

Sister Action

The almighty dollar meets its match in a Dominican nun

A recent nationwide poll found that 72 percent of Americans feel that big business is doing a “bad job keeping the environment clean.” But with environmental regulations being bulldozed by the courts as well

as the Bush administration, what’s to keep corporations from spewing more pollution than ever? One impediment comes with a serious Queens accent and, on occasion, a nun’s habit.

Sister Patricia Daly wants to make good corporate citizens out of behemoths like Exxon Mobil, General Electric, and Ford. She works in the belly of the beast, purchasing stock in companies and then introducing shareholder resolutions that demand corporate reform from within. It doesn’t hurt her cause that she packs a massive portfolio: The Interfaith Center on Corporate Responsibility, which she represents, has 275 faith-based institutional investors with combined holdings worth an estimated \$90 billion.

The move toward “socially responsible investing” in the United States started in the 1960s, as people began to shun companies like Dow Chemical that were profiting from the manufacture of napalm for the Vietnam War. Some investors sold off their “sin stocks,” while others used annual shareholder meetings to submit resolutions that called on these companies to stop what they saw as immoral business practices. The Interfaith Center on Corporate Responsibility was founded during this era.



“Our work is a great example of how powerful every single one of us can be,” says Sister Patricia Daly.

BY MARILYN BERLIN SNELL

One of its domestic efforts was against the textile manufacturer J. P. Stevens, a flagrant labor-rights violator in the South made infamous by the 1979 film *Norma Rae*.

Always concerned with issues of justice and peace, as a teen Sister Patricia felt called to the Order of the Sisters of Saint Dominic. A 13th-century Spanish contemporary of Saint Francis of Assisi, Dominic believed in utter simplicity and “speaking truth to the powerful,” she says. In 1975, Sister

Patricia attended her first-ever shareholder meeting as a representative of her Caldwell, New Jersey, congregation. At the J. P. Stevens meeting, she witnessed the ICCR in action—talking to shareholders, introducing resolutions—and decided to join the group.

Now the executive director of the Tri-State Coalition for Responsible Investing (the largest regional member of the ICCR, representing New York, New Jersey, and Connecticut), Sister Patricia travels the country, holding private discussions with corporate executives, attending shareholder meetings, and introducing resolutions on a variety of labor and environmental issues, such as global warming, genetically modified foods, child labor, and sweatshops.

On the January day I spoke with this 46-year-old spiritual and fiscal force for nature, Sister Patricia was fielding press calls about a slew of recently filed resolutions on global warming.

The ICCR has targeted five U.S. utilities as the biggest emitters of carbon dioxide in their business: American Electric Power of Columbus, Ohio; Southern Company of Atlanta; Cinergy Corporation of Cincinnati; Xcel Energy of Minneapolis; and TXU Corporation of Dallas.

The resolutions aimed at the “filthy five” note, in part, that electricity generation is responsible for 40 percent of manmade carbon dioxide emissions. They end by asking investors to agree, among other things, that “the board of directors report to shareholders on the greenhouse-gas emissions from our company’s operations, including steps the company can take to reduce emissions of greenhouse gases substantially . . . and plans, if any, to support energy-efficient appliance standards and strong energy codes for residential and commercial buildings at the state and federal levels.” Shareholders will vote on the resolutions at annual meetings this spring.

Even if Sister Patricia doesn’t win a majority, she’ll make her mark. Over the years, her efforts have forced corporations to address many environmental and labor concerns. She’s stood her ground against some of the biggest egos in business, executives who have learned the hard way that it’s best not to ignore Sister Patricia’s calls for accountability.

Sierra: What gets the attention of corporations? The moral argument, the environmental argument, or the fact that you represent institutions with \$90 billion in investment assets?

Daly: It’s probably a combination. We have some simple strategies for getting our point across. Very often, people come to us voicing concern about a particular problem. We look into it and then bring the issue to the members of the ICCR and at that point decide whether it’s something we should act on. If so, we make inquiries of the company. Sometimes we ask where they stand on the issue; sometimes we simply ask for information; sometimes we ask to meet with them directly. Then, if warranted, we file a shareholder resolution.

In many cases, however, we meet with the company and if it agrees to make a policy change or to begin the ball rolling to address the problem, we agree to hold off on a resolution, or to withdraw one we’ve proposed.

Sierra: A few months prior to filing global-warming resolutions with the “filthy five” utilities, you also filed resolutions with two of the Big Three: General Motors and Ford. What were you trying to accomplish?

Daly: We asked the companies for three things: to estimate the current annual greenhouse-gas emissions from their plants and products; to draft a plan about how they can significantly reduce such emissions from vehicles by 2012 and then again by 2020; and, finally, to evaluate what new public policies

would enable the company to achieve these results.

Sierra: At the press conference after you submitted those resolutions, you said that “this is not only about what is good for the envi-

ronment, it is about what is good for GM and Ford shareholders.” Do you actually see implementing such strategies as also being good for the bottom line?

Daly: Absolutely. These auto companies are already so far behind in their hybrid [gas/electric vehicle] strategy they’ve lost their edge in the United States. Toyota and Honda have not put the marketing into hybrids I think they could have, but just the fact that they have cars on the road is part of their R&D cost. They’re getting the experience of this technology already, on the road, and Ford and GM are years behind.

Sierra: You first filed shareholder resolutions on global warming at GM and Ford several years ago. Why was there a lull between those and the ones you just filed?

Daly: The first shareholder resolutions were brought in the mid-1990s because neither company had a serious plan for fuel-efficient vehicles and because they were members of the Global Climate Coalition, which insisted that global warming wasn’t real. Among other things, our resolutions asked them to disclose their lobbying strategies and list their memberships in organizations that addressed climate change.

It was Bill Ford who first broke ranks and withdrew his corporation from the GCC. That created an incredible domino effect; it was wonderful to see other auto companies, utilities, and oil companies leave as well. GM was the last one to do so, but because the companies gave us that much, as well as the commitment to work with us on these concerns, we entered into an active dialogue that did not include shareholder resolutions.

Sierra: So what inspired you to reintroduce the shareholder resolutions at GM and Ford?

Daly: Mostly their nonperformance on CAFE [corporate average fuel economy] legislation. We were not happy. But I think our new resolutions give these corporations an opportunity. Ford and GM tell the world that they believe they

“I’m not claiming any more moral authority than anyone would who’s concerned about life on this planet.”

need to move toward more fuel efficiency but they don't believe that CAFE standards are the way to go. So in the resolution we say, essentially, "Tell us the policy initiatives that you think will be successful, profitable, and so on."

Sierra: Support for investor resolutions like the ones you have introduced on global warming have shot up from 3 percent of the companies' shares in 1999 to 18 percent in 2002. . . .

Daly: And that's only the average. We actually got 20.2 percent at Exxon Mobil last year on our global-warming resolution; at General Electric we received 19.2 percent. These are some of the largest companies in the world.

Sierra: What explains this steep rise?

Daly: I believe we convinced some of the large institutional investors that our resolutions on climate change had some very serious financial ramifications. We were making the case that companies that do not respond to these concerns are putting themselves in financial jeopardy.

Sierra: Do you think it also had something to do with people becoming more skeptical about corporations, post-Enron?

Daly: Probably. That's part of the reason for the new rules from the Securities and Exchange Commission (see "Do You Know What Your Mutual Fund Is Up To?", page 19). We were involved in making that case.

Sierra: The Interfaith Center on Corporate Responsibility says that "prophetic witness" is essential for the faithful in modern times. What does "prophetic witness" mean to you, particularly as it relates to your work on environmental issues?

Daly: Let's take genetically modified foods. There are profound concerns with regard to this form of biotechnology. We have no idea how it is going to affect the environment or the humans who consume the genetically modified food. Further, the very basic question about creating new life is one that most of our theologians and ethicists still haven't come up to speed on, because it's happening so quickly. We're saying "Hold it," and invoking the precau-

tionary principle, asking some pretty staid institutions to take a cautionary approach to biotechnology. We already have too many examples of good ideas that turned out to be very bad in practice. There's a prophetic dimension in this. But more, this approach just seems like common sense to me.

Sierra: Do you have to get permission from higher-ups before you take on these various crusades?

Daly: They aren't crusades. They are legitimate requests of corporations.

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We've proven that a company attentive to labor, environmental, and other ethical concerns fares better financially in the long term. The socially responsible investment movement, for example, continues to grow and their portfolios in many cases outperform regular portfolios.

But to your initial question, the Dominicans have been committed to this dimension of our financial ministry for decades and continue to be very supportive. It's true that Genesis talks about humans having dominion over the land, but having dominion implies responsibilities as well. And, I might add, that's really the only part of the Bible that uses this language. Far more important, biblically, is the call to stewardship of all living things and to the protection of the weak and poor.

Sierra: Not everyone is happy about the growing relationship between secular environmental organizations and religious groups. A recent editorial from the conservative Acton Institute for the Study of Religion and Liberty, for example, said there was a danger in the partnership "because the opinions of environmental groups tend to become invested with the teaching and moral authority afforded to the churches." How do you respond to these critics?

Daly: First, we can't ignore the ideological line of groups like the Acton Institute. Who funds them? They won't tell us, but we know that they have a long

history of being funded by corporations. Giving corporations a free ride—having no critique of the problems of capitalism at all—is more a concern to me than the "danger" you mention.

Sierra: But you can't be oblivious to the impact you have as a Dominican sister speaking before groups.

Daly: No, I'm not oblivious. But I'm a rare bird. Most of the ICCR members, including many of the Catholic organizations, are represented by lay people. However, your question brings up a more important point. At times

I become a poster child for the shareholder movement. I'm uncomfortable when people use the nun thing. It gets too cute, actually. I'm not claiming any more moral authority than anybody would who's concerned about life—all forms of life on this planet. As a concerned person, I like to encourage shareholders to vote their proxies and support the resolutions—whether they're being sponsored by faith-based organizations or environmental groups or human-rights groups. These initiatives are sound financial suggestions and calls to accountability.

Sierra: What is the mix between being aggressive and introducing these resolutions and trying to work behind the scenes with management and engage them in conversation?

Daly: I have to tell you that my colleagues and I make a good case—we're pretty astute on these issues—but I don't know that you'd call us aggressive.

Sierra: I read the exchange you had with General Electric's CEO Jack Welch in the 1998 shareholder meeting, after he responded to your concerns about toxics in the Hudson by saying that "PCBs pose no health threat." You seemed pretty aggressive to me.

Daly: Actually, I was quite nice! He was the one who was screaming. I was not.

Sierra: But you essentially called him a liar. You said, "Let's get this absolutely straight. The EPA continues to list PCBs on its suspected carcinogens list. For you to be saying PCBs are perfectly harmless is not true."

Daly: I didn't call him a liar. I said he had incorrect information. Fortunately or

DO YOU KNOW WHAT YOUR MUTUAL FUND IS UP TO?

An estimated 95 million Americans own shares in mutual funds, with a total of \$6.4 trillion invested. Yet unlike direct shareholders, who have used resolutions to change company policies—from Home Depot’s sale of old-growth lumber to the use of polystyrene food containers at McDonald’s—most mutual-fund owners haven’t undertaken that kind of activism. This is largely because powerhouse funds have kept their proxy voting records secret.



Proxy votes are the ballots individual and institutional investors cast each year on everything from board membership to climate change. While “proxy” usually means giving away power, investors who directly own stock in a company *are* able to vote their proxy ballot personally. For mutual-fund investors, however, the proxy votes are cast not by them but by the mutual-fund group.

With the exception of a handful of socially responsible investment funds, until now most mutual-fund groups have been unwilling to disclose their voting records, hiding their practice of siding almost exclusively with the management of the companies they invest in. “Over the last ten years most major mutual funds have consistently voted their proxies against environmental shareholder resolutions,” says Doug Cogan, a deputy director with the Washington, D.C.-based Investor Responsibility Research Center.

But after years of pressure by socially responsible investment

funds, advocacy organizations, and institutional investors, the Securities and Exchange Commission decided in January that all mutual funds must make available their proxy voting records. “This is another way of empowering investors to make sure their investments are being managed for the long term,” says Nicole St. Clair of the Coalition for Environmentally Responsible Economies.

To take advantage of the new openness, investors should review their fund’s proxy voting record—either on the mutual fund’s

Web site or on the SEC’s—and, if necessary, write their funds to express disapproval of voting policies.

Meanwhile, for individual investors with direct ownership of company shares, the general rule is to treat your ballot as an asset, an annual opportunity to support shareholder resolutions calling for improved environmental and social accountability. With most companies, not voting or failing to mark items on the proxy ballot is a vote cast on the side of management. Abstaining—a ballot option different from not voting—usually withdraws the ballot from consideration. —*Brett Wilkison*

► ON THE WEB For a list of sites with more information on shareholder resolutions and environmentally responsible investing, go to www.sierraclub.org/sierra/funds. The Sierra Club Mutual Funds, a family of funds from investment advisor Forward Management that incorporates environmental guidelines from the Sierra Club, were launched in January (www.sierraclubfunds.com).

unfortunately, I got his Irish up when I compared his behavior to the tobacco company executives swearing that they had no idea that nicotine was addictive.

Sierra: Well I guess my question is, when do you introduce these resolutions and publicly question CEOs and when do you decide it would be more constructive to meet privately?

Daly: We typically do both. In addition to dealing with management, however, I also speak with shareholders at these meetings. Very often I have people come up to me and say, “I voted against your resolution but until you raised the issue I had never really thought about it; I’m going to vote with you next year.” I think our work is a great exam-

ple of how powerful every single one of us can be. The very least people can do is either vote in support of the resolutions or contact their investment advisors, especially if they’re involved in a mutual fund, and make sure they’re supporting the resolutions.

Sierra: Do you feel that you and others are having to pick up where the current administration has left off in terms of protecting the environment?

Daly: I’m certainly seeing more environmental organizations asking for help or working in collaboration with us. I think they’ve decided that their public policy agenda is not going to go too far in the next two years.

Sierra: That was a diplomatic answer.

Daly: Well, it’s unfortunate that we are where we are. Every single day we read about something else that this administration has rolled back—decades of work that actually began with Republicans! The Clean Water Act and the Clean Air Act, passed during the Nixon years, make sense. To keep people healthy we need to keep our resources safe and clean. In the long run, what’s being done now can’t be good.

Sierra: Do you believe creation is imperiled?

Daly: Absolutely. It’s why I take these issues so seriously. ■

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