

As You Sow Publishes Proxy Preview

Robert Kropp | March 9, 2013

Political spending resolutions account for one-third of those filed this year's, while two first-time resolutions request that companies in the fossil fuel industries report on the financial impact of stranded assets.

SocialFunds.com -- The 2013 Proxy Resolutions and Voting Guide published last month by the Interfaith Center on Corporate Responsibility (ICCR) highlighted the evolution of corporate dialogue as an engagement strategy, as for the second year in a row ICCR reported more dialogues by its members than shareowner resolutions filed.

But that the latter strategy remains central to the engagement strategies of sustainable investors is evident in the recently published Proxy Preview 2013 by [As You Sow](#). "Investors have filed a total of 365 shareholder resolutions on environmental and social issues," the report states, "which is more than they had at this point in 2012 when the tally stood at only 345."

Furthermore, as Heidi Welsh, Executive Director of the Sustainable Investments Institute (Si2), pointed out in a webinar held to announce the publication of the Preview, the increased number of resolutions continues a trend that has been occurring for a decade. The current Proxy Preview is the ninth edition of the series published by [As You Sow](#), and this year's webinar can be accessed on the Proxy Preview website.

"The volume and support for the proposals have doubled in the last decade or so," Welsh said. "Average support for proposals has remained at historic levels as many big investors, including many mutual funds, are starting to cast their shares in favor of disclosure and action in response to these resolutions."

Welsh also noted that she expected about 200 of the resolutions to go to votes at companies' annual general meetings this year.

Given that more than half of this year's resolutions address political spending and environmental issues, it may be instructive to recall a remark made by Lisa Woll, CEO of US SIF: The Forum for Sustainable and Responsible Investment, at the 2011 SRI in the Rockies conference.

"Public policy is a critical tool for making macro-level systemic change," Woll said. "We could spend the next 40 years getting companies to have better carbon footprints and doing less damage to the climate, or we could get a bill that addresses it." As global emissions continue to set annual records, we still do not have that bill to address climate change. And the Securities and Exchange Commission (SEC) has yet to establish regulations governing political spending and lobbying activities, despite having received hundreds of thousands of comment letters supporting a petition requesting that it do so.

At the webinar, Tim Smith, the Director of Environmental, Social and Governance (ESG) Shareowner Engagement at Walden Asset Management, observed that the US Chamber of Commerce, which raised over \$35 million for last year's election, has been especially vigorous in pushing back against disclosure.

"The US Chamber of Commerce believes strongly that political spending should be secret," Smith said. "They don't want it disclosed by companies individually and they don't want it disclosed if it is made through them."

Resolutions addressing political spending and lobbying account for one-third of those included in **As You Sow's** Proxy Preview, a somewhat unsurprising development given the historic amount of money that poured into last year's Presidential election. The relatively recent focus on lobbying expenditures grew out of the efforts of a coalition organized by Walden and the AFSCME Employees Pension Plan.

"Nine times more money is spent on lobbying than on political spending by companies," Smith said at the webinar.

Forty-one resolutions filed this year focus specifically on climate change, with two initiatives widening the scope of responsibility to include bank lending and stranded assets.

Last month, the SEC denied the efforts of PNC Financial Services to have a resolution filed by Boston Common Asset Management omitted from its proxy ballot. The decision by the SEC reverses its previous position on the issue.

The resolution filed by Boston Common requests that PNC report to shareowners on the greenhouse gas (GHG) emissions resulting from its lending portfolio and its exposure to climate change risk in its lending, investing, and financing activities. A similar proposal will be voted on by shareowners at the annual meeting of JP Morgan Chase.

First-time shareowner resolutions addressing stranded fossil fuel assets—which are the fossil fuel reserves that will have to stay in the ground if global temperature increases are to be limited to two degree Celsius—were filed with Alpha Natural Resources and CONSOL Energy, requesting that the coal companies report on the financial impacts of climate change regulations limiting global warming to the target of two degree Celsius.

That companies in the fossil fuel industries can no longer project future earnings based on booked reserves forms the basis of the growing divestment movement on college campuses, where students are pressuring their colleges and universities to divest their holdings in fossil fuel companies.

At the webinar, Michael Passoff, CEO of Proxy Impact, said, "The world's scientists have said that we have to limit global warming to less than two degrees Celsius. This position was adopted by more than 100 countries in 2010. Eighty percent of the world's fossil fuel reserves can't be used and become stranded assets. Just like the housing bubble, there will have to be a market correction for the carbon bubble."

For the first time, **As You Sow's** Proxy Preview includes input from corporations themselves. Ken Bertsch of the Society of Corporate Secretaries and Governance Professionals advised corporations that "there is merit in hearing out the proponents and seeking to benefit from their outside view." He also recommended that shareowners contact corporations before submitting resolutions.

"A shareholder proposal can elicit a defensive reaction," Bertsch wrote. "It usually is perceived as somewhat confrontational."

Many of the social issues addressed in shareowner resolutions filed this year build on the Guiding Principles on Business and Human Rights, authored by Professor John Ruggie and endorsed by the UN Human Rights Council in 2011.

"It was clear that an overarching binding international legal instrument was not feasible, nor was voluntary initiatives and identification of best practices alone sufficient to move markets," Ruggie wrote in the Proxy Preview. "States have a duty to protect human rights abuses by third parties, businesses must better manage the risk of involvement in abuses, and individuals and groups should gain greater access to effective judicial and non-judicial remedies."

Ruggie noted that improvements have been made, with more companies developing human rights policies, procedures, and mechanisms. Human rights resolutions account for only eight percent of those filed this year, but many of them request that companies look to the Guiding Principles as a template for their interactions with individuals and the communities in which they operate.