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Investor Coalition Successfully Urges Natural Gas Companies to Address Impacts of Hydraulic Fracturing Operations

Under pressure from a coalition of investors for the fifth year in a row, major oil and gas companies including ExxonMobil, EQT, and Occidental Petroleum agreed to report on steps being taken to mitigate the adverse environmental and community impacts of their hydraulic fracturing operations.

The coalition of investors, which includes socially responsible investors and major public pension funds, filed shareholder proposals at Chevron, ExxonMobil, EQT, EOG, Pioneer Natural Resources, and Occidental Petroleum earlier this year, raising concerns about the risks associated with the impacts of company hydraulic fracturing operations. In response to corporate commitments, shareholders withdrew the proposals at ExxonMobil, EQT, Occidental Petroleum, and Pioneer Natural. Nearly a third of shareholders voted in favor of the proposals presented at EOG and Chevron's annual meetings of shareholders.

"Mismanagement of hydraulic fracturing operations has earned the industry a reputation as a bad neighbor, putting its social license to operate and shareholder value at risk," noted Lucia von Reusner, shareholder advocate at Green Century Capital Management, which filed shareholder proposals at EOG and EQT. "Investors are increasingly seeking transparent evidence and rigorous reporting demonstrating that companies engaged in hydraulic fracturing are responsibly managing the impacts of their operations," added von Reusner.

Earlier this year, investors also issued a scorecard report, *Disclosing the Facts: Transparency and Risk in Hydraulic Fracturing Operations*, benchmarking companies engaged in hydraulic fracturing practices against investor needs for disclosure. The scorecard was intended to inform investors and drive progress across the oil and gas industry to improve disclosure. Companies that received shareholder proposals this year were among those receiving the lowest scores, with no company disclosing information on even half of the 32 indicators assessed.

"The results of this scorecard unfortunately demonstrated that companies engaged in hydraulic fracturing are failing to rigorously address public and investor concerns around the impacts of hydraulic fracturing operations," noted Richard Liroff, Executive Director at the Investor Environmental Health Network (IEHN). "Absent disclosure, investors and the public have no assurance that companies are managing their impacts and are unable to distinguish corporate leaders in adopting best management practices from laggards."

"The long-term value of our investments in energy companies depends on their transparency regarding the steps they've taken to manage the environmental and other risks inherent to the industry," said New York State Comptroller Thomas P. DiNapoli. "We want to ensure that the returns enjoyed by energy companies and investors are sustainable."

ExxonMobil, which received a shareholder proposal filed by the New York City Pension Funds and As You

Sow, and co-filed by 12 investor groups, agreed to begin reporting on how it assesses and manages risk across 26 of the categories called for in *Disclosing the Facts*. This represented the first year that Exxon agreed to disclose the impacts of its hydraulic fracturing operations, after receiving a shareholder proposal every year since 2010 on the issue.

“Exxon has finally agreed to provide shareholders with information about its on-the-ground actions – from air pollution to spill prevention to reducing truck traffic, among others,” said Danielle Fugere, President of As You Sow. “Vague assurances about protective measures are no longer sufficient; shareholders are demanding to know exactly what measures companies are adopting to protect health and the environment and, more importantly, whether those measures are demonstrably effective in preventing harm. Given the high stakes, we have moved from an era of ‘trust’, to ‘verify’.”

In response to a shareholder proposal filed by Green Century Capital Management, EQT agreed to start measuring and disclosing methane leakage, which previously went unreported by the company. The company also agreed to report on progress being made to minimize risks to ground and surface water through increased recycling and proper storage of waste water.

Occidental Petroleum Corporation received a shareholder proposal for the first time this year, filed by As You Sow. The proposal was withdrawn after the company agreed to start reporting on its water consumption for each shale play that it was operating in, including the amount that came from fresh water sources. The company also agreed to report annually on its water recycling, waste management, and toxic chemical reduction efforts.

After receiving a shareholder proposal filed by Calvert Investments for the second year in a row, Pioneer Natural Resources reported that it had added Environmental, Social, and Governance (ESG) oversight to its board charter, and increased its disclosures addressing water sourcing and recycling as well as air emissions management.

The shareholder proposals filed at Chevron and EOG Resources, filed by the Sisters of Saint Francis of Philadelphia and the New York State Office of the Comptroller respectively, both received support from 28 percent of shareholders. Shareholders urged Chevron and EOG to more clearly demonstrate effective risk management practices by disclosing quantitative metrics relating to water consumption, air emissions, and waste management practices and community engagement.

“Unfortunately, despite years of pressure from investors and community members, Chevron continues to lag its peers in demonstrating measurable reductions of its impacts on the environment and local communities,” reported Nora Nash, director of Corporate Social Responsibility at the Sisters of St. Francis of Philadelphia. “As Chevron drags its feet, vulnerable communities across the country continue to bear the health and environmental impacts of hydraulic fracturing, with little evidence that one of the world’s largest energy companies is taking steps to manage its footprint.”

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As You Sow is a nonprofit organization that promotes environmental and social corporate responsibility through shareholder advocacy, coalition building, and innovative legal strategies. For more information visit www.asyousow.org.

Calvert Investments is the leading investment management company using sustainability as a platform to create value. Serving financial advisors and their clients, retirement plans and insurance carriers, and institutional investors, the company offers a broad array of equity, bond, cash and asset allocation strategies, many of which feature integrated environmental, social, and governance (ESG) research and corporate engagement. Strategies are available through mutual funds, subadvisory services, and separate account management. Founded in 1976 and headquartered in Bethesda, Maryland, Calvert Investments had more than $12 billion in assets under management as of July 15, 2013. For more information visit www.calvert.com.

Green Century Capital Management is a financial advisory firm that manages a family of environmentally responsible mutual funds. Founded in 1991 by a network of non-profit organizations, the state Public Interest Research Groups (PIRGs), Green Century leads an effective shareholder advocacy program to convince companies to establish and implement environmental policies that protect our land, water and air. For more information visit www.greencentury.com.

The **Investor Environmental Health Network (IEHN)** is a collaborative partnership of investment managers and advisors concerned about the impact of corporate practices on environmental health. For more information visit www.iehn.org.

New York City Comptroller Scott Stinger serves as the investment advisor to, custodian, and trustee of the New York City Pension Funds. The New York City Pension Funds are composed of the New York City Employees' Retirement System, Teachers' Retirement System, New York City Police Pension Fund, New York City Fire Department Pension Fund, and the Board of Education Retirement System. For more information visit www.osc.state.ny.us.

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