

Record Breaking Number of Shareowner Resolutions in 2015

Robert Kropp | Mar. 21, 2015

The eleventh edition of **As You Sow**'s Proxy Preview identifies 433 shareowner resolutions filed this year, with corporate political activity and the environment accounting for slightly more than half of them.

SocialFunds.com -- It's not just sustainable investors who should give thanks to **As You Sow** and the Interfaith Center on Corporate Responsibility (ICCR) for the effort they put into their annual proxy previews, which are available for download at no charge on the organizations' websites. Anyone with a commitment to environmental and social justice, especially as viewed through the prism of corporate social responsibility, gains essential insights by reading the two annual publications from such experienced practitioners of corporate engagement.

I wrote about ICCR's publication of its 2015 Proxy Resolutions and Voting Guide in February; a link to my article can be found below. **As You Sow**'s Proxy Preview 2015 was published this month. The report's authors are Heidi Welsh of the Sustainable Investments Institute (Si2) and Michael Passoff of Proxy Impact.

That a record setting 433 shareowner resolutions had been filed by February 17th of this year can be viewed as indicating a more robust campaign of shareowner engagement, an increased awareness that environmental, social, and corporate governance (ESG) issues are material in a financial sense. Likewise, the increase can be seen as an acknowledgment among investors that corporations are failing to address the several global crises that threaten the fabric of society as we have experienced it thus far. (Even ICCR, whose members place a premium on dialogue, increased the number of shareowner resolutions filed this year, from 193 in 2014 to 227.)

"This is a systemic critique, pointing out how the board must accept responsibility for excessive political spending, inadequate energy policy, our changing climate, toxic hazards, and human rights abuses," Andrew Behar, CEO of **As You Sow**, said.

As You Sow reports that slightly more than half the resolutions filed thus far address environmental issues and corporate political activity. "Most of the climate resolutions ask companies to reduce greenhouse gas emissions or to re-port on the risks from climate change on business operations," Passoff of Proxy Impact said. "Investors in fossil fuel companies are especially concerned about how their businesses can succeed in a low-carbon economy. There is growing alarm about the inevitability of stranded carbon assets and the potential of a carbon bubble."

The resolutions addressing political activity call for improved transparency in political spending and lobbying, as well as "disclosure of money companies contribute to intermediary groups responsible for the spiraling sums of money spent on US elections." The more than 50 resolutions addressing lobbying expenditures, John Keenan of AFSCME Capital Strategies wrote in the report, allow investors to ensure that "lobbying is consistent with a company's expressed goals and being done in the best interests of the company and shareholders."

"In 2014, the Chamber of Commerce spent \$124 million to lobby, and it has spent over \$1 billion on lobbying since 1998," Keenan wrote. "Investors are asking companies to disclose all of their payments to trade associations that these groups use to lobby."

"A broad coalition of investors wants companies to tell stockholders and the public more about so-called 'dark money' spent both in campaigns and on lobbying by groups that use corporate money and don't say where it comes from," Welsh of Si2 said.

Human rights resolutions—on which ICCR members have been particularly active—include calling for human rights risk assessments based on Professor John Ruggie's Guiding Principles on Business and Human Rights, which was endorsed by the UN Human Rights Council in 2011. Also, for the first time, resolutions filed with three corporations request that they honor the Holy Land Principles, a corporate code of conduct for US companies doing business in Israel/Palestine, The West Bank, The Gaza Strip and East Jerusalem.

“The Holy Land Principles do not call for quotas, reverse discrimination, divestment, disinvestment or boycotts,” Fr. Sean McManus wrote. “They only call on American companies in the Holy Land to proudly declare and implement their American values.”

For researchers, one of the great pleasures of ICCR's annual proxy report is its inclusion of the full text of every shareowner resolution filed by its members. In **As You Sow**'s report, insight can be enhanced by commentaries written by experts.

One such commentary, written by shareowner advocate Nell Minow, reveals possible Securities and Exchange Commission (SEC) violations by one of its sitting Commissioners, Daniel Gallagher. Referring to a draft article co-authored by Gallagher which suggests that proposals drafted by Harvard Law School's Shareholder Rights Project may constitute a violation of SEC rules, Minow quotes Columbia law professor Robert Jackson, who wrote, “It is wildly inappropriate for a sitting SEC commissioner to issue a law review paper accusing a private party of violating federal securities law without any investigation or due process of any kind. This is a striking, and as far as I know unprecedented, departure from longstanding SEC practice.”

Another commentary, written by associates of the Impact of Equity Engagement (IE2), tells of that initiative's efforts to “understand the nature of impact within public equities—where investors' engagement activities have generated meaningful social and environmental impacts.”

“Because most efforts to document the impact of engagement have been anecdotal rather than analytical, a major objective of this initiative is to develop new, standardized ways to track and report engagement activities, their outcomes and impacts,” Christi Electris and Becky Johnson wrote.