Therefore, let it be resolved…

Active shareholders are looking for better environmental and social information

It would be hard to find a company that did not see its shareholders as its most important stakeholders. So when shareholders ask for something, companies pay attention.

Increasingly, shareholders are asking for improved corporate reporting on social and environmental performance. It's no secret that information is the key that allows investors to better understand, evaluate, and assess potential risk and return. Markets value transparency.

"Institutional investors are looking for a broad range of environmental and social information because they are factors that drive long-term profitability," says Peter Chapman, executive director of the Shareholder Association for Research and Education (SHARE). "When the information is missing, investors can't make good decisions."

SHAREHOLDER RESOLUTIONS

Because environmental and social reporting is not regulated, performance data is often inconsistent, incomplete, or invisible. An aggressive approach to getting information is to launch a shareholder resolution. The most active shareholders in filing social and environmental resolutions are socially responsible mutual funds, public pension funds, the faith community, and social and environmental advocates. The most active in Canada are Inhance Investment Management Inc. and The Ethical Funds Company.

The activity caught fire in the United Kingdom and the United States and is beginning to crackle in Canada. The Social Investment Forum reports that more than 350 social and environmental resolutions were proposed in the U.S. in 2007. More specifically, shareholders filed 40 resolutions in 2007 asking companies to increase their sustainability reporting—a 100 per cent increase over 2006.

In Canada, the numbers are lower, but still noteworthy. Out of a total of 97 shareholder resolutions in Canada in 2007, as tracked by SHARE, seven were related to disclosure on environmental and social performance or plans. Several other resolutions asked companies to adopt human rights policies or assess climate change risks.

It would be a mistake to consider shareholder resolutions a nuisance with little potential for changing behaviour. It wasn't that long ago that gaining 10 per cent approval on a socially or environmentally related shareholder resolution was deemed a success. Now, some resolutions garner upwards of 50 per cent support. Instead of letting a resolution get to that point, a prudent company works with the group proposing the resolution to reach agreement on action.

Should companies be concerned? Over the years, such Canadian oilfield icons as EnCana Corp., Imperial Oil Ltd., Nexen Inc., and Petro-Canada have been presented with shareholder resolutions requesting expanded disclosure on social and environmental issues. With the annual general meeting season coming up, companies with spotty disclosure should not be surprised if they receive a shareholder resolution. However, smaller companies should consider themselves lucky since they are still flying below the filers' radar. ▶

Climate disclosure leaders

The Climate Disclosure Project identified the following Canadian oil and gas industry players as climate disclosure leaders:

- Enbridge Inc.
- EnCana Corporation
- Gaz Métro
- Nexen Inc.
- Penn West Energy Trust
- Suncor Energy Inc.
- Talisman Energy Inc.

INVESTOR SURVEYS

Shareholder resolutions are often not the first step in trying to access better information. Many institutional and socially responsible investors request information from companies through surveys. The analysts for the Dow Jones Sustainability Indexes and the Jantzi Social Index, for example, send surveys to many Canadian companies annually.

"For an indication of how sustainability information is becoming integral to investment decisions," says Chapman, "you need look no further than the increasing number of sustainability information analysts at sell-side research firms like UBS or Goldman Sachs."

Over the past five years, a coalition of international investors under the banner of the Carbon Disclosure Project (CDP) has asked companies about their greenhouse gas liabilities and strategies. In 2007, the group included 315 investors (30 of which are Canadian) with a combined $41 trillion of assets under management. Signatory investors include Morgan Stanley, Barclays, HSBC, and the big Canadian banks and institutional investors.

The survey went out to 2,400 of the world's biggest companies, including Canada's 200 biggest companies. Despite the carbon intensity of the oil patch, only slightly over half of the 52 surveyed oil and gas producing, pipeline, and service companies responded. Imperial Oil, Precision Drilling Corporation, and Pengrowth Energy Trust were amongst those that did not respond.

THE PROACTIVE APPROACH

Initially, at least, a company might respond to surveys and resolutions, but that gets old fast. For numerous reasons, including to remedy survey fatigue, companies are publishing sustainability reports, covering social and environmental performance and other issues of interest to investors.

Sustainability reporting does not have to be an all or nothing undertaking. There is still considerable forgiveness in the reading masses when it comes to the efforts of new reporters, especially if the report is clear about what is missing and why.

Companies adopting an incremental approach to sustainability reporting could start with just a few environmental indicators, or cover just a portion of their operations. Or they could share what they are already measuring and reporting internally. Rookie reporters need not feel compelled to release a hefty tome.

Because sustainability reporting is a young field and expectations for transparency are high, it is sensible to proceed along a continual improvement path and get started sooner rather than later.

— Mark Brownlie

Mark Brownlie is chief executive officer of Responsibility Matters Inc., a Calgary-based consulting firm assisting companies and non-profits with sustainability strategies and communications.