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Do Shareholder Proposals Affect Corporate Climate Change Reporting and Policies?

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Abstract: This study examines the effect of shareholder proxy proposals on climate change issues, using a sample of climate change resolutions submitted to U.S. corporations during 2007 to 2009. We test the hypothesis that shareholder climate-change proposals are effective in getting firms to engage in future actions. We examine differences in future actions based on company responses including: (1) SEC exclusion; (2) negotiation and withdrawal; and (3) proxy proposals voted on, and the percentage of vote received on proposal measures. We find evidence of future actions taken for climate change in response to resolutions, although actions can be relatively minor compared to proposal requests. Future actions occur more often for proposals with negotiated withdrawals. For proposals taken to vote, action occurs more often with a shareholder vote of 20 percent or higher. Extractive industry firms are also shown to be more reluctant to engage in climate change actions versus firms in non-extractive industries.

JEL: G34, Q59

Key Words: Corporate Governance, Shareholder Proxy Proposals, Climate Change Initiatives

1. Introduction

Corporate governance theory generally focuses on internal and external corporate control mechanisms that align managers' interests as agents with those of stockholders, as key stakeholders and owners of a firm. Recent theory, however, points out the importance of alignment of managerial actions with other external stakeholders from a social corporate governance perspective (Lee and Lounsbury, 2011). From this perspective, there are societal impacts of corporate managers' actions that affect and could have detrimental effects to society as a whole. External stockholders have also put pressure on companies to be more concerned about societal and climate change issues, including large institutional investors and pension funds.

Recent requirements by the Security Exchange Commission (SEC) in the U.S. for disclosing material climate change risks, also emphasize the need for risk management of climate change risk by corporate managers, with the threat of future losses, lawsuits, and regulatory fines and interference, and other liabilities associated with poor management of climate change risks. Climate change risks addressed by the SEC's interpretive release for disclosure requirements include: (1) the impact of current and pending climate change legislation and regulations, and any material effects on the firm's operations; (2) the impact of international accords and treaties related to climate change, including uncertainties and impacts (such as with he Kyoto Protocol and the Copenhagen Accord); (3) the potential indirect consequences associated with new opportunities and risks with future legal, technological, political and scientific developments, such as lower demand for carbon-intensive products and higher costs for fuels, or other materials; and

(4) actual and potential future physical impacts of climate change that could have a material effect on a business (see Smith, Danish, and Stern, 2010; Goldfarb, 2010; and SEC Issues, 2010).

With greater public concerns about climate change issues, greater shareholder activism has arisen, with a rising number of social activist shareholder groups submitting proxy resolutions for corporate annual meetings, asking for companies to act on different climate-related issues. These range from having a corporate sustainability report to more technical requests, "such as adopt quantitative goals, based on current technologies, for reducing total greenhouse gas emissions from a Company's products' (as shown in the sample proxy proposed to Chevron's shareholders in 2010 in Appendix 1). Shareholder activists have also changed to include religious organizations and pension funds, such the Board of Pensions of the Presbyterian Church (USA) who made a Climate-Change proxy proposal to Conoco Phillips in 2010, shown in Appendix1. Other Climate-Change activists include environmentally-oriented socially responsible mutual funds, such as Green Century Capital Management and Sierra Club Mutual Funds, large pension funds, such as the New York State Common Retirement Fund, and private asset and investment management funds, such as Trillium Asset Management. A number of non-governmental organizations also have developed to provide resources for the process including the Shareholder Action Network, CERES, a coalition of investors, environmental groups, and public interest group.

This study examines the effect of shareholder proposals submitted for vote at the annual meeting on how companies report and address climate change issues. We use a sample of climate change-related shareholder resolutions from 2007 to 2009 submitted to US corporations to see if there is any change in how the sample companies reported greenhouse gases or stated their climate change initiatives in the future, reviewing future press releases and news articles, firm annual reports and sustainability reports, follow up reports from non-governmental organization reports (CERES, As You Sow, Investor Environmental Network, Investor Responsibility

Resources Center), among other publicly-reported data . We compare how a proposal was acted on in the future based on how management acted on a proxy proposals in terms of three alternative actions:

(1) petition to SEC for omission and the SEC allowing its exclusion; (2) negotiation with shareholder activists for a proposal withdrawal in return for future actions/improvements on the issue; and (3) allowing proxy proposals to be placed on the ballot for an annual meeting for voting, and the effect of the percentage of vote received on future firm actions.

The analysis supports the hypothesis that shareholder climate change proxy proposals are effective in encouraging firms to take future actions, although actions can be relatively minor compared to the actions requested in proposals. Actions by firms appear to be more likely when proxy proposals are negotiated with the firm agreeing to actions or gradual improvements in return for withdrawal of a ballot proposal. For ballot measures, action occurs more often in the future when a proposal receives a shareholder vote of 20 percent or higher. Examining differences in future actions occurring or not by type of industry, extractive industry firms appear to be less likely to engage in climate change actions related to climate change proxy proposals versus firms in non-extractive industries

The paper is organized as follows. Section 2 provides background information concerning proxy proposal rules and alternative actions that can be taken by a company's management in reaction. Section 3 gives an overview of previous related studies, and Section 4 gives an overview of the sample, and Section 5 an overview of the analysis.

Section 6 reports the results, and Section 7 provides a summary and conclusion.

2. Background Information

Under the U.S. Rule 14a-8 of the Securities Exchange Act of 1924, shareholders are allowed to submit a proposal to be included on the proxy statement for vote at a public company's annual meeting. From a corporate governance perspective, this provides a method for shareholders to communicate their desires to management.

Requirements for submission of a proxy proposal under SEC Rule 14a-8 of the Securities Exchange Act of 1934 include:

(1) ownership (any shareholder continuously holding shares for one year, worth at least $2,000 or ownership of one percent of firm value; a shareholder or shareholder group is allowed to submit at the most one proxy proposal of 500 words or less per a company's annual meeting);

(2) meeting a required submission date and requirement to be present at the annual meeting to present the proposal to shareholders;

(3) determination whether or not similar proposals exist and the previous voting outcome of the same proposal; and

(4) relevance--proposals cannot deal with day- to-day operations of the business, and a vote on a proposal is almost always non-binding (see Tkac, 2006).

Types of proposals vary including governance (e.g. director elections, CEO pay), corporate control (e.g. removing a poison pill), political donations, human rights, health and safety, environmental, and non-discrimination, among others. A firm's management can:

(1) petition the SEC to exclude a proposal on several grounds including if the proposal is related to ordinary business operations or operations accounting for less than five percent of the firm's assets, sales, and revenue or if the proposal reflects a personal grievance or the requirements violate federal, state, or international law, with

the burden of proof for exclusion placed on the company;

(2) negotiate with shareholders allowing a withdrawal of the proposal; or

(3) include the proxy proposal for a vote. Even if a majority shareholder vote occurs, the vote is non-binding.

Resubmitted proposals, that did not receive 3 to 10 percent of a vote based on the number of submissions and time between submissions can at times be excluded by a firm (see Securities Lawyer's Deskbook, 2011 and Tkac, 2006).

The Division of Corporate Finance of the United States Securities and Exchange Commission (SEC) on October 27, 2009 issued a new Staff Legal Bulletin, No. 14E that addresses shareholder proposals that are related to environmental risks, requiring new shareholder voting and disclosure obligations on companies that have an impact on the environment or that lend to or invest in companies that have an impact on the environment, opening the door for a larger number of shareholder proxy resolutions related to climate change, with a record of number of climate related resolutions for 2009 (Allen, Jamison, and Bennett, 2010). ProxyMonitor.org notes for 2010 that the largest percentage of proxy proposals were related to social and environmental issues (38%) versus on executive compensation (30%), and on corporate governance issues (32%).

The filers of proposals include institutional investors including pension funds and socially responsible investment mutual funds, individual investors, religious groups, labor unions, and activist groups, such as PETA (People for the Ethical Treatment of Animals) and Rainforest Action. A number of companies during 2007 to 2010 were particularly targeted that were not disclosing carbon emissions under the Carbon Disclosure Project. An example of a typical Climate Change proxy statement proposal of this type is shown below for the Dover Corporation in 2008:

"Resolved: Shareholders request that within 6 months of the 2008 annual meeting, the Board of Directors provide a report to shareholders, prepared at reasonable cost and omitting proprietary information, describing how Dover is assessing the impact of climate change on the corporation, the corporation's plans to disclose this assessment to shareholders, and the rationale for not disclosing such information through reporting mechanisms such as the Carbon Disclosure Project."

Another Climate-Change resolution proxy is shown in Appendix 1 requesting "a more substantive change in terms of more quantitative goals based on current technologies for reducing total greenhouse gas emissions." As shown in Appendix 1, often when a proxy resolution is submitted for a vote to shareholders at an annual meeting, the board of directors recommends a "no vote," often citing efforts that the company has done in a particular area, or the high costs for a company of acting on a specific shareholder proposal.

The support for CSR proposals by voting shareholders has risen over time with a lrise in the average vote for social proposals from 2000-2009 rising from about 8 percent in 2000 to about 12 percent in 2003 and 2004 to over 14.5 percent in 2007 and about 16 percent in 2009 (Source As You Sow, 2010 Proxy Review). However, shareholder votes are non-binding for a company's management, or often in the proxy statement, as shown in Appendix 1, a majority vote is required for by the company before management will take action on a resolution.

3. Brief Overview Previous Studies

Recent previous studies examining shareholder rights to place socially responsible resolutions on corporate proxy statements, allowing shareholders to vote on corporate social responsibility (CSR) issues suggest the importance of reviewing withdrawn proposals as well as non-binding votes for proposals, and industry effects of targeting.

Tkac (2006) examined 2,826 CSR proposals from 1992 to 2002. She found that 17 percent were excluded by the SEC, 52 percent went on to a vote with average support of 8.2 percent, and only four of 1,472 received more than 50 percent shareholder voter support. About 235 or about 8.3 percent of the total proposals eventually resulted in some type of corporate response. Tkac notes that "shepherding a proposal through to a vote" is no guarantee for corporate action or even an "open dialogue." Tkac also found that companies that were noted as "good corporate citizens" such as those on lists as the "100 Best Corporate Citizens" compiled annual by Business Ethics magazine encompassed 14.5 percent of proposals submitted, suggesting activists considered these firms to be more likely to act on proposals. She also notes that successful activism by some corporations targeted can put pressure on competitors to avoid being targeted in the future. Withdrawn proposals accounted for about a third of all social proposals, suggesting that withdrawal of a proposal allowed some dialogue or compromise action on the part of firms that were targeted.

Ertimur, Ferri, and Stubben (2010) studied 2,546 governance proposals from 1997 to 2004 and found that 620 (24.3 percent) received a majority vote, and 193 (7.5 percent) were eventually implemented. Repeated proposals in terms of the same proposal and the same company were not more likely to be implemented than non-repeated proposals. They also found that outside directors who were engaged in implementing majority-vote shareholder proposals demonstrated a 20 percent reduction in their likelihood of losing their board seat, along with other directorships, suggesting a positive response on the part of shareholders. Voting outcome also affected the likelihood of the implementation of a corporate governance resolution.

Reid and Toffel (2009) build on theories of how social activists inspire changes in organizational norms, beliefs, and practices, and test the hypothesis that shareholder actions that are in association as well as regulatory threats are more likely to result in firms adopting practices desired by social activists. Their study focuses on the decision of firms to join in or not join in for the Carbon Disclosure Project (CDP). The CDP is a NGO based in London (representing more than 300 institutions investors with combined $57 trillion in assets under management). Joining in the CDP requires top executives of the world's larges public companies to provide information about their risks and opportunities associated with climate change and strategies, as well as to address these and to reduce company-wide emissions. About 44 percent of companies in the S&P 500 index in 2006 and 2007 responded. They found that firms that were targeted or were in an industry where other firms were targeted by shareholder actions on environmental issues were more likely to participate in the CDP. Also firms with headquarters in states with proposed greenhouse gas regulations that remained uncertain in terms of their scope or stringency were more likely to respond. Evidence appears of both direct and spillover effects for firms in targeted industries, with threats of state regulations from the public sector increasing this likelihood.

Rindfleisch (2008) explores the climate-change related risks for corporations including physical risks, regulatory risks, litigation risks, competitive risks, reputational risks and opportunities, and financial opportunities and the shareholder proposal process

Examining case studies for the impact of shareholder proposals for Anadarko Petroleum Corporation, ConocoPhillips, and ExxonMobil Corporation, she finds that by and large these proposals resulted in some climate change-related disclosure and actions by these firms, with some lags behind competitors for each of the firms in terms of no quantitative goals set for reducing greenhouse gas emissions, and no significant investments or engagement in renewable energy technology at the time of the research.

Bauer, Moers, and Viehs (2011) examine more than 12,000 shareholder proposals filed with S&P 1500 companies during 1997 to 2009 to examine the determinants that affect a proposal's withdrawal. They find that negotiation and withdrawal is more likely with higher institutional ownership and less likely with greater insider ownership.

Proposals instituted by institutional investors were more likely to be withdrawn versus those of private investors.

Yang, Wang, and An (2009) examine 762 Canadian shareholder proposals during 2001 to 2008 and find that proposals that are submitted by institutions or coordinated shareholder groups gain greater support by companies than those submitted by individuals and religious groups. Targeted companies are more willing to reach agreements with institutional investors. They also find evidence of positive stock price reactions to news on proposals submitted by institutional and coordinated investors on social and environmental issues.

Levit and Malenko (2011) develop a theoretical model to analyze whether non-binding voting provides an effective mechanism in terms of conveying shareholder expectations. They demonstrate that non-binding voting generally fails to convey shareholder views in the case when manager and shareholder interests are not aligned. However, they find if an activist investor provides managerial discipline, a non-binding vote may provide an advisory role when there is a substantial conflict of interest between an activist and shareholders.

Renneboog and Szilagyi (2010) using a large sample of 2,800 proxy proposals between 1996 and 2005 examine the proxy process as a disciplinary mechanism, and find proposal announcements in proxy statements to have positive stock price effects, suggesting that shareholder proposals provide significant corporate control benefits, suggesting that proxy proposals are valued by shareholders.

Lee and Lounsbury (2011) examine a “self interest” hypothesis whereby firms that are closer to end users (proxied by non-oil and gas production firms) that are targeted by social activists with proxy resolutions will be more likely to significantly reduce their usage of dangerous chemical over time. Examining 98 industrial facilities as part of 66 public companies operating in Texas and Louisiana, they find that closer to end user firms are more likely to reduce their usage of hazardous chemicals over time.

Few studies, however, have examined whether corporations actually acted on proposals, with votes being non-binding and negotiations for change as recommended by stockholder activists not always publicized or available to the public, in terms of whether promised changes were actually made. Hence, the effectiveness of proposals and whether negotiated proposals or votes is associated with changes that corporations have made, particularly in terms of climate change proposals has not been examined.

4. Overview Sample

In this study, we examine whether shareholder proposals about climate change effective? The climate-related proxy proposals that we examine in 2007 to 2009 include proposals for a company to report and publish its carbon footprint, assess its climate risks, develop a carbon emission reduction plan, and offer more energy efficient products, among others. The sample examined includes 177 proposals that include 35 companies with proxy proposals for more than one year, and 15 instances of multiple proposals at a company in the same year. The proxy proposals include

26 for extractive industries, 17 for utilities, 8 for home builders, and 6 for insurance companies.

Table 1 below shows sample statistics for the 177 climate related proxy proposals during 2007 to 2009. The number of proposals grew from 52 in 2007 to 59 in 2008 to 66 in 2009. The SEC omitted about 30 or 16.95 percent of these proposals. A larger amount 73 or 41.24 percent were negotiated on, where the firm had already made efforts in the area of the proxy proposal or agree to future improvements, allowing proposals to be excluded from a proxy ballot. So the actual proxy proposals that were voted on were only 74 or 41.81 percent of the total 177 proposals. As noted in Table 1, the average voting support for the climate change proxies during 2007 to 2009 was about 22.33%.

Table 1: Climate-Related Proxy Proposal Statistics

Year	2007	2008	2009	Total
Total Proposals	52	59	66	177
SEC Omitted	13	9	8	30 (16.95%)
Negotiated Withdrawal	19	24	30	73 (41.24%)
Voted on	20	26	28	74 (41.81%)
Average voting support	21.8%	23.5%	21.7%	

5. Overview of the Analysis

This study examines the effect of climate-related shareholder proposals in terms of future firm actions taken in response to these proposals. We use a sample of climate change-related shareholder resolutions from 2007 to 2009 submitted to US corporations to see if there is any change in how the sample companies reported greenhouse gases or stated their climate change initiatives. We compare future actions taken by companies based on their response to proxy proposals including: (1) SEC exclusion; (2) negotiation and withdrawal; and (3) proxy proposals placed on the annual meeting for voting including an examination of the effect of the percentage of vote received on proposal measures. We carefully examined past and future reports, press releases, annual and annual sustainability reports, reports by CERES, a national coalition of investors, environmental organizations, and other public interest groups working with companies to address sustainability challenges, and other announcements on the web for companies for the year before, year of the proposal, and years after for each proxy proposals to determine if companies took new action on proposals. For this examination we used a generous interpretation for "taking action." Some actions included minimal gestures and some were delayed, such as a 2007 proposal that a company publish a sustainability report resulting in a 2010 sustainability report. Proxy results for tracked through the present for actions on each climate change proposal.

In addition to examining an overall hypothesis that stockholder climate-change proposals resulted in future firm actions related to each proposal, we examine specific questions relating to which action by managers dealing with a proposal led to more successful results, whether the percentage of shareholders voting was associated with more future actions, whether repeated proposals mattered, and whether firms in industries that are extractive are more or less likely to act, and if proposals are associated with beta changes for extractive industries. Previous studies, such as Tkac (2006) suggest that proposals that are negotiated allowing dialogue or compromise by targeted firms are more likely to lead to future actions on proposals. Eritimur, Ferri, and Stubben (2010) examining a sample of corporate governance proxy resolutions that were voted on during 1997 to 2004 found the voting outcome to be an important factor influencing the likelihood that a proposal would be implemented. Lee and Lounsbury (2011) suggest and find evidence that firms that are not close to end users, such as oil & gas production firms, are less likely to engage in significant actions. The SEC climate-change proposal requiring that climate change risks be reported also suggests that actions taken on climate change will enhance a firm's risk management and reduce a firm's climate change exposure. Examining this premise, we examine the fossil fuel beta for non-extractive companies.

6. Results

For the entire sample, about 36 percent of proposals were acted on, supporting the hypothesis that resolutions were heeded by corporations with companies making climate-related changes proposed by climate-change resolutions. An evaluation of actions that companies made, however, at times was relatively minor compared to more ambitious proposal requests. At times proposal resolutions could represent dramatic changes or costly changes for companies to make, such as the example proposal in Appendix 1. The analysis of specific questions examined are discussed in separate sections below.

6.1 Which Types of Results for Shareholder Proposals Were More Successful?

Tables 2, 3, and 4 show the number of actions taken for each result type. For Table 3, showing actions taken for companies that petitioned the SEC to have proposals omitted which the SEC approved shows that for the 30 proposals omitted by the SEC, only about 12 (40 percent of omissions) took actions. The number of companies taking action increased relative to the number omitted in 2009, with actions later taken on 6 of 8 omitted by companies on proposal requests. This suggests that even omitted proposals may have some affect on corporate actions, perhaps with other public or regulatory pressures reflected by the targeting of a proposal by social activists, leading to actions taken later.

Table 2: Proxy Proposals SEC Omitted and Actions

Year	2007	2008	2009	Total
SEC Omitted	13	9	8	30
Omitted took some action	4	2	6	12 (40%)

For proxy resolutions that were taken to the annual meeting for a vote, shown in Table 3, of 74 companies that had a vote on proxy proposals, just 15 (20 percent) took some future action, consistent with Eritimur, Ferri, and Stubben (2010) who found only 7.5 percent of proposals in their sample of corporate governance proposals during 1997 to 2004 to be eventually implemented by company managers.

Table 3: Proxy Proposals Voted On and Actions

Year	2007	2008	2009	Total
Voted On	20	26	28	74
Voted on took some action	4	3	8	15 (20%)

Consistent with Tkac (2006), companies that had negotiated withdrawal, shown in Table 4 had a larger success rate in terms of future corporate actions related to resolution requests, with 40 of 73 proposals (55 percent) associated with future actions taken by companies on climate-change proposal requests.

Table 4: Proxy Proposals Negotiation and Withdrawn and Actions

Year	2007	2008	2009	Total
Negotiated Withdrawal	19	24	30	73
Negotiated Withdrawal Took some action	12	14	14	40 (55%)

Hence, of the three types of results for shareholder proxies submitted for annual meetings, negotiated and withdrawals had a much larger success rate in terms of later action taken, with 55 percent of the shareholder proposed showing actions taken versus only 20 percent for those voted on, which was lower than the percentage for SEC omissions that were not included in annual meetings.

6. 2 Does Voting Support Matter for Proxies Voted On?

To examine for the proxy proposals that were voted on whether the voting support by shareholders mattered in the firm taking future action, the sample was divided into voting percentiles as shown in Table 5, with the percentage of firms taking future actions for each percentile. As shown in the lowest row, with a higher voting percentile of 20 percent of higher, the percentage of firms taken future action rose, significantly different at a 2% level for differences between votes above or below 20 percent. For the 16 proxy proposals that had shareholder votes of less than 10 percent, only 2 firms (12.5 percent of the total proposals) took action. Similarly for votes of 10 to 19.9 percent only 2 of the 15 proposals (13.3 percent) resulted in later actions. In contrast, for votes of 20 to 29.9 percent, 8 of 22 proposals (36.4%) resulted in future actions and for votes of 30 to 39.9 percent, 6 of 17 proposals (35.3%) resulted in future actions. Only 4 proposals had votes of over 40 percent, with 1 of 3 proposals having actions with 40 to 49.9% votes, and 0 of 1 with an over 50% vote taking future actions. Hence voting support over 20 percent appears to generally matter. Just four proposals received greater than a 40 percent shareholder vote, with action on only 1 of these 4 proposals.

Table 5: Does Voting Support Matter?

Vote	<10%	10%-19.9%	20%-29.9%	30%-39.9%	40%-49.9%	Over 50%
# Elections	16	15	22	17	3	1
Took Action	2	2	8	6	1	0
% took action	12.5%	13.3%	36.4%	35.3%	33.3%	0%

6.3 Do Repeated Proposals Matter?

With some proxy proposals repeated in future years for certain firms, the question arises whether repeated proposals matter. Table 6 shows the number of proposals that were repeated for two, three, and four different years, and the number and percentage of firms taking actions for each category. Thirty-five firms had repeat proposals, 22 for two different years, 8 for three different years, and 5 for 4 different years. For firms with proposals for two different years, 36.4 percent of firms took action; for three different years, 37.5 percent; and for four different years, 20 percent. There was no statistical difference between groups. For the entire sample 37.9 percent of total proposals were acted on. For firms with repeated proposals 34.3 percent of total proposals were acted on. Hence, repeated proposals do not appear to lead to a larger percentage of action taken.

Table 6: Do Repeated Proposals Matter?

Proposals	2 different years	3 different years	4 different years	Totals
# firms	22	8	5	35
# firms taking action	8	3	1	12
% took action	36.4%	37.5%	20%	34.3%

6.4 Do Extractive Industries Take More or Less Actions?

Extractive industries by their nature often result in greater environmental damage and may take more or less action in response to proxy proposals. Table 7 summarizes an examination of differences between actions taken on proposals by extractive versus non-extractive companies in the sample by proposal result type. For total proposals, for the 177 non-extractive industry companies, 64 (36.2%) took future actions compared to 10 companies out of 55 companies in the extractive industry (18.2%). For the SEC omitted proposals, 9 of 30 companies in the non-extractive industries (30%) took action compared to 2 of 12 companies (16.7%) for the extractive industries, with insignificant differences for the paired samples. For the negotiated withdrawal category firms, 40 of 73 proposals (54.8 by the non-extractive industry firms were acted upon. This contrasts with 7 of 14 (50%) of the proposals of the extractive industry firms that were acted upon. For the voted on proposals, 15 of 74 (20.2%) in non-extractive industries were acted upon. This compares to only 1 of 29 (3.4%) acted upon by the extractive company group. For the negotiated withdrawal and voted on proposals, the non-extractive percentage of proposals with actions taken were significantly larger than those of the extractive firm group at a 5% significance level. Hence, extractive industries appear to be more reluctant to act on proposals in these two classes.

Table 7: Do Extractive Industries Take More or Less Actions?

Year (2007-9)	Total	Took Action	Extractive Companies	Took Action
Total Proposals	177	64 (36.2%)	55	10 (18.2%)
SEC Omitted	30 (16.8%)	9 (30%)	12 (21.8%)	2 (16.7%)
Negotiated Withdrawal	73 (42.6%)*	40 (54.8%)	14 (25.4%)*	7 (50%)
Voted on	74 (40.6%)	15 (20.2%)*	29 (52.8%)	1 (3.4%)*

**Pairs indicating significantly different at a 5% level.*

For the extractive companies in the sample, Exxon had 14 climate-linked proposals form 2006 to 2009. Four were omitted through challenge, and 10 came to a vote. Exxon took limited action on a few items by 2010. Other oil and coal companies behaved similarly, consistent with the analysis by Rindfleisch (2008).

Examining the fossil fuel beta for non-extractive companies, there was no change on average in their sensitivity to oil prices before and after a proposal. For future research, we will examine the carbon intensity changes before and after proposals to examine if companies made efforts to reduce emissions.

7. Summary and Conclusion

This study examines the effect of climate-related shareholder proxy proposals on how companies report and address climate change issues. We use a sample of climate change-related shareholder resolutions from 2007 to 2009 submitted to US corporations to see if there is any change in how the sample companies reported greenhouse gases or stated their climate change initiatives. We compare future actions taken by companies based on their response to proxy proposals including: (1) SEC exclusion; (2) negotiation and withdrawal; and (3) proxy proposals placed on the annual meeting for voting and the percentage of vote received on proposal measures

From our preliminary analysis of climate change proposals, the results support the hypothesis that shareholder proposals do bring about some corporate change. More newsworthy votes and even majority votes appear to be the least effective, with negotiated, withdrawn proposals and omitted proposals more effective in terms of future actions taken as demonstrated in future annual and sustainability reports. For proxy proposals that are voted on by shareholders, voting support appears to matter, with more actions on proposals taken with votes by shareholders of approval of 20 percent or more. Repeated submission of proxy proposals appears to increase actions taken, but also appears to be less effective than negotiation and subsequent withdrawal of proxy proposals. Extractive industry companies appear to be particularly resistant to negotiation, with a preference for SEC exclusion or voting that is non-binding.

On a caveat, we take a generous interpretation of 'taking action.' Some companies provided minimal gestures in response to more detailed demands on proxy proposals, and some responses were delayed, such as a 2007 proposal resulting in a 2010 sustainability report. Other companies acted more in the spirit of shareholder proposals, such as joining in for the Carbon Disclosure Project and having an in depth sustainability report, so factors affecting the diversity of actions taken across firms for future research could be analyzed in greater depth.

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Appendix 1: Sample Climate Change Proxy Proposal

Shareholder Proposal for the Conoco Phillips Annual Shareholders Meeting, May 12, 2010

(Source: SEC DEF14A, pp. 22 to 23, Definitive Proxy Statement, pp. 22 to 23)

"Stockholder Proposal: Greenhouse Gas Reduction"

What am I voting on? You are voting on a proposal submitted by The Board of Pensions of the Presbyterian Church (USA). We will provide the proponent's address, and the number of the corporation's voting securities that the proponent holds, to stockholders promptly upon receiving a request for the information. The text of the resolution and the supporting statement are printed below verbatim from the proponent's submission.

What is the Proposal? **2010 Resolution to ConocoPhillips on Greenhouse Gas Reduction Goals**

Whereas: The American Geophysical Union, the world's largest organization of earth, ocean and climate scientists, states that it is now "virtually certain" that global warming is caused by emissions of greenhouse gases (GHG) and that the warming will continue.

The International Energy Agency warned in its 2007 World Energy Outlook that "urgent action is needed if greenhouse gas concentrations are to be stabilized at a level that would prevent dangerous interference with the climate system.

The Kyoto Protocol obliges Annex I signatories (industrialized countries) to reduce national GHG emissions below 1990 levels by 2012. However, the Kyoto reduction targets may be inadequate to avert the most serious impacts of global warming. United Kingdom Prime Minister Gordon Brown says the EU should aim to reduce its carbon dioxide emissions by 30% below 1990 levels by 2020, and by at least 60% by 2050.

Since Kyoto was adopted, the urgent need for action to prevent the most damaging effects of climate change has become increasingly clear. Current negotiations on a successor agreement to Kyoto are focused on deeper reductions of emissions.

The 2006 Stern Review on the Economics of Climate Change, led by the former chief economist at the World Bank, " estimates that if we don't act, the overall (worldwide) costs and risks of climate change will be equivalent to losing at least 5% of global GDP each year, now and forever." In contrast, the costs of action would be about 1% of global GDP each year. While some may criticize this scenario, Nobel Prize economists have applauded this work, urging immediate responses.

ConocoPhillips spent $80 million in 2006 to develop technology for alternative and unconventional energy sources, and planned to increase such spending to $150 million in 2007. However, the company emitted 64.3 million metric tons of CO2 equivalent GHG emissions in 2008, up from 2007 by 1.4%.

Failure to reduce operational emissions, or to offer lower-carbon products may necessitate the purchase of expensive carbon credits even as competitors are generating new revenue through the sale of excess credits.

Resolved: shareholders request that the Board of Directors adopt quantitative goals, based on current technologies, for reducing total greenhouse gas emissions from the Company's products."

What vote is required to approve this proposal?

Approval of this proposal requires the affirmative vote of a majority of the shares present in person or represented by proxy at the meeting and entitled to vote on the proposal.

What does the Board recommend?

THE BOARD RECOMMENDS THAT YOU VOTE "AGAINST" THIS PROPOSAL FOR THE FOLLOWING REASONS:

ConocoPhillips has demonstrated significant commitment to addressing the challenges and issues of climate change through active participation in, and funding of, internal and external programs to understand and reduce greenhouse gas emissions, and to develop sound government policy for their regulation. In support of our commitment, the Company is implementing an action plan that includes measures to reduce emissions from Company assets. As part of this corporate-wide plan, ConocoPhillips is developing internal emission reduction-related actions and milestones for our operations as well as technology options and commercial plans. In addition, the Company is integrating an understanding of emissions impacts into long-range business planning and capital project evaluations.

The Company also evaluates when it is in the Company's best interest to purchase emissions credits, when it makes economic sense to implement mitigation projects, and when a mixture of both is most appropriate. Further, the Company will continue to report progress on its plans and will regularly report emissions data for our operations.

The Company is working to understand and address the environmental, technological and economic impact of greenhouse gases and other emissions in its operations. ConocoPhillips is improving the energy efficiency of its refineries and investigating the potential use of carbon capture and storage technology as a means to reduce emissions. In December 2007, ConocoPhillips joined the World Bank's Global Gas Flaring Reduction partnership (GGFR). By joining GGFR, ConocoPhillips has committed to reduce natural gas flaring and to make efforts to minimize flaring practices by finding alternative uses for the natural gas associated with oil production. And in 2006, ConocoPhillips reinforced its commitment to reduce methane emissions through participation in the U.S. Environmental Protection Agency's Natural Gas STAR program.

In addition to taking actions to reduce our emissions, we also intend to play a constructive role in public policy dialogue to devise practical, equitable and cost-effective approaches to stabilize the concentration of GHG in the atmosphere. It is our view that mandatory national legislative frameworks which link to international ones are most likely to achieve meaningful global GHG reductions.

Because these on-going efforts are moving the Company forward to address climate change, the Board does not believe it is in the best interests of the Company, and it would not be an efficient use of Company resources, to establish at this time quantitative goals for reducing total greenhouse gas emissions from the Company's products and operations and issue a report by September 30, 2010, regarding its plans to achieve these goals.

The proposed report would not add value to the Company's efforts in this area; therefore the Board recommends you vote **AGAINST** this proposal.