

### RISE OF ACTIVISM

**THE 20th century saw significant growth in public concern about the social and environmental performance of companies.**

This matched the growing influence of the corporate world on all aspects of local and global life, whether for good or ill.

The dawn of the 21st century finds more people than ever investing their money in corporations – either as direct shareholders or through savings plans, pension schemes or financial institutions like insurance companies.

And as people realise that investment means more than just earning a financial return, many have sought out approaches that take account of social and environmental performance.

“Screened” funds that follow ethical investment policies have grown rapidly in the last few years. At the same time, there has been increasing interest in the rights and opportunities that investors may have to engage with companies to influence their environmental and social performance. This supplement is devoted to “engagement”: processes where investors identify companies that can improve their policies and practices, and find ways to encourage them to do so.

We explore the rights that shareholders have to press for change in companies through resolutions, and look at one person’s experience of the process. And if you leave the nuts and bolts of investment to a fund manager – for example, by investing through unit trusts or as a member of a pension fund – we set out the kind of questions you can ask to ascertain whether your fund manager is taking up the issues that concern you.

## USE YOUR INFLUENCE AS A SHAREHOLDER

**T**he history of campaigns which linked boycotts with attempts to activate shareholders goes back as far as the nineteenth century (see the Bryant & May case study below). Such campaigns took off in the UK in the 1960s, notably with the anti-apartheid movement’s long term campaign to persuade Barclays Bank and others to withdraw from South Africa.

More recently, in 1997 Shell was the first-ever British company to face an environmental shareholder resolution. Organised by ECCR and PIRC (see page 4), it received 11% of voters’ support with a further 6.5% abstaining. Putting forward resolutions may yield results, not by winning the vote – yet – but by raising boardroom and shareholder awareness of the issues.

BP Amoco has also faced a number of resolutions in the UK and elsewhere about environmental and human rights issues. In 2000 SANE BP (see page 4) won 13.5% of votes for its resolution for BP to stop its Northstar drilling project in the Arctic.

In the same year Rio Tinto, the global mining company, came under pressure to adopt a code of conduct guaranteeing internationally recognised labour rights, a resolution which won 17.3% of the votes. Another resolution backing corporate governance changes gained 20.3% of the votes. The ‘success’ of the resolutions prompted the company to give assurances to improve its industrial relations.

Both BP and Rio Tinto’s resolutions involved international shareholder co-operation.

Earlier this year, construction company Balfour Beatty faced a resolution relating to its involvement in the controversial Ilisu dam in Turkey. Shareholder Friends of the Earth (see page 4) submitted a resolution calling on Balfour Beatty to support the principles and guidelines set out by the World Commission on dams. Although the resolution was defeated, over 40% of the votes were abstentions. It has been estimated that the Ilisu Dam will displace up to 78,000 Kurdish people.

## THE MATCH GIRLS’ STORY

In 1888, social reformer Annie Besant drew attention to the low wages paid to the Bryant and May match girls through her campaigning weekly, the Link, and called for a boycott of the matches. Following the refusal of the women to sign company papers refuting Besant’s statements, and the sacking of a member of staff, the 1400 women went on strike. Besant and colleague Herbert Burrows amassed support for the girls. They held public meetings, lobbied MPs and particularly sought to shame those shareholders who were also clergymen into action. A fortnight of vigorous campaigning resulted in arbitration, a “satisfactory settlement” including higher wages, and the establishment of the Matchmakers’ Union.

*Turn to pages 2 and 3 to see how you can use your shareholder status to influence companies for the better.*

## BE HEARD: WHAT YOU CAN DO

# HOW TO BE AN ACTIVE SHARE OWNER

**B**eing a shareholder is not just about putting money into a company that you think will give you a good return for your investment. As a shareholder you have certain rights and powers. Active share ownership is all about using those powers to make a company take notice of issues that concern you.

### **I Qualifying**

To qualify as a shareholder you have to buy one or more shares in a company. You

should check which types of shares have voting rights.

If you are a direct shareholder – i.e. hold shares in your own name – you are a member of that company and have rights to a voice in its activities.

### **I Annual General Meetings (AGMs)**

As a direct shareholder you are entitled to attend, vote and speak at AGMs or other meetings arranged for shareholders.

You can vote in members of the board and auditors, and vote on resolutions

presented by the board or other shareholders. AGMs tend to occur in spring or early summer.

### **I Resolutions**

You can put forward resolutions of your own. To do this you need the support of 100 other shareholders who each hold, on average, shares to the value of at least £100.

Getting enough support for a resolution and submitting all the paperwork on time needs good planning, months if not a year or more in advance. If you can find enough support, you can table a resolution stating what you want the directors to do.

By law you are required to deposit a reasonable amount of money to cover the printing and circulation costs of the resolution, but companies sometimes waive this.

Resolutions in the UK are still quite rare but they are likely to become more common in the future. In the USA shareholder activism and resolutions are much more common (see page 4).

There are lots of factors to address when thinking of tabling a resolution. The case study on the left describes one shareholder's experience of being involved in the first-ever environmental resolution tabled at a UK company's AGM.

Our website [www.eiris.org](http://www.eiris.org) has further details on active share ownership – see the Personal Finance, Your Shareholdings section. EIRIS also provides a number of services which (potential) shareholders may find helpful when looking at companies' environmental and social performance. Contact our Public Information Adviser for details on 020 7840 5703, or browse the website.

## ACTIVISM IN PRACTICE

Barbara Hayes is an industrial chaplain. Part of her work is concerned with what makes a "good" economy. Through this she became involved with a local branch of the ECCR (see page 4) and efforts to persuade Shell to improve its record on environmental and human rights issues, leading to the first environmental resolution to be tabled in the UK.

The resolution helped to inspire a major re-think within Shell on the whole question of human rights, and its own responsibilities in this area.

"It started in 1994 when we saw some stuff on what Shell was doing in the Niger Delta versus what happened when a pipeline was laid in the UK," she says.

"As a result we raised a question at the AGM in May 1994. After the formal proceedings I got talking to a director, and decided to do a lot more research.

"It is important to ask lots of questions, and talk to others such as environmental groups about what they know. It is difficult to do things alone – you need to link up to other networks," she stresses.

"You need to be realistic but hopeful about what companies can do and not be marginalised as part of a loony fringe, but seen as a shareholder with a genuine long-term interest in the company and its viability – but one who still has criticisms.

"Start by just asking questions and be persistent. We started in 1994 but the resolution was only tabled in 1997. We needed 100 shareholders to table it and missed the deadline in 1996 so built up our contacts to qualify for the 1997 AGM. I sat in Companies House and noted all the Oxford postcodes to contact local shareholders, but we also put out requests through the religious press, and Amnesty International came on board.

"We worked later with PIRC (see page 4) who drew in 18 local government pension funds, which gave us a wide spectrum of shareholders from individuals to institutional funds. The work on and with Shell continues. When we brought the shareholder resolution, the company seemed to view it as a hostile move – but we were engaging in the processes open to us as shareholders."

# INDIRECT SHAREHOLDER ACTION

## PENSIONS

Shareholder action by individuals and campaign networks has gained the additional muscle of the large pension funds. UK regulation on pensions disclosure means trustees have to declare whether or not they follow an ethical investment policy. Some organisations are inviting pension fund members and beneficiaries to support their campaigns by lobbying their pension fund. For example:

| Amnesty International's campaign "Pensions, Protecting Your Future – and Theirs?" asks pension fund members to approach their trustees to ensure their fund's investment policies take greater account of human rights issues. It has already had responses from several large pension funds including those of Tesco, BT and HSBC.

Details: [www.amnesty.org.uk](http://www.amnesty.org.uk) (see the individual action section) or phone 020 7814 6267

| War on Want campaigns against the causes of world poverty. The charity asks people with an occupational pension fund to join its "Invest in freedom" campaign. It says: "Working together we put pressure on the multinational corporations to improve their labour standards. Multinationals have to respond to their shareholders but the pension funds will only act if we tell them that we want them to."

Details: [www.waronwant.org.uk](http://www.waronwant.org.uk) or phone 020 7620 1111

As a pension fund member you can write directly to your trustees for details of the fund's investment policy. See [www.eiris.org](http://www.eiris.org) for more information.

## ETHICAL FUNDS

Investing in a unit trust or pooled investment that follows an ethical policy is an indirect way of using shareholder power. In this case you do not have shares directly in your name. Increasingly such funds are adopting engagement investment strategies in combination with the screening out of companies. For example, a fund could have a process in place for drawing a company's attention to concerns over its environmental and social behaviour, and working together towards solutions.

**A**S THE "engagement" trend grows it makes sense to ascertain the extent of that engagement, whether you are an investor or considering becoming one. You could ask the fund managers, directly or through your financial adviser:

| On which issues have they sought to influence companies during the last year and with what objectives?

| How do they monitor companies' ethical conduct?

| How often have they met companies in the last year to discuss improvements on policies or practices?

| Can they provide any evidence of the success of their engagement activities?

| Do they work with other shareholders or campaigning bodies on engagement issues?

| Do social, environmental or other ethical factors affect the way they vote their shares?

| Would they divest from a company that failed to make any progress following engagement?

| What resources do they devote to engagement activities?

| Does the fund report on engagement activity to unitholders?

## INSTITUTIONAL INVESTORS

Some institutions that you may have policies with, such as insurance companies, have committed themselves to applying a socially responsible investment policy across the whole of their businesses. For example:

| To help pension funds meet the pension disclosure requirement, Friends Provident's asset management arm Friends, Ivory & Sime, set up a "responsible engagement overlay" (reo) policy. It plans to use "reo" to encourage companies to adopt best practice on social, environmental and other ethical issues. It has set up a dedicated unit to carry out this engagement.

| Henderson Global Investors recently expanded the standards of corporate governance required by its investment policy to include the environment, human rights, employee relations and community relations. Starting with those who do not report on implementation of human rights policies, it will be applied first to the top 100 UK companies and then to all investments managed from London, and used as a platform to engage more with companies.

| Morley Fund Management has adopted a voting policy, part of which requires the top FTSE 100 companies to publish environmental reports. It expects these companies "to have robust processes to minimise damaging environmental impacts" and to publish a comprehensive environmental report. If they do not, Morley will consult the management and if need be, vote against adopting the annual report and accounts.

# SHAREHOLDER ACTIVISM IN THE UK

**I The Ecumenical Council for Corporate Responsibility (ECCR)** includes representatives of mainstream Christian denominations, corporate agencies of the churches and interested individuals. ECCR formed in 1989 to raise the profile of corporate responsibility, and to invest its members' own financial resources in ways that respect the credentials of their faiths. It focuses on UK-based transnational corporations and supports other campaigns. ECCR was part of the collaboration that tabled the first environmental resolution to be faced

## US GROUPS

Shareholder activism is more established in the USA. A few organisations are mentioned here; visit their websites to see what they are currently involved in and how you can get involved.

**I The Interfaith Center on Corporate Responsibility (ICCR)** has been a leader of the corporate responsibility movement for 30 years. It is an association of Christian and Jewish institutional investors. ICCR and its members sponsor over 100 major shareholder resolutions each year. ICCR works with ECCR in the UK. See [www.iccr.org](http://www.iccr.org)

**I As You Sow Foundation** is a non-profit organisation dedicated to promoting corporate accountability in a number of ways, including shareholder activism. It engages in dialogue with selected companies, files shareholder resolutions, builds coalitions, and conducts media campaigns to raise awareness and promote more responsible corporate behaviour. [www.asyousow.org](http://www.asyousow.org)

**I Other US websites worth a look:** [www.socialfunds.com](http://www.socialfunds.com)  
[www.corpwatch.com](http://www.corpwatch.com)  
[www.shareholderaction.org](http://www.shareholderaction.org)

by a UK company.

Call: 01279 718274 Visit: [www.eccr.org.uk](http://www.eccr.org.uk)

**I Pensions & Investment Research Consultants Ltd (PIRC)** provides a corporate governance service for private and public sector pension funds and investment managers. PIRC's philosophy is that institutional investors should positively exercise their voting rights as part of the prudent stewardship of their assets. They should recognise their responsibilities as owners of companies, including the need to ensure the highest standards of corporate governance. PIRC has been involved in various UK shareholder resolutions including the 1997 resolution with ECCR.

Call: 020 7247 2323 Visit: [www.pirc.co.uk](http://www.pirc.co.uk)

**I Friends of the Earth (FoE)** is one of the largest environmental networks in the world, represented in over 60 countries. It is a leading environmental pressure group

in the UK and is largely funded by supporters and members. As well as leading consumer boycott campaigns and political lobbying, it is involved in shareholder campaigning. In March 2001 FoE bought £30,000 worth of shares in order to table a challenging resolution at Balfour Beatty's AGM in May 2001.

Call: 020 7490 1555 Visit: [www.foe.org.uk](http://www.foe.org.uk)

**I Shareholders Against New Oil Exploration (SANE BP)**, an initiative of Greenpeace Business, is an umbrella group for BP investors who are concerned about climate change. It currently includes Greenpeace, the US Public Research Interest Group and individual investors. Since 1999 SANE BP has taken an active part in BP's AGMs. It provides advice and encouragement to BP shareholders who share its aim – to move the company away from oil exploration, and towards renewable energy.

Email: [info@sanebp.com](mailto:info@sanebp.com)

Visit: [www.sanebp.com](http://www.sanebp.com)

## OTHER GROUPS

**I AUSTRALIA** A basic guide to ethical/green investment and details of ethical shareholder groups in Australia can be found at [www.ethical.shares.green.net.au](http://www.ethical.shares.green.net.au)

**I CANADA** Shareholders Association for Research and Education (SHARE), a not-for-profit organisation, among other services helps investors submit shareholder resolutions. It has helped institutional shareholders file shareholder proposals with Sears Canada and the Hudson's Bay Company relating to claims about the use of sweatshop labour by the companies' suppliers.

Visit: [www.share.ca](http://www.share.ca)

**I EUROPE** Last year "a network of ecologically and socially motivated shareholder movements" from six European countries, including the UK, was established to enable ethical shareholders across Europe to work closer together.

Visit: [www.ethicalshareholders.net](http://www.ethicalshareholders.net)

## FURTHER INFO

**I Check out the Shareholder Action Online Handbook**, written by Craig Mackenzie and first published in 1993.

"The Handbook aims to give practical advice to individuals about how they may use shares to make companies more accountable". Available online at [www.ethics.fsnet.co.uk](http://www.ethics.fsnet.co.uk)

**I Talk to the UK Shareholders Association**, an independent organisation established in 1992 "to promote a greater understanding of the benefits of share ownership and to represent the views of individual investors." Members have the opportunity to meet and exchange views with fellow shareholders and support its campaign for better corporate governance. Email: [info@uksa.org.uk](mailto:info@uksa.org.uk) Visit: [www.uksa.org.uk](http://www.uksa.org.uk)