A Different Kind of Climate Change

By Alyce Lomax | June 22, 2011

Historically, environmental and social shareholder proposals have failed to resonate with most investors. According to Proxy Monitor's data from 2008 to 2010, the most likely resolutions to gain shareholder approval have related to relatively straightforward corporate governance resolutions. But now, that status quo may be changing, as more shareholders realize that neglecting crucial concerns can ultimately penalize their portfolios.

Investors get empathetic
Institutional Shareholder Services recently reported that this spring, environmental and social shareholder proposals enjoyed 20.5% average approval, hopping over the 20% mark for the first time ever. A decade ago, the average support for such proposals was a mere 8.7%.

Times are clearly changing. Here are four such proposals that actually received *majority* support from investors this past spring:

- A request to address sexual orientation in nondiscrimination policy racked up an impressive 61.7% approval from **KBR** (NYSE: KBR) investors.
- A request for a mining safety report received 54.3% approval at **Tesoro** (NYSE: TSO).
- 53.3% of **Sprint-Nextel** (NYSE: S) shareholders approved a request for a report on political contributions.
- A request for a report on coal combustion waste at **Ameren** (NYSE: AEE) gained 52.7% support.

Several specific environmental issues received far greater attention and investor support this year, too. You've probably heard about controversy surrounding the use of hydraulic fracturing (popularly known as fracking) for natural gas extraction. This practice involves shooting millions of gallons of chemical-laden water into rocks to get to natural gas deposits. Environmentalists charge that this practice endangers surrounding communities by contaminating drinking water.

Shareholders at **Energen**, **Chevron** (NYSE: CVX) , **ExxonMobil** (NYSE: XOM) , **Ultra Petroleum** (NYSE: UPL) , and **Carrizo Oil & Gas** all voted on proposals requesting disclosure on fracking's implications this year, registering an average of 40.7% support. Furthermore, 49.5% of Energen shareholders approved such a disclosure, very nearly clocking another win for an environmental proposal.

If corporations and their shareholders keep turning a blind eye to environmental and social issues like these, they may face financial pain down the road. Unsolved problems can result in expensive lawsuits, money-draining customer defections or boycotts, and overzealous regulation that aims to help, but ends up pinching profits.

In the accident-plagued coal industry, major activist shareholder As You Sow's recent paper catalogued three primary financial risks associated with bad corporate behavior, all of which drag on coal miners' bottom lines. As the group noted in its report, unprecedented regulatory scrutiny and uncertainty, commodity risk, and increasing construction costs all make reliance on coal-fired electricity generation increasingly untenable, imperiling shareholders' long-term returns.

A favorable climate for shareholders
Regardless of where you stand on issues like these, *your vote matters* more now than it ever has before.

Shareholders like you and I represent a key part of the corporate governance process. Keeping abreast of the issues that face the companies in our portfolios can save our investment returns, and give us a voice on some of today's biggest issues.

This key year for shareholders is only halfway done. Use your vote to share your opinion on issues that affect the businesses you've chosen to invest your hard-earned money in. Your future profits hang in the balance.

SOURCE: http://www.fool.com/investing/general/2011/06/22/a-different-kind-of-climate-change.aspx