Adjectives for shareholder advocates? How about strategic, impactful

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This is a response from As You Sow CEO Andrew Behar to a Jan. 4 article in GreenBiz.com by Bob Langert titled "Shareholder proposals: From smart and strategic to simplistic and senseless."

I thank Bob Langert for adding to the discussion of shareholder advocacy in his recent GreenBiz article on shareholder proposals.

Shareholder advocacy is a complex and nuanced undertaking, and Langert has provided a window into how a former vice president of sustainability at a major corporation, McDonald's, views this important interaction between companies and their shareowners.

Unfortunately, Langert's comments suggest a lack of understanding of some fundamental concepts and underlying strategies of how progress and change happens. I hope my comments here will serve to broaden and add nuance to our collective understanding of this dynamic process.

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I'll start by setting the record straight on the statistics Langert cites. He claims that As You Sow filed eight shareholder resolutions in 2015, none breaking 4 percent support and none resulting in a withdrawal. In fact, we filed or co-filed 35 resolutions in 2015, with average votes exceeding 25 percent, a strong outcome for environmentally focused shareholder resolutions.

For those resolutions where As You Sow was the lead filer, shares voted in support were valued at over $183 billion. We successfully negotiated withdrawals at Costco, Dunkin' Brands Group and General Mills; As You Sow has a strong record of coming to agreements with companies that lead to withdrawal of shareholder resolutions. This information is readily available on our website.

Langert drew his information from the CERES data base, which is not intended to be a comprehensive list of ESG proposals but as a listing of resolutions relating to climate and some sustainability issues. A comprehensive list of ESG filings is available annually from the Interfaith Center on Corporate Responsibility (ICCR) and from Proxy Preview (a publication of As You Sow with partners Si2 and Proxy Impact).

Further, Langert cites the Manhattan Institute's vote counts. It should be noted that the Manhattan Institute calculates shareholder vote tallies that makes the percentages appear lower than the official SEC method.

Langert curiously criticizes the language of some resolutions, comparing them to Jimmy Buffett concert attire at a black-tie event, but provides no examples.

Perhaps there are some outliers, but I personally know the high caliber and tenacious character of my colleagues at Walden, Trillium, Calvert, Green Century, Arjuna, Boston Common, Nathan Cummings, First Affirmative, Miller Howard, Domini, Harrington, numerous pension funds, ICCR and many others who work diligently to make every one of the 500 words in each resolution count. Each phrase is well researched, carefully crafted and vetted by top Securities & Exchange Commisssion (SEC) counsel.

We pride ourselves on having our facts and economic analysis completely accurate in these public documents. We know that corporate attorneys will be looking for any reason to ask the SEC to not allow the resolution to go to a vote. In fact, many companies challenge resolutions whether there is cause or not. Last year As You Sow defended eight such challenges at the SEC, winning seven.

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More fundamentally, we need to get past the myth that a high vote count equals victory. Most votes are non-binding, and true change happens at all vote levels. Shareholder resolutions are about bringing an idea to the public consciousness, associating it with a brand and encouraging corporate management to take action.

Langert suggests that As You Sow's filing at Abbott Labs on GMOs was a "wrong target." Yet with just a 6 percent vote, the company agreed to introduce a non-GMO version of its Similac infant formula, which is now on store shelves.

On Jan. 8, just four days after his article appeared in GreenBiz, Campbell Soup agreed to label all of its products for GMOs. The Campbell and Abbott actions are the results of a broad effort, including shareholder advocates' decades-long pressure to move companies away from GMOs. Langert also asserts, "Not one company that actually makes GMOs received a shareholder proposal, including Monsanto." This is simply incorrect: Two strategic resolutions were filed with Monsanto in 2015 as well as five with DuPont and two with Dow.

As You Sow's innovative climate resolutions sometimes earn strong votes and sometimes earn lower votes, but always introduce important new concepts to investors. For example, last year we filed a groundbreaking resolution at Chevron in collaboration with Arjuna Capital, which earned a low vote, but introduced the idea that shareholder capital is being wasted by continuing to invest in high cost, high carbon reserves that are likely to be stranded.

This idea went viral and anticipated Shell's recent acknowledgment that it had wasted $7 billon in shareholder capital on failed arctic oil exploration.

Ideas are powerful and even low votes can change the narrative and shift attitudes and policy. Nearly every major shareholder-driven corporate change started with a novel resolution, which As You Sow is particularly well known for introducing. Resolutions that push the envelope can require time and investor education to resonate and build consensus; they highlight important areas of business risk and often see increased shareholder support in subsequent years, resulting in critical corporate changes.

We also need to get past the myth that withdrawal equals victory; the assumption that every withdrawal is a victory is misleading. While true progress is often made in dialogue, sometimes this is used as a stalling tactic by the company.

Further, many proposals go to a vote for strategic reasons. The votes at annual meetings are reported in company filings to the SEC and become part of the public record, which means the company brand is forever associated with that specific ESG issue. Such an association is often the very thing that companies seek to avoid by negotiating for a withdrawal; advocates need to be willing to stay the course if the company is not willing to commit to specific, credible and timely progress on the given issue.

Finally, and most important, we need to overcome the myth that puts shareholders and corporations on opposite sides of the table. Shareholder advocates have the long-term best interests of the company in mind, and work diligently to offer valuable guidance and assistance to help corporate managers and boards make our companies better; to avoid risk; to fit into broader social and environmental systems; and to improve the bottom line and shareholder value.

Langert surely must appreciate how As You Sow recently helped his alma mater, McDonald's, eliminate 770 million polystyrene coffee cups per year at 14,000 stores, as well as our leading role for more than three years in a coalition of investors that co-developed "Project Kaleidoscope: a collaborative and dynamic approach to code of conduct compliance" to solve labor issues related to production of McDonald's Happy Meal Toys.

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The goal of shareholder advocates is not a vote or a withdrawal. The goal is to put forth new ideas and to work with companies to make real changes in corporate policy and practice that last over the long term. I speak for As You Sow and for our colleagues when I say that we advocate diligently and fearlessly on behalf of shareholders based on science and sound corporate environmental and social responsibility considerations. Our actions are founded on long-term strategic thinking. We hope that those observing our activities will take a more nuanced look at the important work that we do. I invite Langert to work with us to understand the goals, approaches and impact of shareholder advocacy, eliminate the myths and bring forth a new era of greater innovation and collaboration between companies and their shareholder advocates.

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