Companies Becoming More Sensitive to Sustainable Investment Concerns – Survey

Tom Revell | May 21, 2014

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US companies are becoming more receptive to the environmental, social and governance (ESG) concerns of shareholders, according to a new survey of socially responsible investing (SRI) experts.

Nine out of the 11 experts quizzed in a new study from Monitor Global Outlook, a research service of the Christian Science Monitor, say that companies have been more sensitive to ESG issues this year than in the previous five years.

They say that this change is most evident in companies' responses to investor complaints lodged during recent proxy seasons – the period during which companies hold their annual shareholder meetings.

According to Institutional Shareholder Services, in the US, as of May 5, 166 shareholder resolutions had been withdrawn this proxy season. This suggests SRI investors have been encouraged by company action. This number is up from 151 withdrawals in 2013, 137 in 2012 and 127 in 2011.

"The way that companies are coming to the table and actually talking – it looks like more than ever",said Andrew Behar, chief executive officer of As You Sow, a builder of SRI coalitions for shareholder activism, and a member of the expert panel.

However, the study notes that resolutions that are going forward tend to focus on one issue: climate change.

The issues of climate change and spending on political and lobbying activities – which often relate to climate change – account for well over half of the shareholder proposals filed this year, the report claims.

"What you've seen from the investment community and from the [non-governmental organisation] community is a ramping up of additional ways to address the issue", said Rev Seamus Finn of the Oblate International Pastoral Investment Trust, another member of the panel.

"It shows a frustration with the political process and a sense of urgency."

Another of this year's hot topics is the question of stranded assets, which the interviewee panel named as 2014's "sleeper issue".

In order to restrict global warming to the internationally agreed target of 2C from pre-industrial times,experts warn that the majority of known fossil fuel reserves must never be used.

This means these reserves may become worthless stranded assets, posing a significant risk to investors.

In a high-profile example of a company rejecting shareholder concerns, oil giant ExxonMobil recently reaffirmed its intention to burn all of its hydrocarbon reserves. The firm rejected the notion that its fossil-fuel assets would become stranded.

Laura Berry, executive director of the Interfaith Centre on Corporate Responsibility and another of the report's contributors, said ExxonMobil's report "is so transparent as to be almost cynical".

She added, "It says, 'OK, we'll tell you everything we're going to do, and by the way, none of it has anything to do with making things better'."

Although Monitor Global Outlook's report suggests companies in the US are warming to the idea of engagement with climate concerns, some major polluters seem to be following Exxon's example.

In a letter to shareholders published last week, oil giant Royal Dutch Shell also said that it does not believe any of its reserves will be stranded.