ICCR MEMBER PROFILES

The Nathan Cummings Foundation

In each issue of the Corporate Examiner, we profile an ICCR member organization and its work in corporate social responsibility. Below, we spoke with Laura Shaffer Campos.

Why is it important for the philanthropic community to align mission and investments?

Philanthropies typically pay out between five and six percent of their assets each year in furtherance of their mission. The rest, usually around 95 percent of a foundation's assets, sits in the foundation's endowment. In the absence of strategies like active ownership and impact investing that help to align a foundation's mission and its investments, foundations are failing to leverage the bulk of their assets to further their programmatic objectives. The Nathan Cummings Foundation (NCF), for example, has a programmatic focus on climate change and has used its standing as a shareholder to persuade companies to report on their approach to addressing the risks and opportunities associated with a changing climate and even establish voluntary greenhouse gas (GHG) emission reduction goals.

Increasingly, we're finding that our grantee partners are interested in the use of active ownership strategies as a tool to create change. In addition to providing support through grants, we've been able to assist grantee organizations like Restaurant Opportunities Centers United by submitting shareholder proposals and requesting dialogues with companies that are central to our grantees' work.

Laura Shaffer Campos, Director of Shareholder Activities

Active ownership strategies, particularly the submission of shareholder proposals and other forms of direct corporate engagement, can also help to mitigate risks to long-term shareholder value, thereby helping to preserve or even enhance the value of a foundation's holdings over the longer term. This, in turn, can translate into additional dollars to fund grant making.

What led NCF to begin actively exploring responsible investment as a way to achieve its mission?

The Foundation has a long history of interest in responsible investment. In 2001, NCF was funding work relating to corporate agriculture when the Smithfield Foods proxy came up for a vote. It was pretty clear that we could address issues not only as a grant maker, but also as an institutional investor. NCF's Board passed Shareholder Activity Guidelines in 2002 and we filed our first shareholder proposal, at Smithfield Foods, in 2003. The resulting conversations with Smithfield eventually led to vast improvements to the Company's sustainability reporting and a multi-year partnership that was the subject of a National Academies case study.

Which responsible investing strategies has NCF found most successful? (And would you describe NCF's "voice-based" activism?) How do foundations work differently from other SRIs?

While many socially responsible investors employ screens as a key tool, NCF has chosen to use its voice as an owner to advocate changes on issues with implications for both its program interests and long-term shareholder value. While it can feel ethically satisfying, screening is unlikely to actually change corporate behavior. Voice-based strategies like the submission of shareholder proposals and other forms of corporate engagement, however, can and do lead to changes in corporate policies and practices. Even where we are unable to catalyze change, we've found voice-based activism to be particularly effective at drawing attention to issues like corporate political spending or a company's approach to addressing climate change.

What issues are of greatest importance to NCF today and why?

The Nathan Cummings Foundation's shareholder work is driven by its focus on climate change and inequality. Each issue we engage on must have implications not only for long-term shareholder value, but also for our program interests. Of course, we file directly on climate change. But we also seek to

While it can feel ethically satisfying, screening is unlikely to actually change corporate behavior. Voice-based strategies like the submission of shareholder proposals and other forms of corporate engagement, however, can and do lead to changes in corporate policies and practices.

address climate and inequality by engaging companies on issues like corporate political spending and the network neutrality of the wireless networks that represent the primary means of Internet access for economically disadvantaged communities.

Climate change is one of the gravest issues our planet faces. How is NCF working with corporations to help address its social and environmental risks?

The most obvious way in which NCF is working to encourage the companies it owns to address climate change is through the submission of shareholder proposals focusing directly on climate change. For instance, in 2014, we were the lead filer of a proposal asking Marathon Oil to establish quantitative reduction targets for methane emissions stemming from the Company's operations.

We also address climate change through a number of other proposals that, while not as obviously related on the face of it, get at issues with pretty significant implications for the climate. Pushing companies to implement board oversight and disclosure of their political spending and trade association memberships, for instance, can help to ensure that companies that publicly endorse the need to reduce greenhouse gas emissions are not wittingly or unwittingly supporting candidates, organizations or policies that oppose action to reduce GHG emissions or deal with the effects of climate change. Likewise, shareholder proposals calling for proxy access—which we've filed at several companies over the last few years—can help to ensure that investors have the ability to nominate director candidates with the expertise needed to help corporations formulate thoughtful and strategic approaches to the issue.

NCF's engagements frequently focus on traditional corporate governance issues such as executive pay and board declassification. Why are these such important issues?

At the end of the day, most corporate governance issues are really about making the board of directors and management more responsive to their shareholders, whether their concerns focus on the quantum of pay or social and environmental issues like climate change or access to medicines. Board declassification, for example, ensures that investors don't have to wait for years to hold accountable board members who ignore a strong vote on a shareholder proposal. Instead, investors are able to elect the full board on an annual basis and can withhold their votes from any directors who may not have been properly responsive.

In our view, engagements focusing specifically on pay are not just governance issues, but also relate directly to inequality. Chief executives and other named executive officers of publicly traded corporations are among the most highly paid people in the United States. The compensation packages of senior executives play a significant part in the growing income gap in the United States. Eliminating unjustified compensation packages for CEOs was one of the demands elevated by the Occupy Wall Street protests in cities around the US. Addressing sky-high executive compensation and unearned windfalls stemming from practices like accelerated vesting upon a change in control is an important component of tackling the broader issue of income inequality.

How does NCF benefit from working in coalition with other ICCR members?

The ability to work in coalition with other ICCR members is a significant benefit of membership. In our experience, the world of shareholder activism is a uniquely cooperative field, with experienced investors happy to help newcomers to the field, or even just a particular issue, by showing them the ropes. When NCF joined ICCR more than a decade ago, we benefitted greatly from the knowledge and expertise of our fellow ICCR members as we filed our first proposals and worked to get up to speed on issues like sustainability reporting and ethical criteria for the extension of patents. ICCR continues to allow us to expand our impact by leveraging the issue-area expertise of our fellow ICCR members. It also provides a forum for us to speak about the importance of addressing issues like executive compensation. Over the years, we've also benefitted from the unique moral authority some of ICCR's members bring to our work.