

Proxy Voting At Princeton University

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So you have shown some interest in how proxy voting affects Princeton. This document will give you some background on these issues and a greater understanding of how they affect our University. What this movement comes down to is trying to make sure Princeton manages our endowment responsibly and with a social conscience – making sure that we care not just how much money the endowment makes, but the manner in which the money is made. Proxy voting is a powerful way to promote socially responsible goals at the companies in which our endowment is invested. In fact, most of our peer institutions already deal with the ethical implications of proxy voting. This list includes Harvard, Yale, Stanford, Columbia, Brown, Penn, Dartmouth, Duke, Amherst, Williams, and Swarthmore. Yet most people at Princeton have never heard of proxy voting and there is no active way in which our university engages in socially responsible investment (SRI). This state of ignorance and neglect is unacceptable for one of the best and brightest campuses in the country.

SRI is about recognizing the choices we make to invest in certain companies, and the impact those companies have on our world and our future. Corporations play a tremendously important role in our political, social, and environmental future. In today's world, some multi-national corporations have more power than many countries. As part of this, their role in determining our future and our freedom to live in a morally acceptable way (whatever that may entail) is also huge. Businesses influence the kinds and prices of products we buy. Businesses influence legislative processes through lobbying and political contributions. Businesses affect the everyday lives of every societal person on this planet.

Proxy voting is a way for us to work within our capitalist system to direct these highly influential corporations to maximize profit (their primary, overwhelming purpose) in responsible, morally acceptable ways. Investors (such as Princeton University) can and do influence these companies, as owners through proxy voting, on matters of corporate policy that have far-reaching social, political, and environmental consequences.

Description of Proxy Voting

When you own shares of a public company (such as Wal-Mart or Coca-Cola) you are entitled to vote on certain items at the annual meeting. In most cases you are given one vote for every share of stock you own. Many of the things on the ballot at these meetings are corporate governance issues, and we are not concerned with them. Sometimes “social issues” proposals come up for a vote, usually proposed by a shareholder. Shareholders can vote for, against, or abstain from these proposals. Examples of such issues are proposing that a company should adopt a human rights policy for themselves and their suppliers, proposing that a company report on the environmental impact of its operations in a particularly sensitive area, and proposing that a company add sexual orientation to its nondiscrimination policy. The results of this vote are not usually binding on the company, but if the proposal receives significant support, the voting results are influential on the company and become a public relations concern. Many social issues proposals have resulted in a company changing its policies, and sometimes companies even make the proposed changes before the proposal comes to a vote.

Where Princeton Comes In

Our endowment totals approximately ten billion dollars, some of which is invested in public companies in the form of stock. This amounts to a strong shareholder voice that can be used to affect the outcome of all of these proxy voting issues, especially social issues proposals. Currently, we let our investment managers vote our proxies, and their only guiding principle is profit maximization. This policy does not acknowledge the ethical implications of our investments. We should care how we make the money, not just how much. It does not seem right that we support, through proxy voting, the enslavement of children forced to make polo shirts for 18 hours a day, every day. Are we supporting this kind of human rights abuse in our proxy votes? President Tilghman, the board of trustees, even the Princeton Investment Company do not have an answer to this question. They and other members of the University community need to be informed on these kinds of issues by researching them. Then we can make informed, morally acceptable proxy voting decisions.

What follows is a crucial point. In proxy voting, a non-vote or a policy of voting purely to maximize profit is just as much a political statement as an ethically informed vote for or against a proposal. It's like voting in politics: you cannot abstain from voting or vote on a single issue and then care or complain about the results of the election as they affect any other issue. As an institutional policy for Princeton University, the worst thing is not to care at all, especially when it comes to social and environmental issues that affect our world and our future.

By owning shares of public companies, and thus making proxy voting decisions, we are making political statements whether we like it or not. Princeton needs to be a responsible investor and actively research the social issues proposals that we think could come into contact with our community's values. Then we need to make sure our votes are consistent with those values on such issues as human rights and the environment. To this end, we should form a proxy voting advisory committee composed of faculty, administrators, students, and alumni. Many other schools already have such committees, and we have already formed similar ones to deal with other campus issues such as undergraduate student life and the allocation of University resources. This committee would research the social issues proposals that are on the ballots of the companies we own and recommend to the board of trustees (who have ultimate oversight of our endowment) how to vote. The board would thus be forced to confront something that they, like most investors, have traditionally ignored, and while they might not take every recommendation, they do tend to take most in the cases of other schools.

We have a chance to create positive social change within multi-national corporations by virtue of owning their stock. This change does not have to follow a partisan agenda. A proxy voting advisory committee should be representative of the whole University, and would make their recommendations independent of a particular administrator's, student's, or faculty member's personal politics. Such a committee would give students a voice in the way our University influences major, multi-national corporations.

Being on the committee would be a tremendous educational opportunity for students to learn about the social issues that affect and are affected by big business in today's world.

Hopefully this committee would also help to educate the entire University community on these issues as well. The committee could hold an open meeting with the University community in the fall to discuss the issues they anticipate will be coming up in the spring proxy season, at which the committee can hear how the students, faculty, alumni, and staff feel about issues and take that into account in their decisions. Once students realize that they have a chance to harness the power of our gigantic endowment to achieve progressive goals (whatever your definition of progressive happens to be), they will learn more about and get more interested in the issues which proxy voting has the potential to influence. If a particular issue that the committee is dealing with seems to be a timely, important topic, a professor could use it as the basis for a class or lecture, as happened at Princeton in the days of apartheid in South Africa.

As part of being accountable for their decisions and responsive to the University community, the committee should produce a publicly available report, similar to the ones Harvard and Dartmouth now produce, at the end of every year, detailing how they recommended the University vote and the rationale for their decisions. This report should include whether or not the committee's recommendation was taken by the trustees, and how Princeton actually voted the proxies. This is an important component to making sure the committee's decisions are in touch with the University's values and those of the University community, as well as proof to everyone that Princeton takes the ethical implications of its investments seriously.

We need to seize the opportunity that proxy voting presents and be responsible investors through active and ethical voting. If you want to get involved in the campaign to realize this committee on our campus, or you are generally interested in SRI and the opportunity to create change it presents, please email PCAIR (pcair@princeton.edu) and visit our website for more information, including specific examples (www.princeton.edu/~pcair). Being involved does not require any financial expertise. All you need is a concern for the ethical implications of how Princeton makes money with its endowment, or a broader concern for the influence of corporations on people and the future.