ▶ 29 voters disagreeing (in advance)

For

Adopt Quantitative GHG Goals for Products and Operations

CONOCOPHILLIPS, May 13, 2009

C_SocPhil's remarks on this proposal:

Co-filed by Brainerd Foundation, Needmor Fund, Tides Foundation, Funding Exchange, Edward W. Hazen Foundation, and the Max and Anna Levinson Foundation

- ▶ 20 voters agreeing (in advance)
- ▶ 31 voters disagreeing (in advance)

For

Advisory Vote to Ratify Named Executive Officers' Compensation

COLGATE-PALMOLIVE CO., May 08, 2009

C_SocPhil's remarks on this proposal:

Sponsored by Needmor Fund, co-sponsored by Tides Foundation, Funding Exchange, and The Max and Anna Levinson Foundation

- ▶ 30 voters agreeing (in advance)
- ▶ 10 voters disagreeing (in advance)

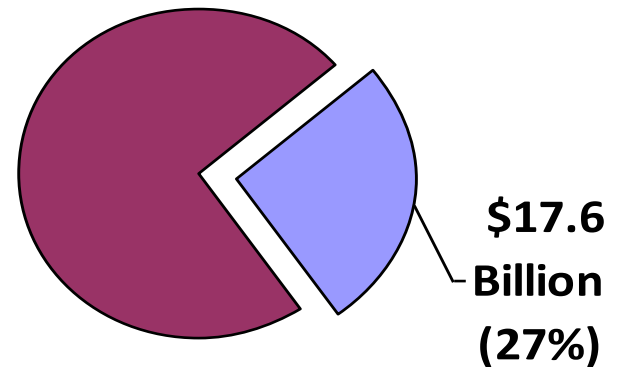
Active Ownership Strategies by Environmental Grantmakers



Environmental Grantmakers Association

- 23 of 43 EGA members surveyed, with \$17.6 Billion, reported using shareholder strategies:
- 17 reported active proxy voting
- 11 have (co-)filed shareowner resolutions
- 15 said they would consider filing
- 18 engage through investor networks

Active Ownership by EGA Members



Fixing Proxy Voting Problems

- Proxy voting can be time-consuming, burdensome, costly
- Proxy advice is costly and proxy advisers have conflicts
- Indirect ownership of corporate shares: foundations often rely on managers to vote their shares.
- Many managers are passive voters on the proxy – much more passive than respected responsible investors.
- Many managers “commingle” client assets in pooled investment funds, making it difficult to apply any one client’s proxy guidelines.
- The result: many worthwhile shareholder resolutions are not winning the support they might otherwise if managers voted in a more responsible way.

Proxy Stewardship Project

- Conduct research on proxy voting by leading commingled fund managers
- Convene endowment clients of leading managers
 - New York, Oct. 15, 2009
 - San Francisco, Oct. 21, 2009
- Develop creative solutions, such as parallel pooled funds with more responsible voting guidelines
- Engage constructively with targeted managers: GMO
- Engage with investment consultants in order to raise the profile of proxy voting among managers
- Develop Proxy Stewardship Principles for managers to follow


Who manages endowment capital?

U.S. institutional, tax-exempt assets managed internally, in millions, as of Dec. 31, 2008.

Rank	Manager	Total assets	Endowment assets	Foundation assets
1	State Street Global	\$60,606	\$33,513	\$27,093
2	BNY Mellon Asset Mgmt.	\$24,076	\$10,497	\$13,579
3	Wellington Mgmt.	\$16,264	\$15,712	\$552
4	PIMCO	\$15,826	\$6,221	\$9,605
5	Grantham, Mayo v. Otterloo	\$14,931	\$8,999	\$5,932
6	Vanguard Group	\$14,032	\$5,720	\$8,312
7	Barclays Global	\$13,275	\$5,390	\$7,885
8	Legg Mason	\$9,215	\$4,085	\$5,130
9	Silchester International	\$8,088	\$3,371	\$4,717
10	Northern Trust Global	\$6,953	\$1,827	\$5,126

SOURCE: Pensions & Investments

Case Study: So how does State Street vote?



YOUR SHARES
YOUR LISTS
HOME
FOR MUTUAL FUND OWNERS
FOR SHAREHOLDERS
DATA
ABOUT
HELP

SEARCH

Mutual funds

e.g. Vanguard

Companies

e.g. Exxon, AAPL

CONFUSED?

Roll your mouse over the question marks (eg) to find out about a particular term.

For more detail, see our help pages:

- » [What does this page tell me?](#)
- » [What is an activism score?](#)
- » [What does the activism](#)

[Home](#) » [Data](#) » [State Street Global Advisors](#)

FUND FAMILY

STATE STREET GLOBAL ADVISORS

FUNDS BELONGING TO THIS FAMILY


» [State Street Equity 500 Index \(19,224 votes\)](#)

Overall activism score

9.4




Percentile

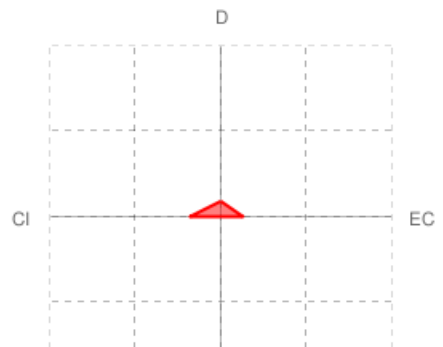
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» [What does this mean?](#)

ACTIVISM PROFILE

Issue area	Activism Score	Activism Percentile	Activism Plot
Directors D	1.8	9	
Executive compensation EC	11.5	14	
Corporate	22.6	0	

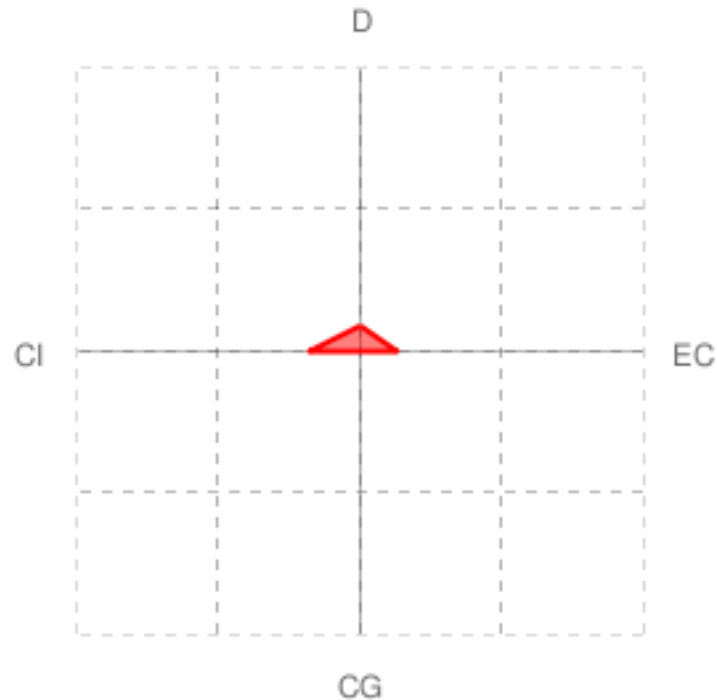


Case Study:

So how does State Street vote?

ProxyDemocracy Voting Profile

	<u>Percentile</u>
Directors	9
Exec. Comp.	14
Corp. Gov.	0
Corp. Impact	18



State Street votes against climate

SEARCH

Mutual funds

e.g. Vanguard

Companies

e.g. Exxon, AAPL

[More search options](#)

PROPOSAL

(15) ADOPT GREENHOUSE GAS EMISSIONS GOALS FOR PRODUCTS AND OPERATIONS

Sponsor: Shareholder

VOTES ON THIS PROPOSAL

► [Expand all fund families](#)

AFSCME Employees Pension Plan	For
CBIS	For
CalPERS	For
Florida SBA	For
Trillium Asset Management	For
► American Century Funds (1 vote)	<i>Against</i>
► Columbia Funds (2 votes)	<i>Abstain</i>
► DFA Funds (1 vote)	<i>For</i>
► Dreyfus Funds (3 votes)	<i>Against</i>
► Evergreen Funds (3 votes)	<i>For</i>
► Federated Funds (3 votes)	<i>Against</i>
► Fidelity Funds (1 vote)	<i>Abstain</i>
► Goldman Sachs Funds (1 vote)	<i>For</i>
► Janus Funds (2 votes)	<i>Abstain</i>
► MFS Funds (2 votes)	<i>Against</i>
► Morgan Stanley Funds (2 votes)	<i>Against</i>

Leverage resources through investor networks



Social Investment Forum



GENOCIDE INTERVENTION NETWORK
Have a Hand in Stopping Genocide®



**Investor Environmental
Health Network**
HEALTHY PEOPLE...HEALTHY BUSINESS



**Principles
for Responsible
Investment**



**Investor Network on
CLIMATE RISK**



Council of Institutional Investors
The Voice of Corporate Governance

ProxyDemocracy: Advance Guidance

Mutual funds

e.g. Vanguard

Companies

e.g. Exxon, AAPL

More search options

MOST VIEWED UPCOMING MEETINGS

1. **TEXAS INDUSTRIES, INC.**, Oct 22, 2009
2. **Applied Industrial Technologies, Inc.**, Oct 20, 2009
3. **CINTAS CORP.**, Oct 20, 2009
4. **CELL THERAPEUTICS, INC.**, Oct 20, 2009
5. **IVANHOE MINES LTD.**, Oct 20, 2009

CINTAS CORP., OCT 20, 2009 ANNUAL MEETING

» [Notify me](#) about upcoming meetings for this company.

PROPOSALS

NUM.	PROPOSAL TEXT	MGMT	CBIS	AFSCME	FLORIDA SBA
1	Elect Director Gerald S. Adolph	For	For	For	For
2	Elect Director Paul R. Carter	For	For	For	For
3	Elect Director Gerald V. Dirvin	For	For	Against	For
4	Elect Director Richard T. Farmer	For	For	Against	For
5	Elect Director Scott D. Farmer	For	For	Against	For
6	Elect Director Joyce Hergenhan	For	For	For	For
7	Elect Director James J. Johnson	For	For	For	For
8	Elect Director Robert J. Kohlhepp	For	For	Against	For
9	Elect Director David C. Phillips	For	For	For	Against
10	Elect Director Ronald W. Tysoe	For	For	Against	Against
11	Ratify Auditors	For	Against	Against	For
12	Adopt Principles for Health Care Reform	Against	For	For	Against

This data reflects the announced voting intentions of institutional investors. These votes may change as the meeting approaches. (See our [disclaimer](#).)



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