CHAPTER NINE

DEVELOPING A MODEL FOR INSTITUTIONAL SHAREHOLDER RESPONSIVENESS:
Corporate Social Responsibility Collaboration

THE ISSUE

Corporations are growing in importance in terms of their impact on the lives of people while, at the same time, other institutions are exerting less influence. In order to harness this force for the social good, and to move toward sustainable social and economic systems, it is crucial to improve the responsiveness of corporations to their various stakeholders.

A wide variety of organizations are now involved in efforts to move corporations in this direction, encouraging them to take responsibility for their impacts in areas such as environmental stewardship and human rights. One such example is the independent auditing of sweatshops. Another is the Global Reporting Initiative, in which corporations are encouraged to make public a report on their social and environmental impact, parallel to the financial reports that have long been taken for granted.

> *"Foundations would appear to be natural allies in the movement for corporate responsibility given their large portfolios of invested endowments, and their social and environmental missions."*
>
> **Neva Goodwin**
> *sponsor*

Corporate Social Responsibility Collaboration
Summary Information

Started:	June 2000
Expected duration:	Maximum five years
$ Distributed:	None to date
Grant Range:	$2,000 and above
# Of Grants:	n/a
Original Sponsors:	Neva Goodwin, Eileen Growald, Anne Bartley, Julie Robbins, Peggy Dulany, Wendy Gordon, Steven Rockefeller
Key Partners:	Rockefeller Family Fund; inviting other philanthropic funds and foundations
Staff:	Farha-Joyce Haboucha, Anne Habberton, consultants Molly Stranahan and Sarah Stranahan
Current Status:	Start-up, fundraising

One effort aims to increase and improve the dialogue between corporations and stakeholders around these issues. A particular aspect of this effort is attempting to gain the attention of directors and management through shareholders' resolutions. Such resolutions can have a significant impact—and not only at the point where shareholders are asked to vote yea or nay on something like a commitment to avoid making or selling genetically modified products. Often the greatest impact occurs when the resolution, after it is first filed, is withdrawn because the corporation has entered into substantive dialogue with the filers and their supporters.

While the movement toward corporate social responsibility has come a long way in recent years, it still faces a number of obstacles. One is the perceived difficulty facing investors who might wish to play a constructive role vis-à-vis the corporations whose stock they hold.

Another problem is that most of the organizations that have successfully engaged corporations in constructive dialogue, such as the Interfaith Center for Corporate Responsibility (ICCR), are poorly funded and find themselves fighting inefficiencies and poor communication just as they have become more successful and their services are in greater demand. Their staffs are typically overworked and their resources stretched. They depend largely on funding from their members, most of them being religious organizations with scarce resources. What they most need is funding for their general operations, but this is particularly hard to find. Lack of resources has sometimes also impeded communication among these activist groups, causing confusion with both the target corporations and the investors who are asked to vote on the resolutions. There is a need to improve the way organizations work together to file more effective resolutions.

CONCEPT DEVELOPMENT

Although the Corporate Social Responsibility Collaboration is projected to have a short life, the Rockefeller family has a long history of addressing these issues. As far back as the 1950s, the family articulated the view that investment decisions have moral and social as well as financial dimensions. Active philanthropists, the family also regularly examined the links between their philanthropic and financial goals. Discussions about opportunities to align investments with philanthropy regularly took place at the meetings of the boards of the family's philanthropies, the Rockefeller Brothers Fund and the Rockefeller Family Fund, as well as through consultations with philanthropic advisors at Rockefeller & Co., an independent investment advisor and financial manager that provides investment, trust, tax, insurance, and philanthropy services to Rockefeller family members and other clients.

In the late 1970s, several of the Rockefeller Cousins began vigorously addressing these non-financial aspects of their investments, spearheading the establishment of the Socially Responsible Investing (SRI) Group at Rockefeller & Co. Since 1977, the SRI Group has invested in socially responsible and "green" companies, created socially responsible mutual funds, voted on proxies, and educated family members about the social impact related to their investments. The SRI Group has regularly shared information with the Philanthropy Department at Rockefeller & Co. For instance, since the early 1990s, the SRI Group has contributed a regular column in the Philanthropy Department's newsletter, *Linkages.*

In late 1990s, several family members became increasingly engaged with the issue, sparked by their increased awareness of the growing power of corporations in our society and the tremendous need for shareholder involvement. Like many investors with social concerns, Rockefeller family members found that while they were able to support existing socially responsible companies with their investments, there was a lack of opportunities for dialogue between companies and shareholders that would enable investors to encourage companies to be more solution oriented and to change corporate practices. There were also limited ways for investors to signal to companies that are doing positive things that they have the support of their owners, the investors.

One of the few existing opportunities for shareholder involvement—proxy voting—further ignited the family's interest. Several family members were allowing the SRI Group to vote their proxies based on a socially responsible approach and guidelines. However, there was not widespread awareness or use of this service among the family. In the late 1990s, several family members came together in the hope to increase use of this valuable service. In announcing that this service was available, they further educated family members about the need for investor involvement. Staff from the SRI Group also did a presentation to the Family Philanthropy Committee about how the family values and mission statement are in alignment with socially responsible investing values. This announcement and presentation further ignited the desire of several family members to become more involved philanthropically with the issue of corporate responsibility.

Rockefeller family members began discussions at meetings of the Family Philanthropy Committee about the growing philanthropic interest in making it easier for targeted investor groups (foundations, wealthy families and individuals) to exercise shareholder responsibility. While the SRI Group could participate in the investment side, the family recognized that there needed to be an increased dialogue between shareholders and corporations. "The point is to re-establish the proprietary and the ownership interest of investors in the companies," said Farha-Joyce Haboucha, staff of the SRI Group and an investment manager for TPC. "If you re-establish that, you can send signals to the company about what the owners want to do. Foundations are one of the set of owners who should be setting that proprietary interest."

However, there were limited venues for such dialogue and little awareness of the structures that do exist. To improve the structure for the dialogue, the family realized this was work that could only be done by the non-profit sector, and thus a philanthropic strategy was discussed and a potential collaboration planned.

Family members and staff consulted with individuals and organizations that are involved in dialogue between corporations and stakeholders. They also met with the staff and board members of other family foundations who had also expressed an interest in shareholder responsibility. Often, foundations have often found it too complex and cumbersome to vote their shares according to their missions, instead leaving their fund managers to do the voting. Unfortunately, most portfolio managers have little knowledge of the social and environmental issues, leaving foundations in the position of funding programs for social change while voting against resolutions consistent with those changes.

In early 2000, several family members decided to launch a collaboration focused on these issues at TPC. "Because of philanthropy, we have had interesting investment ideas," explains Farha-Joyce Haboucha. "But in this case, it was investment that led back to philanthropy." The FPC and the TPC board formally approved the Corporate Social Responsibility Collaboration in June 2000.

PROPOSED GRANTMAKING AND OTHER ACTIVITIES

The Corporate Social Responsibility Collaboration was established in June 2000 with the goal of advancing corporate social responsibility. It has four primary objectives:

1) to speed up and improve the dialogue between corporations and stakeholders,

2) to educate institutional and other shareholders to the importance of being involved in this dialogue,

3) to create replicable models for enabling institutions to become active participants in the process, and

4) to increase awareness both within and outside the Rockefeller family of the importance of this dialogue.

The collaboration, which is just getting underway, plans to pursue its objectives via several strategies. One of the first tasks of the collaboration will be to identify all of the organizations now contributing to the movement for corporate responsibility. A matrix will be created to identify the roles and the needs of each. The collaboration will make strategic grants to those in urgent need of funds to enhance their ability to function in the immediate future. It will identify gaps in the current system and suggest ways of filling them.

FINDING AND WORKING WITH PARTNERS

During its first year of operation the collaboration will partner with the Rockefeller Family Fund to identify the challenges involved in voting their proxies, to develop solutions and to test the model. Out of these activities it will develop models of ways to translate the values of investors into instructions for managers. These models may, for example, include the identification of groups who can work with fund managers, streamlining the process of proxy voting, and making it easier for targeted investor groups—wealthy families and individuals, as well as foundations—to exercise shareholder responsibility. The collaboration is also approaching other family foundations with an interest in these issues to join them in this model.

The collaboration also hopes to leverage Rockefeller support by engaging other funders in this area. The collaboration plans to establish a clearinghouse where funders can share ideas and knowledge. This might take the form of a "virtual" clearinghouse with a database and support from the collaboration's consultant.

The collaboration will also work with high profile organizations, such as the Prince of Wales Business Leaders Forum, to convene a forum that will bring together corporate leaders, pension plan sponsors, and foundations. Staff from the SRI Group will also continue to make presentations at gatherings of funders to discuss socially responsible investing and the work of the collaboration. For instance, SRI staff spoke at the February 2000 Council on Foundation's Family Foundations Conference about the need for increased dialogue between shareholders and companies. The session garnered tremendous interest from trustees and family members who were hungry for information about how to better match their philanthropic and investment missions.

The collaboration is also unique in that it is a collaboration not only among the family members and other funders, but between the nonprofit and for-profit sectors of the economy. "To get solutions, we have to recognize that these social and financial aims are not competing interests," says Farha-Joyce Haboucha. "The only way we can solve our social problems is when we take our different interests and collaborate with each other instead of compete against each other."