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Student Stockholders

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South Royalton -- The question seemed to catch the aspiring lawyers by surprise -- though not for long.

"I'd be happy," second-year Vermont Law School student David Byer said last week.

"I'd be happy, too," first-year student Liz Vires added.

The question: What if, by banding together to buy stock in major corporations and then filing shareholder resolutions demanding that those companies do more to protect the environment, VLS's recently formed shareholder advocacy committee of students, faculty and administrators ends up cutting down on the kinds of drawn-out, expensive lawsuits on which legal professionals can collect lucrative fees and send their own kids to good colleges and law schools?

"This is more preventative," Byer said of the goals of the new shareholders' group. "Even if you don't get to the point of a vote by shareholders on issues like global warming, this is saying (to other shareholders and to corporations), 'Before you go out and do this, think about the social and environmental bottom line along with the economic bottom line. Avoid the litigation in the first place.'"

The very idea -- and the ideal -- delights professor Linda O. Smiddy, who teaches a class on corporations at VLS.

"They've been very thoughtful and thorough in their approach," Smiddy said last week. "They've been so responsible in finding out what the legal, the practical and the social implications are. I really give the students a great deal of credit for coming up with this. That is one of the hallmarks of this school.

"Our students are wonderful about identifying a problem or a trend, and coming up with a solution."

Setting a Precedent

Once the VLS group starts filing resolutions -- or bargaining with boards of directors to compromise before annual meetings of stockholders -- it may well be setting a precedent among student-based college groups.

"I'm really hopeful that the Vermont Law model will become more of a trend with other schools," said Mark Orlowski, co-founder of the Responsible Endowments Coalition, a national network of students and alumni at 35 colleges and universities. "It's always a challenge convincing companies to look at the environment as a bottom-line issue, especially carbon emissions and climate change. Companies in the resource extraction business or petrochemicals obviously have a very big exposure. They really need to be assessing that risk, and managing that risk.

"VLS could be a tremendous ally in bringing academia into the dialogue."

Vermont state Treasurer Jeb Spaulding would welcome VLS's voice in the chorus of shareholders urging the companies in which they invest to take the environment into account, along with their profits. "We've just been moving into that area the last couple of years," Spaulding said last week. "For public funds, it's relatively new. For an educational institution and student perspective, it's very interesting."

It's interesting as well to Timothy Smith, president of the nonprofit, online Social Investment Forum www.socialinvest.org and senior vice president of Boston-based Walden Asset Management.

"Over the years, there's been a handful of schools that file resolutions, but I don't remember a caucus group at an institution taking this approach," Smith said. "A few cities and a few states are doing it. In Vermont, Jeb Spaulding is quite a leader. What (the VLS law students) are proposing is very supportive of what he is doing.

"It's important not to just have people at the top of a state structure speaking out about these issues, but to show that it's a grass-roots movement."

Enough of a movement to sway executives and stockholders looking for the maximum return on investment?

"There's a very strong business case to be made for being a good environmental steward," Smith said. "It helps a variety of bottom lines."

The trend of shareholders taking stands on social issues -- ranging from the environment to civil rights to gender equity -- goes back at least to the 1950s and

1960s, with religious groups such as the Quakers refusing to invest in companies making weapons of war.

By the 1970s, the Episcopal Church was pressuring large companies in which it held stock to stop doing business in South Africa, where the white-minority government imposed a policy of racial segregation, limiting the movement and opportunities of native black Africans in particular, and of people of color in general.

“When you buy shares, you have a place at the table,” Smith said. “Using your voice and your vote as leverage is a very important tool.”

So a variety of shareholder advocacy groups are discovering.

Through March 11, according to the Social Investment Forum Web site, such groups had filed 348 “social policy” resolutions for the coming proxy-voting season of March 15-May 30 -- nearly as many as were filed in all of 2004. Of that total, 65 concerned environmental issues, and 30 of those focused on global warming and finding renewable sources of energy.

Dartmouth College's permanent Advisory Committee on Investor Responsibility last year recommended to the office of investments how the college should vote on 77 different proxy resolutions, raising “important social issues” ranging from the environment and animal welfare to labor standards around the world.

“ACIR is not an institutional ‘afterthought,’ ” the committee, which was formed in November 2002, concluded in its annual report. “ACIR's most important purpose is educational: informing members of the Dartmouth community of the responsibilities the college bears as a result of its endowment and other holdings.”

A Bigger Role

Around the same time that Dartmouth was starting to look more closely at its investments, VLS' Student Bar Association decided it wanted more than an advisory role.

In 2002 and 2003, Byer recalled, association leaders asked the law school's administration for permission to file and vote for shareholder resolutions on environmental issues with companies in which VLS owned stock. After all, they argued, VLS annually ranks in the top two in the nation among schools with programs in environmental law.

While sympathetic to the cause, administrators told the students that all endowment money goes into a common fund, preventing the school from letting the students act on the school's behalf.

But those students -- and, after they graduated, their successors on the student bar association -- continued to research their options, with help from the VLS faculty and administration. And this spring, the association voted unanimously to form the shareholder advocacy group and start raising money.

So far, members have been asking fellow students for help -- "we've done everything from bake sales to penny drives," Byer said -- from organizations such as the Calvert Group and the Socially Responsible Investing group.

"If a couple of them donated \$500 or so," Byer said, "that would make a big difference."

It would make a difference, in part, because the law school's dean and president, Jeff Shields, is offering to match with VLS funds every dollar the student body raises up to \$5,000.

"It is impressive that our students are taking their own money to build a fund that engages in shareholder democracy and shareholder advocacy issues," Shields is quoted as saying in a recent news release about the advocacy committee. "This bodes well for the foundation of our capitalist society, a fully engaged shareholder class coupled with transparency of corporate reporting."

While the student fund-raisers shop for that magic \$5,000, Vires and fellow committee chairman Jemahl Hudson will spend this summer looking at companies in which the VLS endowment invests. From those companies, they will identify four in which to invest at least \$2,500 each. Under the rules of the federal Securities and Exchange Commission, owners of stock must hold those shares for a year before gaining authority to file resolutions and vote. After that first year, the VLS students will file two shareholder resolutions. And depending on how that goes, they'll file two more the following year.

"The biggest trend (in environment-related resolutions) right now is global warming, getting corporations to reduce carbon dioxide emissions, things like that," Byer said. "That will be up to what the students' preferences are."

And once the time comes to file resolutions and vote those preferences, Vires hopes to be up to speed. "None of this was on my radar screen before I came here, so this is a pretty educational experience for me," the Minnesota-born Vires said. "I have a huge crash course to go through on socially responsible investing."

To go through, and then to teach.

“The time is ripe for shareholders to have increased awareness and use of the legal tools available to make their views known to the companies in which they have invested,” Smiddy wrote in an e-mail to Byer last week. “In addition, businesses are increasingly cognizant of public demands that companies act as responsible citizens. When corporate executives hear the word ‘green,’ they no longer just think of the golf course.

“This project will not only serve the public good, it will also provide participating students with the opportunity to apply what they have been learning in the classroom.”