

## Success And Shareholders -- Why Companies Should Engage

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Andrew Behar is the CEO of As You Sow, a nonprofit organization dedicated to increasing environmental and social corporate accountability. The Climate, Environmental [Health](#), Waste, and Human Rights programs create industry-wide change through corporate engagement, shareholder advocacy, coalition building, and innovative legal strategies. Previously, Andrew founded a clean-tech startup developing innovative fuel cell technologies for grid-scale energy storage. He is on the board of U.S. Social [Investing](#) Forum (US-SIF) and was named one of 30 “Eco Rock Stars and Environmental Mavericks” in Origin Magazine’s August 2015 issue.

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**Christopher P. Skroupa:** What is the theory of change behind shareholder engagement?

**Andrew Behar:** We believe that most of the world’s environmental and human rights issues can be resolved by increased corporate responsibility and that shareholders are the single most powerful force for creating positive, lasting change in corporate behavior. Over the past century, corporate power has become the most dominant force on the planet. Of the 150 largest economic entities in the world, 87 are corporations—that’s 58%. This

concentration of resources gives companies power and influence over their workers, customers, and the communities in which they operate.

It is critical for corporate leaders to address the impact of their policies and actions. Those that fail to do so create risk for both their stakeholders and themselves. Shareholder actions press corporations to undertake this broader risk analysis and make decisions that benefit people, planet, and profit over the long term.

Since 1992, As You Sow has used shareholder advocacy to increase corporate responsibility on a broad range of environmental and social issues. As shareholder advocates, we communicate directly with corporate executives to collaboratively develop and implement business models which reduce risk, benefit brand reputation, and increase the bottom line—while simultaneously bringing positive environmental and social change.

**Skroupa:** What is the escalation process of shareholder engagement, and when is it necessary?

**Behar:** Shareholder advocacy leverages the power of stock ownership in publicly-traded companies to promote positive environmental, social, and governance (ESG) change from within. This can take the form of a dialogue between shareholders and the company, or shareholders may escalate and submit a formal letter signed by many investors representing a large portion of the company market cap. If the company does not meaningfully respond, further escalation generally takes the form of filing a resolution, which must follow guidelines set by the Securities and Exchange Commission.

**Skroupa:** How do corporations respond to shareholder engagement?

**Behar:** Responses vary depending on the issue being raised and the particular company position at a given time. Even when a company is unwilling to undertake one specific request it may be willing to work with shareholders on another issue. Generally, companies understand that shareholder advocates are working to help them reduce financial and brand reputational risk and to point out issues that may not be on their radar. We are shareholders; ultimately we want the companies that we engage with to be successful in the long term. Most companies recognize this and are willing to meet with shareholders, to consider their concerns, and often, to take responsive action.

**Skroupa:** How should reporters approach coverage of shareholder votes?

**Behar:** Reporters who understand the nuance of the relationships between companies and their shareholders often do the best job covering shareholder advocacy. Sometimes there is a tendency to want a quick headline and to report a vote percentage as a “win or loss,” without fully understanding that shareholder advocacy is often an iterative process. For example, new resolutions often signal important cutting edge issues—even though they may get lower votes the first year, they are likely to achieve success in subsequent years. Nearly every major issue now getting large votes across entire industries started this way. It is critically important for advocates to bring forth new ideas in this way.

It is also important for reporters to distinguish between shareholder advocates who seek to improve a company's long-term value, compared to shareholder activists who are looking for a quick cash out, regardless of the consequences on the company and its stakeholders. Media coverage of shareholder actions should focus on the problem being addressed, the long-term thinking behind the resolution, and the positive impact it could have on the company and society.

**Skroupa:** How do you measure success?

**Behar:** The only metric that has meaning is change in corporate policy; this may happen quickly or may develop in phases over several years. Often, one company will make a change that raises the bar for the industry as competitors realize that they must also improve their policies and practices to stay competitive.

Shareholder votes on resolutions are also meaningful. Resolutions bring important issues to the attention of management, boards of directors, investors, the media, and the general public. Through shareholder votes, we seek to shift the views of the people running these companies by advocating that they incorporate sound environmental, social, and governance considerations into every decision they make.

Success occurs at all vote levels. While we always strive for high votes, successful shareholder votes are generally measured not in the typical electoral sense of receiving a majority, but by getting the votes necessary to re-file the resolution the following year. The SEC has set thresholds of 3% for the first year, 6% for the second year, and 10% for the third year. A resolution vote is successful if it receives enough votes to re-file. Of course higher votes increase the pressure on the company to implement stated requests, but management tends to pay attention when one out of four, or one out of five, or even one out of ten shareholders express concern on an issue.

We work in close collaboration with a broad community of socially responsible investment firms, faith-based shareholders, pension funds, and investors representing over \$59 trillion in assets. This coalition is collaborating with corporate management to build a sustainable and just economy that takes all environmental, social, and governance issues into consideration because today's investors know that simultaneously they can support people, planet, and profit.

*Christopher P. Skroupa is the founder and CEO of [Skytop Strategies](#), a global organizer of conferences.*

<http://www.forbes.com/sites/christopherskroupa/2016/07/24/success-and-shareholders-why-companies-should-engage/#6621260bb62a>