Corporate Secretary

Proxy Preview Sees Climate-Related Resolutions Expanding

By David Bogoslaw | March 12, 2013

Climate-change proposals seek company targets for energy efficiency, while electronics retailers are getting pressure to take responsibility for recycling packaging

There has been an intensified effort by investors to push for changes in corporate policy on climate change in the wake of widespread droughts across the Midwest and the devastation of Superstorm Sandy, the results of the As You Sow Proxy Preview 2013 Report released last week show.

The report, produced in collaboration with the Sustainable Investments Institute, a nonprofit research organization, and Proxy Impact, a progressive proxy voting service, provides a rundown of the 365 shareholder proposals on environmental and social issues filed as of mid-February, versus 345 at the same time last year.

Most of the 41 climate-change resolutions filed this year focus on disclosure, with the biggest portion geared toward getting companies to report on and set targets for energy efficiency. Shareholders have filed 17 resolutions that seek more disclosure from coal, shale gas and nuclear power producers on how they deal with environmental and community risks, while seven additional proposals ask electronics retailers, food retailers and big box stores to take more responsibility for recycling packaging and how their products are disposed of after use.

There are signs of progress on environmental disclosures, according to As You Sow. Just three years ago, the SEC rejected a resolution that would have asked banks to report on how they account for greenhouse gas emissions in their lending, investing and financing activities, regarding this as ordinary business. This year, the SEC approved such a resolution at two major financial services firms, JP Morgan Chase and PNC Financial Group.

JP Morgan Chase successfully challenged a 2010 proposal on reporting about financing mountain-top coal removal, but this year the bank has yet to submit a challenge to the SEC on the grounds of ordinary business. As You Sow sees potential opportunities for further resolutions concerning climate change risk assessments throughout the financial industry based on the SEC's apparent reversal on PNC's ability to use the 'ordinary business' rationale in its challenge.

For the first time shareholder proposals have been filed with three natural gas producers (Spectra Energy, Range Resources and OneOK) about the risks of fugitive methane gas. Informing these proposals is a joint study by the Environmental Defense Fund and Princeton, showing that methane leaks across the value chain from the well bore to the home exceeding 3.2 percent of gas transmissions negate the short-term climatic benefits of using natural gas in place of less clean fuels. Leakages, which some academic studies report to be as high as 9 percent, mean less gas available for sale and lower revenues for producers. Trillium Asset Management, which filed the proposals, calls the fugitive methane issue 'a textbook example of the materiality of environmental issues,' citing overlap between the environmental impacts of methane emissions and related financial impacts for these companies.

Environmental resolutions continue to be overshadowed this year by the sheer volume of proposals related to corporate political spending, the report said. There has been more than a doubling in the number of resolutions that either have been filed or are pending that request annual reports by companies on the policies of, payments to and membership in lobbying groups that write model legislation, and how management and the boards monitor these payments. Shareholder votes showing strong support for such proposals at Visa and Accenture in January 'suggest investors have not lost their appetite for learning how their companies spend money to influence lawmakers,' the report said.

The report also cites expanding shareholder interest in sustainability reporting, with a particular focus on board commitment to sustainability practices and requests that companies require sustainability reporting from their suppliers. Proposals on companies' labor practices, use of genetically modified organisms or animal testing, and sourcing of materials from countries with questionable human rights practices round out the offerings for 2013 proxy season.