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Sustainability Investment News

Activist Shareowners Tally Victories in 2009 Proxy Season

by Robert Kropp

The Interfaith Center on Corporate Responsibility and **As You Sow** report successful shareowner efforts on resolutions addressing corporate governance, the environment, and human rights.

SocialFunds.com -- Activist shareowners looked forward to a historic proxy season in 2009, as record numbers of shareowner resolutions addressing corporate governance were filed in the wake of what Laura Berry, the Executive Director of the Interfaith Center on Corporate Responsibility (ICCR), an association of 275 faith-based institutional investors, described to SocialFunds.com as "The catastrophic collapse in governance" in 2008.

In response to a more rational consideration on the part of the new administration of scientific evidence on climate change, many resolutions were filed to address that issue as well.

Prompted by a report from Green Century Capital Management, an ICCR member, that detailed some of the successes of the investment advisor's shareowner resolutions, SocialFunds.com asked some of the leading organizations in the shareowner advocacy movement about their experiences in the 2009 proxy season.

Among the successes reported by Green Century were agreements from Whole Foods and Sunoco to restrict their use of the chemical bisphenol A (BPA), and agreements from three companies to adopt policies that increase corporate transparency by reporting contributions from entities that may lobby against climate change solutions.

In addition, a resolution filed by Green Century at ConocoPhillips, requesting that the company assess the environmental impacts of its tar sands operations in Alberta, Canada, won one-third of shareowner votes.

According to Berry of ICCR, "There were 722 reported actions in the ICCR database for this proxy season, the biggest number ever. 390 resolutions were actually filed by ICCR members, and the rest led to dialogues with the companies."

Berry continued, "Investors who may have been inclined to only worry in the past are now beginning to take action, especially on governance issues. Few of the advisory resolutions on corporate governance received less than 40% of shareowners' votes this year."

Berry reported that among the new activities addressing governance, the issue of predatory credit card lending was especially successful, more so considering that resolutions targeting Bank of America and CitiGroup were filed for the first time.

"Fifteen separate resolutions on predatory credit card lending were filed by ICCR members," Berry said. "At Bank of America, the first-time shareowner resolution won one-third of the vote, and the resolution at CitiGroup got 26% of the vote."

Among other actions taken by ICCR members, according to Berry, were resolutions addressing environmental issues such as the potential dangers posed by nanotechnology, food safety and labor practices on factory farms, the human right to water in an age of increasing water scarcity.

"We've been paying a lot of attention to human slavery," Berry said. "We're more aggressively going after that aspect of human rights, especially in the child sex trade."

Adam Kanzer, Managing Director and General Counsel of Domini Social Investments, an Associate Member of ICCR, told SocialFunds.com, "Our human rights proposal at Nucor received 27%. We withdrew the resolution last year, when the company took some steps to address the problem. But we believe they could do more. In particular, we'd like to see the company report on its efforts to address slavery in its supply chain, and we'd like to see Nucor sign the Brazilian National Agreement to Eradicate Slavery. Nucor claims to essentially be doing what the Agreement calls for on its own, but I think it's important that they formally become part of the initiative."

SocialFunds.com also spoke with Conrad MacKerron, the Director of the Corporate Social Responsibility (CSR) Program at As You Sow. The program MacKerron heads uses shareowner advocacy to catalyze change in publicly held corporations.

A prominent success recounted by MacKerron was a shareowner resolution filed at IdaCorp requesting that the company establish greenhouse gas (GHG) emissions reduction goals and to report on its plans to meet them. The resolution won 52% of shareowners' votes, the first time that a resolution addressing climate change has ever won a majority vote in the US.

"While As You Sow has worked on climate-based shareowner resolutions in the past, this was the first year that we took on specific greenhouse gas issues," said

MacKerron. "The work done by ICCR, Ceres, and many pension funds on climate change has had its effect. And the fact that RiskMetrics (a proxy advisory firm) supported the proxy vote on the resolution had a positive effect as well."

"The majority shareowner vote sends a message that climate change has become a mainstream issue," MacKerron continued. "We hope it becomes a bellweather for future votes on the issue."

Another important success realized by As You Sow addressed the presence of nanomaterials in food and food packaging. Asked by SocialFunds.com to describe As You Sow's activities in the area, Michael Passoff, the Associate Director of As You Sow's CSR Program, replied, "We filed nanofood resolutions at Kraft and McDonald's, and both were withdrawn based on what we learned through company dialogues and company commitments for next steps."

Passoff continued, "We have agreements with Kraft and McDonalds to work with them regarding transparency and policy respectively, and our goal is to work with these companies to set a high bar that shareholders, non-governmental organizations (NGOs) and others can use as an industry standard for any food company considering the use of these products."

MacKerron described a shareowner resolution filed at Apple, asking the company to improve its reporting to the Carbon Disclosure Project (CDP) on GHG emissions by using aggregate levels, as many of its industry peers do, instead of reporting on a product-by-product basis.

"Apple's emissions data is very poor," MacKerron said. "Even with Al Gore sitting on its Board of Directors, Apple is not doing world-class reporting on GHG emissions, while its peers seem to have no trouble doing so."

The first-year proposal on GHG emissions reporting by Apple won 8% of shareowners' votes, which means that the resolution can be re-filed in 2010.

MacKerron also brought SocialFunds.com up to date on a shareowner resolution addressing electronic waste at Best Buy.

"In February, Best Buy agreed to use its own stores as take-back centers for recycling used electronic products," MacKerron said. "What started out as a pilot program at about 100 stores has since been rolled out to all 1,000-plus Best Buy stores."

Berry of ICCR credits what appears to be a changing temperament at the Securities and Exchange Commission (SEC), in which shareowner resolutions that would have been disallowed in the past are now being allowed.

"Only five of the resolutions submitted by our members were disallowed by the SEC this year," Berry said. "And that we were able to withdraw many resolutions counts as victories as well. It means that companies are listening to us."

"Companies are concerned about the current regulatory environment, and that if they don't step up to the plate voluntarily they could well be subject to additional regulatory pressure," Berry continued.

"What we're seeing today is an extraordinary synergy between consumers, policymakers, and institutional investors," said Berry. "There seems to be a new coalescing of purpose to build more justice and sustainability in society."

"It is truly the philosophy of enlightened self-interest at work," she concluded.

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