

# A Review of Shareholder Activism: 2016

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Corporate shareholders demand accountability for carbon disclosure,  
political contributions and income in equality.

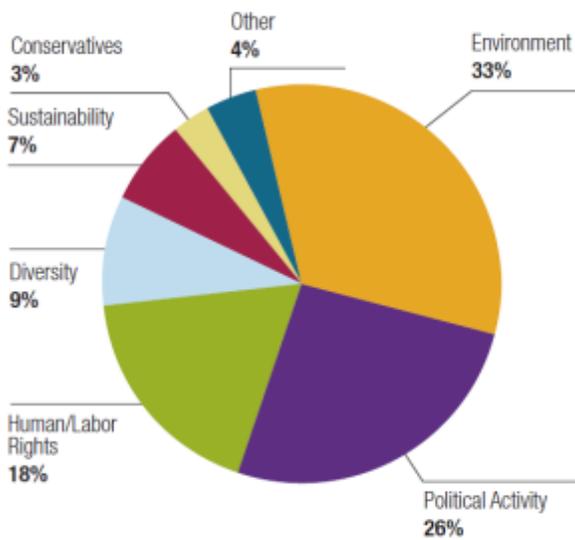
# A Review of Shareholder Activism in 2016

By Eric Souders AWMA

As a shareholder, the companies that you own are accountable to you. Owning one share gives you the right to vote on resolutions that appear on the annual ballot. If you own more than \$2000 of shares you have the right to put a resolution on the ballot. Resolutions often ask for more disclosure, changes in corporate behavior or implantation of new policies and procedures. However, if you own shares in a mutual fund, the fund company votes on your behalf. You might want to ask your fund company if it is voting in way that you would agree with. Most often fund companies vote as recommended by the company's board of directors.

In 2016 there were 314 pending resolutions for votes, about the same amount for 2015 according to the annual As You Sow Proxy Preview. Investment firms dedicated to socially responsible goals filed over 30% of those resolutions. Faith based investors, pension funds, schools, foundations, and unions shared the remaining 70%.

## Proposals Filed in 2016



Source: Si2, n=370, as of 2-17-15

For many years, environmental issues have dominated and even ticked up this year to 33% of the resolution count with a focus on climate change related resolutions. Political and lobbying contributions have become an important issue for filers over the past several years making up 26% of the ballot resolutions. Human rights and labor issues, 18% of resolutions, was another key theme for 2016.

The Paris climate treaty reached in December of 2015 had a major role in defining the resolutions around environmental issues. Although governments negotiated and signed the treaty, it will be corporations who will implement the policies to comply. Shareholders and companies alike look at the financial realities of a changing climate. In order to stay below a 2 deg. C increase, the global carbon budget is limited to

565 CO2 gigatons over the next 25 years. This represents only 20% of the available reserves. If there is global agreement to protect the viability of surviving on this planet, there will be serious financial impacts for both producers and consumers of fossil fuels. Already climate related events are affecting global GDP by 1%. As the temperature rises we can expect more economic setbacks.

Resolutions on ballots ask for strategic risk mitigation plans that respond to fuel price increases, decreased demand, and the possibility of stranded fossil fuel assets driven by global agreement to mitigate carbon emissions. Much of these assets, yet to be mined or drilled, represent up to 80% of producer's balance sheets and if stranded, may put extraction companies out of business. Additionally,

carbon accounting is a hot topic brought to shareholder's attention. These proposals request the measurement of a corporation's carbon emissions and a means to reduce those emissions.

Now that Oklahoma is the earthquake capital of the world, several resolutions for hydraulic fracturing companies requested reports on environmental and community impacts of their operations. Methane emissions were another important resolution topic for gas drilling companies. Natural gas may have lower CO2 emissions than coal, but the methane released with it has an 86 times greater impact as a green house gas.

Several resolutions pushed utility companies to expand their distributed renewable energy systems through roof top solar installations and several large retailers were asked to generate more of their own power through renewables.

The second theme for this year was found in over 100 proposals requesting that companies disclose their "dark money" and political and lobby spending to influence elections and regulation. According to Timothy Smith of Walden Investments, a record breaking 1.2 million people have signed petitions and letters to the Securities and Exchange Commission calling for them require disclosure of political expenditures. Public sentiment is supporting the shareholder proposals for more transparency.

While 150 companies have begun to provide meaningful disclosure of their political spending, many more companies are not willing to report the financial support they give to lobbying and trade organizations such as the American Legislative Exchange Council, the American Petroleum Institute and the Chamber of Commerce. These kinds of organizations are the conduits for the "dark money".

Shareholders are also holding companies accountable for the corrosive effects of income inequality on America's economy. Resolutions asked for disclosure on executive pay to median pay comparisons and closing the pay gap for women in tech and financial firms. Minimum wage policies were also a topic of resolutions at a few national retailers.

Human rights issues have been a longtime concern of shareholders. Resolutions this year addressed poor working condition at poultry processing plants in the US, as well as in supply chains around the world employed by US companies. A resolution at four transportation companies are requesting their truck drivers to be trained as human trafficking lookouts.

In addition to the ballot resolutions there has been a recent increase in shareholder engagement with companies outside of the annual voting process. This kind of shareholder activism is how we shape the world in which we live.

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