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Bringing about changes in corporate social policy:
How effective can be filing shareholder
proposals?

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**Les cahiers de la CRSDD • collection recherche
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Summary

Investors who are dissatisfied with the social performance of firms may file shareholder proposals, according to the so-called Rule 14 a-8, enacted by the SEC (United States' Securities and Exchange Commission). This article examines a key question of shareholder-initiated social policy proposals, namely, its capacity to exert pressure on management to adopt the suggested changes in policy. In order to address this question, a total of 2,310 shareholder-initiated social policy proposals filed in the United States during the years 1997-2004 were compiled and analyzed. Following previous literature on filing of shareholder proposals, we focus our analysis on withdrawn proposals. However, unlike previous researchers, we don't consider that each and every one of withdrawn resolutions should necessarily reflect implementation of the requested management action. We presented a number of arguments to sustain our view that in many cases, social policy resolutions are in effect withdrawn to avoid failure in the proxy ballot or likely omission by the regulator. We searched the outcome of the negotiations for each withdrawn resolution, using Google and ABI/Inform. Our analysis reveals that social policy shareholder resolution have a limited, although a non negligible capacity to change corporate social policy. The analysis also shows that this capacity to exert pressure on management is related to the identity of the filer and the type of issue presented in the resolution. These two elements could also play a role in other aspects of shareholder resolutions' outcomes.

List of most used acronyms

CRSDD	Chair of Social Responsibility and Sustainable Development
ICCR	Interfaith Center on Corporate Responsibility
IRRC	Investor Responsibility Research Center
SEC	U.S. Securities and Exchange Commission
UQAM	University of Quebec in Montreal

Introduction

Investors of public companies who are dissatisfied with social performance of firms may file shareholder proposals (also called resolutions), to voice their concerns to top management. This activity is supported and regulated by the so-called Rule 14 a-8, enacted in 1942 by the United States' Securities and Exchange Commission (SEC). Since early 1970s, the SEC has allowed activist shareholder to file proposals related to the impact of corporations in society (Vogel 1978); a decision that was codified in 1976 (Ryan 1988). Nearly 300 social policy resolutions were filed every year in the United States during the period that we examine, i.e. 1997-2004. According to Campbell et al. (1999), roughly a third of a total of 869 shareholder-initiated proposals received by US firms in 1997 were connected with social issues. Two thirds of them dealt with the operation of firms' corporate governance, i.e. aspects like the operation of the governance structures of the firm, including boards and the operation of mechanisms assuring that top management does not insulate itself from the so-called market of corporate governance (takeover markets and others).

Social policy proposals call firms to undertake different types of actions. For instance, they demand companies to expand the presence of ethnic minorities or females in their boards, which were still in the early 1970s, in the words of a commentator "(...) a virtually exclusive white male institution (Vogel, op. cit. pp.12)." Other proposals seek companies to adopt the standards of the International Labor Organization in their international operations; to oblige their suppliers abroad to support those standards in their operations and to secure independent monitoring of the compliance. Some other proposals also call management to avoid discriminating against employees because of sexual orientation or to prepare and disseminate reports on the environmental impact of their firms' operations. The relative low costs of filing resolutions, however, also invites to submission

of proposals that can be of frivolous nature, or intended to serve the particular interests of a very restraint group of shareholders.

This article seeks to shed light on the question of the effectiveness of proxy filing as a mechanism to induce changes in corporate social policy. This subject, to the best of our knowledge, has only attracted a limited attention from researchers (Proffitt and Spicer 2006, Tkac 2006). Proffitt and Spicer (2006) examine effectiveness of proxy filing in the context of international human rights and labor standards. These authors draw on the social movement perspective, which connects activism and agenda framing. They argue that within this perspective, interest groups that are not sufficiently powerful on their own bring new issues to the attention of policy-makers and enlist the support of a broad range of other groups to support their cause. Proffitt and Spicer claim that it is difficult to measure success from a social movement perspective as the result from collective mobilization may only become discernible over years or even decades. They claim that religious shareholder activists, for instance, had a pioneering role introducing the question of international human rights and labor standards in the proxy machinery. They created the conditions for pension funds to step in and use their financial power to pressure corporations to adopt the proposed labor standards. In spite of the difficulties to assess success from the social movement perspective, Proffitt and Spicer proposed a short-term metric of success, namely, the ratio of proposals that gather 10 percent or more of votes and those that are withdrawn. By means of this indicator, they conclude that success rate ranges from 12.5 percent of proposals related to corporate involvement in Communist countries to 59.3 percent for those related to South Africa and 60.3 percent for proposals related to Northern Ireland.

Tkac (2006) examined all social shareholder proposals monitored by the IRRRC (Investor Responsibility Research Center) over the 1992-2002 period (2,829 social shareholder proposals). Roughly half of these proposals were voted and a

third of them (869) were withdrawn by their filers. Tracking down information on websites, through Google searches, newspaper databases and personal contact, the author found information concerning the outcome of 298 withdrawn proposals. In 79 percent of these cases, the final outcome was a concrete action on the part of the firm. Another 19 percent resulted in dialogue between filers and the firm without any commitment to action on the part of the firm. She contends data supports the idea that withdrawn proposals can be viewed as activist successes and thus, that the 30 percent of withdrawn proposals constitute a reasonable lower bound on the rate of success of socially responsible shareholder activists.

Our methodological approach is similar in some respects to that of Tkac. We study all social policy proposals filed during the period 1997-2004 in the United States, as reported by the IRRC. We also examine, using basically Google searches, the outcome of negotiations conducting shareholders to withdraw their resolutions. However, we differ in other respects with Tkac's approach. We are at odds with the researcher idea that withdrawn proposals, in general, can be viewed as activists' successes. Among other reasons, we argue that low voting turnover that social policy proposals gather in average, suggests that many proxies may be withdrawn by activist shareholders just to avoid the possibility of gathering less than the minimum voting percentage required to file again the proposal. In many other cases, proposals are withdrawn in exchange of dialogue between the filer and company management. Very often, ensuing dialogue fails and the very same proposal is filed again throughout the years, thus impeding us to count every withdrawal as a success, particularly if concrete (even if only promised) action of the firm is considered a necessary condition for success.

Thus, in order to assess the efficacy of social policy proxy filing to induce changes in corporate behavior, we focus on the sample of proposals withdrawn in exchange of actions on the part of the firm. Using this sample we explore the consequences that the

type of issue raised in the proxy and the identity of the filer may have in the outcome of social proxies. In doing this, we draw on the results of a number of papers that studied corporate governance-related proxy filing. Gordon and Pound (1993), for instance, found that there are significant variations in voting outcome as a function of both sponsor identity and proposal type. Wahal (1996) suggests that certain issues (such as takeover-related proposals) were less likely to be adopted by management of firms targeted by pension funds.

We analyze as well the connection between types of issue raised and identity of the filer and other aspects of the capacity of the proxy filing activity to bring about changes in corporate social policy. Previous literature on corporate governance shareholder proposal filing presents anecdotal evidence that even relatively low vote turnovers may be perceived as intimidating by management of targeted companies; prompting it to react positively to activist shareholders' requests (Del Guercio and Hawkins 1999). Thus, we analyze the possible connection between type of issue raised in the proxy and identity of the filer for vote turnover. On other hand, many proposals find a dead end, whether because they are omitted by the regulator, or because they fail to gather the minimum vote tally required for resubmission. Following the same approach, we also study the role that proxy issue and filer may have in this outcome. We find our analysis useful to understand the efficacy of the proxy machinery as a mechanism to change corporate social policy, and we also think that it may sustain future research. Moreover, this paper also sheds light, although indirectly, on other aspects such as the motivation of social policy proxy filers, an issue that has been examined by Rehbein et al. (2004).

The remaining of the paper goes as follows. Next section discusses in detail the Rule 14a-8, which regulates the operation of the shareholder proposal filing in the United States, focusing on the limits that the Rule imposes on shareholders, and the possibilities that it creates for them to negotiate with

management. A third section discusses results of previous literature dealing with social policy resolutions, particularly in its connection to the capacity of proxy filing to modify corporate social policy. A third section deals with our data sources and methodology. A fourth section presents the main results of the paper. It discusses the categories of issues raised by social activists, type of actors involved in social proxy filing, and their role on proposal outcomes (withdrawn, voted or omitted), with a focus on proposals withdrawn in exchange of corporate action. A closing section presents the conclusions of the paper and suggestions for further research.

Operation of the Rule 14a-8

Investors in the United States are entitled by the Securities and Exchange Commission's Rule 14a-8 to submit proposals for inclusion in the proxy material of the firm, at no cost to them and for subsequent presentation at the annual general meeting. If such resolutions are properly presented at the annual general meeting, they will be voted on (Ryan 1988, Gillan and Starks 2000, Del Guercio and Hawkins 1999). The number of proposals submitted under Rule 14a-8, codified by the SEC in 1942 has been rising steeply over the past few decades. From 860 total resolutions submitted during the 1950s, the number increased to over 7000 during the 1990s. The level of shareholder support that such proposals have achieved has been growing as well (Brownstein and Kirman 2004).

One of the primary purposes of the Rule 14a-8 was to create a means to permit shareholders to communicate their views, both to management and among themselves (Brownstein and Kirman 2004). In 1952, the SEC amended the rule to permit management to exclude proposals made primarily for the purpose of promoting general economic, racial, religious, social or similar causes. This policy was later amended as a consequence of the emergence of the social movements in the 1960s and 1970s which mirrored in public corporations' life. The decision to allow social policy proposals into proxy materials was later codified in a 1976 reform of the rule (Ryan op. cit., pp. 113-114).

The rule limits the number of proposals that a shareholder may submit and provides that these submissions must be timely and succinct, in order to avoid interference with management's own solicitation. These conditions have been interpreted along the time. In order to have access to the proxy materials, a shareholder must own at least one percent or US \$ 2000 in market value worth of securities for at least one year to be entitled to file a proposal. The qualified shareholder is limited to

one proposal per meeting to be included in management's solicitation. The proposal must be limited to 500 words including any supporting statement. The proposal may include references to website addresses, but this reference can be challenged by the company (SEC 2001).

The rule provides that management may refuse to include certain types of proposals. If the SEC concurs with the firm, a proposal can be excluded from the proxy materials. There are thirteen grounds for exclusion of a proposal. For instance, if the proposal deals with a matter related to ordinary business operations; or if it relates to operations that account for less than 5 percent of the company total assets at the end of the most recent fiscal year. Other important reason for exclusion is that a proposal dealing with substantially the same subject matter has been included in the proxy materials during the last 5 five years and that it failed to pass the required voting thresholds: 3 percent of the vote if it has been included once; 6 percent if it has been included twice; and 10 percent if it has been included three or more times (SEC 2001).

These restrictions and other factors favor management in the operation of the rule. Furthermore, the typical rule 14a-8 proposal is precatory in nature (Ryan 1988). Even if a proposal receives more than 50 percent of the votes, management may decide not to implement it, the only general exception being binding bylaw amendments (Brownstein and Kirman 2004). Other factors may additionally favor management. Proxy vote is not generally anonymous, which leaves institutional investors open to pressure from managers who may be able to determine in many circumstances who voted with them and against them. This can be a sensitive issue for institutional investors who supply financial services to the firm. As proxy votes are revocable up to the time of the vote at the annual meeting, management can lobby to change the votes of shareholders who voted against its wishes (Davis and Thompson 1994). Management may profit then from a comfortable position regarding the control of the

proxy process, and the non-binding nature of most shareholder proposals. However, the importance of shareholder proposals shall not be underestimated. To begin with, as Ryan observed, by means of proposals, shareholders can put management on notice of their expectations. Moreover, unlike other sources of information available to management, such as stock market performance, shareholder proposals are infrequent and harder to overlook or misinterpret.

Proposal filing follows a number of distinct steps over a cycle, which may repeat itself over a number of years. These steps are not necessarily the same for all kind of filers. In a first step, activist shareholders must select a company to target among those that they hold in their portfolio. A second step is to communicate with the target firm. Typically a letter is sent to the firm's management, informing of the requests. Sometimes a dialogue is solicited. The letter could be publicized or not. In some cases, like the institutional investor TIIA-CREF, a proxy is filed simultaneously (Carleton et al. 1998). Domini, a socially-screened mutual fund stresses that only if the company is not willing to engage in dialogue, or there is no progress in discussions, then they may file a shareholder proposal (Domini Social Investments 2007).

The third step is the filing of social policy shareholder proposal to be voted in the annual general meeting. After the filing, shareholder activists and the firm may engage again in dialogue. Eventually, those negotiations may lead to withdrawal, if management agrees in implementing the filer requests. The filer may withdraw the proposal in order to facilitate further discussions with management, even if this does not imply an immediate change in corporate policy or to avoid the possibility that the proxy does not attain the minimum threshold, an event that may have strong adverse implications, as we discuss later.

Discussion of literature: Outcomes of shareholder-initiated proposals and definition of success

Shareholder-initiated proposals have basically three possible outcomes: they can be voted by shareholders, i.e. be present in the proxy materials forwarded to them by management for the annual general meeting of the company; they can be withdrawn by the shareholder, therefore placing them outside the consideration of shareholders; or be omitted by the regulator, i.e. the SEC.

Each of these outcomes has an implication in terms of the capacity of the filer to obtain the desired changes in corporate social policy; this paper's main objective being to shed light on that capacity. Voted proposals, given the non-binding nature of the Rule 14a-8 are not necessarily conducive to any sort of changes in corporate policy. Chidambaran and Woidtke (1999, pp. 4) sustain in fact that "Proposals that go to a vote represent a failure in negotiations and are those that the filer believes will not receive widespread support from shareholders." We basically concur with Chidambaran and Woidtke's view of voted proposals as an indication of no action by management, although we introduce some nuances to that view further, based on the fact that there is anecdotal evidence suggesting that management may react even to relatively modest vote turnover tallies. However, we must keep in mind that, in general, social policy proxies receive low vote tallies.

A second possible outcome is withdrawal of the proposals. Proxies can be withdrawn by shareholders from proxy materials for a number of reasons. First, managers of the targeted firm, as Chidambaran and Woidtke (1999) argue, may enter into negotiations if they believe that the proposal would receive widespread support from investors, thus attracting undesired attention on a particular aspect of the firm's performance. By acting preemptively, negotiating the withdrawal, management can avoid to include the proposal in the proxy material, retaining

a degree of control on the nature of the policy changes to be implemented. Those agreed changes may be satisfying enough for filers, leaving them to withdraw the proposals. In other cases, management and the shareholder filer may agree on initiating a dialogue on the issue, something that could be deemed acceptable by activist shareholders, particularly for those that otherwise would not have access to top management of firms.

Filing shareholders could also withdraw proposals for strategic reasons. They may envisage a limited support from the investor base, implying for instance, a vote tally under the minimum required for resubmission, an event that would be seen as a resounding message of failure. If this is the case, filers would accept a minimum dialogue as a condition for withdrawal (even with low level officials of the company), minor concessions, or changes in social policy other than the originally requested, in exchange of the withdrawal. It is even possible that they unilaterally withdraw their request, in the absence of negotiations, if they anticipate an extremely low level of vote in support of their resolution.

Another possible outcome is omission of the resolution by the regulator. The SEC can do so if it concurs with management request, allowing company officials to omit the resolution from the proxy materials sent to shareholders. Omitted proposals are a clear form of failure, whatever the reason that supports the exclusion. In this case, management doesn't have to negotiate any withdrawal with filers, and stockowners don't even have to vote on the issue.

In our quest to understand the capacity of stockholder resolution filers to obtain changes in corporate social policy we focus on withdrawals, resulting from the promise of management of the firm to implement the suggested changes. Proposals put to vote, we argued; signal a closing end to negotiations between filers

and management. Omitted proposals are a clear indication of failure.

What be said of withdrawn proposals in terms of success? Many observers in the popular press and in academic literature tend to connect withdrawal, almost automatically, with success. Tkac (op. cit. pp. 13) for instance, indicates that "(...) a withdrawal resolution usually signs some type of action on the part of the corporation — dialogue, agreement to resolution, or some other compromise. Withdrawal can be viewed as indicating some level of success." She searched for information about the 859 proposals in her database, by means of websites of proponents and firms, Google searches, newspapers databases and direct contact with proposal sponsors. Tkac found information about 298 proposals. She acknowledges that the sample of 298 proposals represents a lower bound on the number of withdrawn proposals that were successful, and an upper bound on the activists' success rate, if an appropriately broad definition of "successful" is applied.¹ However, in spite of these remarks about the sample of 298 constituting an upper bound on activist success rate —a proposition that we fully support—, she concludes further in the text that "(...) 30 percent, the percentage of withdrawn proposals in the entire data set, is a reasonable lower bound on the rate of success of socially responsible shareholder activists. Furthermore, she says, "If the analysis is restricted to only the nonomitted proposals, this success rate increases to 36 percent of the proposals that might have gone or did go to a vote" (op. cit. pp. 17).

For a number of reasons, we are at odds with Tkac proposition on the quasi-equivalence of withdrawal with success. To begin with, as it has been already stated, we do believe that filers may

¹ In 79 percent of the 298 withdrawn resolutions for which follow-up information was obtained by Tkac, the final outcome was a concrete action on the part of the firm. Another 19 percent of the resolutions resulted in dialogue between activists and the firm without any commitment to action on the part of the later.

withdraw their resolution if they have reasons to anticipate extremely low turnovers or likely omission for SEC. Under these circumstances, they can either simply withdraw, with no commitment from management, or accept to start dialogue, in the absence of even a minimum commitment to action from the firm.

This possibility is congruent with Chidambaran and Woidtke (1999), who noted that a larger percentage of social issue proposals is withdrawn vis-à-vis those dealing with corporate governance. In fact, 43,5 percent of social policy proposals in their sample were withdrawn, but only in 17,6 percent of those related to corporate governance did their sponsors agree to do so. This higher rate, the authors claim, might reflect the fact that social proposals are less costly for the manager to accept. They also suggest that this higher withdrawal rate could result from social policy proposals calling, in some cases, for policies that are already in place, a hypothesis originally presented by Campbell et al. (1999). We do not find Chidambaran and Woidtke explanation entirely satisfactory. In fact, many requests contained in social policy shareholder proposals could be a priori considered being expensive, as they may imply considerable changes in technology for the involved firms, or other key aspects of the business operation. This is the case, for instance, of companies in the manufacturing and energy sectors being asked to reduce their levels of carbon emissions, or pharmaceutical companies being requested to voluntarily shorten the lifespan of the patents they hold, or to reduce the price of the anti-HIV drugs that they produce and market, requests that arrive very often to firms in our sample.² On the other hand, we found

² Complying with existing environmental regulations in the United States context implies important costs. According to Jaffe et al. (1995, cited by Dowell et al.) complying with environmental regulation in the United States exceeded \$ 125 billion, or about 2.1 percent of Gross Domestic Product. Arguably, going beyond legal environmental regulation, as many shareholder-initiated proposals often demand, can be equally expensive for firms.

just a few cases where management of a targeted firm contended that the requested policy was already in place. Therefore, we hint that withdrawal rates must be higher in social policy filing than in corporate governance as a result of filers' attempt to avoid failure, if they anticipate very low support from fellow investors.

Other aspects of the operation of the Rule 14-a) motivate us to raise serious questions about the possibility to consider all withdrawals as successes. There are reasons to believe that in many cases filers may anticipate extremely low levels of vote for the resolutions that they have presented to the companies. These anticipations can be built while filers lobby major institutional and individual shareholders of the companies that they approach during the time that elapses (months in many cases) between the filing of the resolution and the actual moment of the annual general assembly of the company. If proponents have a tendency 'to trumpet successes and hide failures' as Tkac acknowledges, we must question ourselves about the meaning of withdrawn proposals for ignored reasons. We hypothesize that this type of withdrawals reflects failure in negotiations and more important, the anticipation of their filers of very poor vote turnovers, something that lead them to withdraw unilaterally their resolutions. In fact, akin to managers who foresee a large turnover that may affect their reputation and capacity to react, some filers act pre-emptively and withdraw before the actual vote takes place. These withdrawals are, therefore, an indication of failure. Our analysis, as we discuss more in detail later on, gives support for this hypothesis. The more important group of filers for which no information is available on their withdrawals, exhibit, by large, more cases of proposals not attaining the minimum levels required for resubmission.

There is support in previous literature to the view that social proxies gather considerably less vote turnovers than corporate governance, making them more vulnerable for being unable to resubmit in subsequent years the same resolution. Campbell et

al. (1999) while studying the 1997 proxy season, report that corporate governance proposals generally received a higher level of support with a mean of 23.6 percent of the votes cast in favour versus 6.6 percent for social policy proposals (medians were 19.4 percent and 6.1 percent respectively). Under these conditions, filers of social proposals facing managers who are unwilling to compromise may be fearful of obtaining vote turnovers lower than those needed for resubmission, an outcome which filers of corporate governance resolutions can easily avoid.

There is also the possibility that social policy filers confront a greater likelihood of having their proposals omitted by the regulator, *vis-à-vis* filers of corporate governance proposals. Campbell et al. (op. cit.) found that 34, 1% of social policy proposals were omitted in 1997, in contrast with only 22.3 percent in the case of corporate governance.³ Furthermore, Graves et al. (2001) argue that shareholder activism follows fads and fashions, with new issues coming to the proxy machinery, while others lose their importance. New issues that sometimes can be contentious may imply a greater possibility of omission that the more established patterns that one can assume in the corporate governance resolution filing activity.

In summary, in our view, activist shareholders may withdraw some resolutions unilaterally, without disseminating information, in order not to see their resolutions confronting blatant forms of failure. By the same token, we also argue that these activist stockholders may accept minimum gestures of management acceptable, in exchange of withdrawing their resolutions. Most notably, they can accept, and publicize, the opening of dialogue

³ This possibility should be taken with care, however, given that in 1998 the SEC reversed a decision from 1992 allowing companies to exclude proposals related to employment issues, as Campbell et al. report. It could be the case that the previous ruling leads to a larger number of social policy omissions. In fact, both years, 1997 and 1998, exhibit the larger percentage of omission rates in our sample.

with firms, on the grounds that it constitute a positive step and it leads to potential changes in corporate behaviour. Proffitt and Spicer (2006) give theoretical support to this possibility. Drawing on the social movement approach, they point out to the possibility of shareholder activism serving to frame the agenda of discussions between corporations and activists and inducing change of social corporate in the long term. While we accept that this view has some merits, we also unearth examples showing that some firms in our sample are targeted repeatedly with the foreseeable outcome of withdrawal in exchange of dialogue. Counting each one of these withdrawals as a “success” will lead us to overestimate the efficacy of filing resolutions as a mechanism to promote change in corporate social policy. Thus, we prefer to treat differently these withdrawals and those leading to actual changes in corporate policy. Predictably enough, our approach pictures proxy filing as a tool of much limited capacity to change corporate social policy, vis-à-vis previous estimations available in the literature.

Once the criteria of success are re-assessed, on the basis of the previous discussion, the paper also studies the connection between filers' capacity of exerting pressure on managers, including vote tally received by propositions and two factors, namely, identity of the filers and issue raised in the proposals. In doing this, we follow previous literature related to filing of corporate governance shareholder proposals,⁴ suggesting that both filer identity and type of issue play a significant role in variations in voting outcome (Gordon and Pound 1993). Wahal (1996) indicates that certain issues (such as takeover-related proposals) were less likely to be adopted by management of

⁴ Corporate governance resolutions, according to Chidambaran and Woidtke (1999) are those related to the external control of the corporation (like repealing the adoption of anti-takeover devices); internal governance mechanisms (including functioning of boards); executive compensation and in general, all proxies that pertain to the financial performance of the firm.

firms targeted by pension funds. In the context of social policy shareholder proposals, Tkac (2006) has shown that certain issues are more likely to be withdrawn by the filer, presumably in exchange of negotiations. Thus, throughout our investigation we examine the role of filer identity and issue type as determinants of the capacity of shareholder proposal to induce changes in corporate social policy. Specifically, we analyze the impact of these elements on negotiations dealing to successful withdrawals of proposals (i.e. withdrawal of resolutions in exchange of adoption of the requests), voting turnover and omission and failure to gather the minimum vote turnover required to resubmit the resolution.

Data sources and methodology

In order to analyze the effectiveness of social policy shareholder proposal filing, we have created a database, using Excel. In a first step, we put together all social policy shareholder-initiated proposals received by firms in the United States during the 1997-2004 years. These proposals (a total of 2,310) were retrieved from IRRC's yearly publication Social Policy Shareholder Resolutions. For each proposal, IRRC provides a checklist, containing the name of the company; the summarized title of the resolution; the sponsor's name; as well as the status of the resolution, i.e. withdrawn, omitted, not in proxy or voted (in this later case, turnover is reported in percentage of shares). The publication also contains additional information and analysis on an important number of proposal withdrawals, omissions and vote tallies.

In a second step, the abovementioned information was complemented, following a number of steps. First, a number of sources were used to establish the outcome of negotiations for each withdrawn proposal. We visited the websites of filers and targeted companies and we also used Google searches and the database ABI/Inform in order to collect information on the outcomes of the negotiations leading to withdrawals.

On the basis of the information compiled throughout these sources, we assigned a code to each withdrawn proposal, according to the types of outcome of the withdrawn proposal. Thus, a first code was assigned to proposals that were withdrawn in exchange of implementation of the request (i.e. what we labelled as 'successes'), another code was given to those that were withdrawn in exchange of actions other than those requested or because management has agreed to initiate a dialogue with the sponsor of the proposal ('dialogue'); a third code was applied to those proposals for which the IRRC explicitly reported that the filer wanted to avoid likely omission by the regulator; another to those proposals that were withdrawn

because the targeted company merged or it was acquired since the proposal was filed; and finally, a separate code went to proposals that have been withdrawn in recognition that the requested policy was already in place.

It is important to highlight that we have no possibility to check out effective implementation of the request. We assigned a code for the outcome of the negotiation according to the results reported in the press or in the internet. In order to control for inconsistencies, we later put together all proposals in our sample (2310) and sorted them alphabetically and by company. The purpose of this exercise was to track down the 'evolution' of the proposal at a certain company throughout the years of the sample, thus allowing us to detect inconsistencies. In a few cases, we found out that we have coded a withdrawn proposal as a success, while it was later resubmitted. In this case, we recoded accordingly the withdrawn proposal, labelling instead as dialogue.

In some cases, filers of withdrawn proposals labelled them as successful, without adding any other additional information. If the information of the withdrawal was published by the filer of the resolution, and if it does not distinguish systematically between withdrawals motivated by dialogue, from those motivated by effective implementation of the requested policy, we labelled the withdrawal as motivated by dialogue.

Given the role that we hypothesize for filer identity and type of issue raised in the proposal, we developed topologies for both elements. For that purpose, we started with typologies presented in previous literature. We expanded the typologies when necessary, to render them exhaustive and complete.

Can social policy proposal filing change corporate behaviour? Discussion of results

Irrespective of whether activist shareholders arrive or not to exert pressure on management of targeted firms, an examination of our sample suggests that they tend to repeatedly target large corporations. A number of reasons may contribute to explain this behavior. First, large firms control global brands and thus, they can be wary of possible threats to their reputation that may even further evolve into organized boycotts.⁵ Secondly, large firms could be more visible. Activists may target those firms to raise awareness about a specific social cause (Rehbein et al. 2004). Thirdly, Rehbein et al. 2004 also claim that larger firms are also more likely to have more complex operations and possibly be involved in more lines of business, making them more socially vulnerable. It is possible to reason as well that targeting very large firms, presumably the leaders in their industry may also facilitate spillover effects in corporate social policy. Other players in the same industry may decide to follow the leader adopting the new practice. Bigger firms adopting new practices can also use their resources to lobby governments to change regulations, thus making those practices the standard in the industry.

As Table 1 shows, 19 firms were targeted 20 or more times during the years 1997-2004. All together, these firms received 558 proposals, i.e. almost one in four of the total 2310 proposals filed during the period. With the exception of Unocal and RJR Nabisco, two firms that are not any longer distinct entities, all the firms in the 19 group of most targeted firms were included in the

⁵ Davidson et al. (1995) have shown that companies tend to abide to stakeholders demanding changes in corporate behavior by means of organized boycotts to their products. Firms in their sample showed much less inclination to make changes as a consequence of threats of divestitures. Furthermore, their study shows that financial markets tend to react negatively to announcements of boycotts in the product markets of firms, but not to announcements of divestitures.

index Standard & Poor's 500 as of August, 2007.⁶ A group of 32 other companies was targeted between 10 and 19 times. Many of these companies are household names in the United States and in many cases; they also belong to the S&P 500. Among them, we found companies such as McDonald's, Procter & Gamble, Pepsico and Caterpillar, to name a few.

(TABLE 1 INSERT HERE)

Demands contained in social policy proposals are varied, and evolving over time. In order to create appropriate categories for those demands, we follow an inductive approach. We started with a set of categories proposed by Chidambaran and Woidtke (1999) in order to define a number of meaningful categories for social issues. Our classification seeks to obtain a set of categories that are exhaustive and exclusive, i.e. a single and exclusive category exists for each of the individual 2310 proxies.

⁶ In preparing Table 1 we tracked name changes of firms using ABI/Inform. We added the proposals received by a firm and its successor, if there is a change of name in the company. For instance, the number of proposals received by Phillip Morris was added to the number of those received by Altria Group, its successor. In case of takeover or merge, we add the number of proposals of the resulting new firm to those received by the firm that figures first in the new name or that prevailed in the name. For instance, the proposals under the heading Exxon Mobil in Table 1 refer to the proposals received by Exxon and those received by its successor, Exxon Mobil. We counted separately proposals received by Mobil, which merged with Exxon in 1999, as it was a distinct entity. Likewise, we added the proposals received by ChevronTexaco to those received by Chevron, while we counted separately those received by Texaco. We also added the number of proposals received by R.J. Reynolds to those received by its successor Reynolds American. We counted separately, though; proposals received by RJR Nabisco, as this company has went through much reorganization and it is difficult to establish a direct with companies that came after those reorganizations. In 1999, the tobacco division of RJR Nabisco was spun-off into a separate company, and RJR Nabisco was renamed Nabisco.

Chidambaran and Woidtke (1999) employed in their paper the following categories: International Labour and Human Rights; Tobacco; Equal Employment; Energy and Environment; Board Diversity; and Other. We complemented those categories with those presented in the rapports of the IRRC. When none of the categories seemed entirely appropriate, we added a new one.

In the end, we created 23 categories of issues (see Table 2). These categories range from proxies seeking to protect 'Animal rights', to those dealing with 'Workplace issues', i.e. proxies seeking to ameliorate labour conditions but that are not connected with the removal of discriminatory practices in employment. Appendix 1 gives a detailed definition of each category of issue, as well as examples of the requests contained in the proposals.

(INSERT HERE TABLE 2)

Proposals are distributed unevenly among the categories. For instance, 556 proposals requesting firms to change their policies in order to enhance their environmental and energy utilization performance (Energy and Environment) were filed during the period; these proxies constitute nearly 24 percent of the total number of proposals filed. Given the large number of this type of proposals, concrete requests varied greatly. As an example, companies were requested to clean up toxic waste sites, to conduct annual pollution prevention reviews, to develop energy efficiency plans, or to endorse the so-called Ceres principles, a ten-point guide intended to enhance environmental performance of firms. The second most important group of proposals (414 proposals, 17, 9 percent) is related to the protection of labor and human rights in the firms' international operations. These proposals call firms, for instance, to implement the standards devised by the International Labor Organization in their operations abroad, or oblige their suppliers to do so, and to

establish appropriate mechanisms to monitoring compliance.⁷ Also numerically important are those proposals related to Equal Employment (9.3%); Fairness in Society (8.5%); Tobacco Issues (7.2%); Involvement in Partisan Politics (5.8%); Charitable Giving (4.9%); Board Diversity (4.5%); and Involvement in the Military and National Security Issues (3.9%). At the other end of the spectrum, there are 12 categories comprising, each of them, less than 1 percent of the total number of proposals filed. They are related to a wide range of issues, from animal rights, to reporting of the so-called 'corporate welfare' programs benefiting the firm, to limitation of corporate involvement in gun production and marketing, and others.

We also follow an inductive approach in order to create meaningful categories of sponsors of social policy shareholder proposals. In a first step, we draw on the categories employed by Campbell et al. (1999), namely individuals, religious groups, pension funds, union funds and others. We then expand the number of categories, to accommodate other actors active in the social proposal filing arena. The rationale for this procedure is two-fold. To begin with, if the type of filer plays a role in the outcome of the proposal (as previous literature suggest, most notably Gordon and Pound 1993 and Wahal 1996), a refined categorization of filers fits intuitively better into our analysis than a limited number of categories. Secondly, Ryan and Schneider (2002; 2003) highlight that heterogeneity of institutional investors (in terms of size of the investment, the investment time horizon, the percentage of firm stock, and the legal constraints) has an impact on their shareholder activism behavior. These factors, they sustain, should have an incidence on how active (in terms of proposal filing and voting) different actors should be.

⁷ We created a separated category for proposals calling firms to create mechanisms to respect local and indigenous community's rights. Although ill-defined in most proposals, community rights seem to include the right of preserving ancestral land, the environment or traditional culture. In some cases, though, proposals request also the respect of basic human rights of local community people.

In the end, we identified eleven categories of filers, including a residual category of filers for which we were not able to gather enough information to assign a meaningful category (less than 1 percent of the total number of proposals studied). In many cases, shareholder proposals are filed by multiple shareholders, sometimes appertaining to different categories of investors. When the proposal has been filed by multiple investors, we assigned to it a code for the first sponsor. It seems to us that this is an appropriate procedure, because we can hypothesize that the first reported filer is the initiator of the proposal. Besides, the IRRRC source for 2004 only reports a single sponsor for each one of the proposals. Appendix 2 presents definition and examples of each category of filers.

(INSERT HERE TABLE 3)

Table 3 presents the breakdown of categories of sponsors of social policy proposals. What we termed as advocacy groups is a vast array of non-governmental organizations (NGO), pursuing particular causes, and oftentimes a single one. Among them, we can mention the Pride Foundation, an organization that strengthens the pursuit of equality by the community of lesbian and gay people; PETA (People for the Ethical Treatment of Animals), a NGO (non-governmental organization) promoting a kind treatment of animals; and Global Exchange, an organization claiming to promote environmental, political and social justice. These organizations are not active players in the financial domain. Thus, their financial might should arguably be limited, and very likely, it is equally limited their access to corporate boards and top management of targeted firms. Not surprisingly, as Tkac (2006) reports, many of these NGOs complement (or substitute) proposal filing with other strategies contained in a larger toolbox. This is the case of PETA, the author says, which relies on advertising, public outreach and education campaigns, and demonstrations, to raise awareness of their concerns and promote change.

Asset managers/financial advisors are organizations that provide financial services to their clientele, whether institutional investors or wealthy individuals, but which do not run mutual funds. The rationale to create a separate category for this group is two-fold. Firstly, financial advisors may confront a different regulatory environment than other institutional investors, such as mutual funds or pension funds; on the other hand, they can also file proposals for their undisclosed clients, including wealthy individuals and advocacy groups, something that seems unlikely for mutual funds or pension funds.

A separate category was created for pension funds sponsored by churches. Although these sponsors usually collaborate with the ICCR (Interfaith Center on Corporate Responsibility), an association of 275 faith-based organizations, and could eventually be included in the category of religious investors, we opted for a separate category, given the constraints that their financial commitments to their beneficiaries and regulation may imply. This category comprises, basically the Brethren Benefit Trust, and the General Board of Pension and Health Benefits of the United Methodist Church. The same rationale leads us to separate trade unions from pension funds run by trade unions. Under the category 'individuals' we placed all proposals for which IRRRC reports the family name and initials of the proponent or proponents.

Another category of filers is mutual funds. They have become, according to Tkac (2006) increasingly active in proposal filing. With one exception, these funds are socially-screened. All socially-screened mutual funds identified in Table 3 were listed in the Appendix 4 of the Report on Socially Responsible Investing Trends in the United States, published by the Social Investment Forum (2003).

The category public pension fund covers pension funds run by city, or state authorities. The New York City funds, the Minnesota

State Board of Investments and the Connecticut Retirement Plans are among the most active sponsors in this category. The category religious investor comprises all religious orders that sponsor a proposal, including those filed by the Interfaith Center on Corporate Responsibility.

Proposals are unevenly distributed among the different types of sponsors. Religious investors are responsible for the largest proportion of resolutions (882 or 38.2 percent). They are followed by individuals, who account for 417 proposals or 20.4 percent, mutual funds (300 resolutions or 13 percent) and public pension funds (222 proposals, or 9.6 percent). Of lesser importance are advocacy groups (5.9 percent); asset manager/financial advisors (5.8 percent); church-based pension funds (2.5 percent) and trade-unions (2.8 percent). It is noteworthy that we were able to identify a single proposal filed by a university.⁸

Some actors tend to gain importance in the proxy filing scene, while others become more predominant during the period under study. Religious investors, for instance, used to file a much larger

⁸ Churches, foundations and universities were, according to Vogel (op. cit, pp. 97) the institutional investors that played a pioneering role in using the proxy mechanism to scrutinize the policies of corporate managers. The initial impetus for this 'blending of investor and citizen roles' as he put it, came from within their own constituencies. However, Vogel also points out towards a contradiction inherent to the social role of some of these institutions, most notably in the case of universities; namely, the dependence on the income generated by their securities and their role in society that leads them as institutional investors to push management towards directions that seems socially desirable. The expansion in the use of the proxy machinery to promote the interests of constituencies other than the companies' stockholders exacerbated the dilemma, says Vogel, but it offered as well a way out. Instead of divestment or socially-screened investing (and presumably, according to our data, proposal filing), universities could vote proposals selectively against management, an activity that appears not to demand important (if any) financial sacrifice from investors.

number of proposals during the early years in our sample that they did towards the end of it. Conversely, mutual funds and public pension funds gained in importance throughout the years. We cannot fully identify at this point in time the economic reasons underlying these trends. It has been reported (Social Investment Forum 2005) that social-screened investments controlled by mutual funds increased from US \$ 12 billion in 1995 to US \$ 179 billion in 2005. Socially-screened mutual funds under these circumstances may use social policy as a way to attract and retain clients in this growing niche market. However, this leaves without a clear explanation the heightened importance of pension funds as filers of social policy shareholder proposals. We note that most social policy resolutions filed by public pension funds can be attributed to a single actor, the City of New York, which runs a number of pension funds for its employees, including, among others, NYC Police, The New York City Employees' Retirement System (NYCERS), and NYC Fire. During the years under study, roughly 90 percent of all social policy resolutions filed by public pension funds were generated by these funds (data not shown in the tables). The accrued importance of public pension funds in the social policy resolution filing scene may reflect, in consequence, an internal decision of a single pension fund or family of funds that are controlled by a single agent, the City of New York. It is unclear for us which could be the incentive that drives up this decision. Romano (2001) suggests that some private benefits could accrue to some investors as a consequence of proposal filing, such as enhanced political careers for public pension fund managers. On the other hand, it is also possible to think that filing social policy resolutions is under-supplied as a consequence of limitations of collective action, derived from the fact that the cost of action in this case can be greater than the shareholder's pro rata benefit, although less than the aggregate gain to shareholders. A large public pension fund with an appropriate system of remuneration could

induce its managers to take action and promote value creating social corporate policies.⁹

Table 4 gives an overview of the outcomes of the 2310 proposals filed during the period under study. The table provides a breakdown of the outcomes of the proposals, as they have been originally reported by the IRRRC. In most cases, the proposal was submitted to vote. This is the case of 1172 proposals, roughly half of the total. 657 proposals were withdrawn (i.e. 28.4 percent). Companies were allowed by the SEC to omit 429 proposals, which accounts for 18.6 percent of the total sample. In 51 cases (2.2 percent), the proposal was not presented, it was not in the proxy, the meeting was cancelled or a takeover or merge took place during the proxy season. In only one case the IRRRC did not report the outcome. As we can expect, the percentage of proposals voted, withdrawn, and omitted varied more or less considerably along the period. For instance, in 1997, 38.6 percent of all proposals were voted; the ratio increased to almost 58 percent in 2004.

(Insert here Table 4)

Voted proposals, we have contended, may signal the end of negotiations between filers and managers of firms. The fact that most proposals are voted, as Table 4 reports, therefore, gives an indication of a rather limited capacity of filers to influence social policy of firms. However, it is also important to highlight that the percentage of vote gathered by social proposals has been increasing along the period; from 7 percent in 1997 to more than 11 percent in 2004. As a consequence, the number of voted proposals gathering more than a 20 percent turnover has also increased along the period. There were none in 1997, while 19 proposals received more than 20 percent of the vote in 2004.

⁹ We observed also that few investors concentrate a large portion of the resolutions filed by individuals. Three of them, J. Crapo, E. Davis and A. Epstein, were in fact responsible of nearly one in four resolutions filed by individuals in our sample.

This threshold has been chosen to be reported, because Del Guercio and Hawkins (1999) argued that there is anecdotal evidence suggesting that relatively modest levels of vote turnover in the context of corporate governance shareholder proposals (of about 20%) could be embarrassing for management, prompting it to adopt changes suggested by stockowners.

If most proposals are voted, and this outcome implies a limited capacity to amend social policies of targeted firms, question is to what extent withdrawn proposals reflect a change (or at least, an announcement of a forthcoming change). We have already discussed the reasons for our disbelief in any automatic connection between withdrawals and concessions to filers. Thus, we sought information posted by filers, companies or other parties, on the nature of the dealings motivating each withdrawal. For that purpose we relied on Google searches, filers and targeted firm websites, the ABI/Inform database, and the IRRRC's publication Social Policy Shareholder Resolutions, which also reports the motivation of some withdrawals. In most cases, information posted in the internet on the resulting outcome of the negotiation was published by the sponsor of the resolution, or observers related to the socially responsible investing community, or newspaper notes, but not the companies. However, in only one case, we were able to identify a company that qualified the information posted by the sponsor, which makes us believe that sponsors disseminating information on the deals respected the spirit of the agreement.

We considered a withdrawn proposal as 'successful' if there was an announcement of any party claiming that the requested policy will be implemented. Examples of such withdrawals range from Avon accepting to phase out dibutyl phthalates from its products, because of the alleged link of the chemical component with health problems, an action that was requested in 2004 by Trillium, a socially-screened mutual fund; to CenterPoint Energy abiding to a New York City pension fund request to amend its

equal employment opportunity policy to explicitly prohibit discrimination based on sexual orientation.

The outcome of the withdrawal proposal was labelled as a “dialogue” if its sponsors withdrawn them in exchange of dialogue with management, or because management accepted to implement measures not contained in the original request, but that were deemed worthy by the activist shareowner. We don't count these withdrawals in exchange of ‘dialogue’ as successes, because we cannot assume that the firm is committed to implement the requested action later on. In many cases, proposals that have been withdrawn in exchange of dialogue with the firm are resubmitted (and voted, an indication of uncompromising management) the following years. If the proposal is finally adopted by management, our procedure leads us to count the success one single time, i.e. when the proposal was finally withdrawn in exchange of implementation. Whenever no precise details of the withdrawal agreement were announced, we preferred to classify the outcome as ‘dialogue established’ rather than ‘success.’ When no information could be retrieved, we assumed that the withdrawal was motivated to avoid very low levels of vote of other strategic reasons, and therefore, we considered it as a ‘failure’.

Some examples can illustrate the rationale of our procedure regarding dialogue established in exchange of withdrawal. For instance, Sears, Roebuck received in 1997 a shareholder proposal asking the firm to endorse the Ceres Principles, a ten-point code of environmental conduct. The proposal was withdrawn in 1997, as in many other firms that received the same shareholder resolution, not because the targeted firms actually joined the principles, but because, as the IRRRC reported, executives of the firms agreed to talks with the proponents on joining the Ceres effort. In 1999, Sears Roebuck received the same proposal, which was submitted to vote. We can hardly classify the withdrawal in the 1997 proxy season as a success, and thus, we labelled it instead as ‘dialogue.’

The case of CSX, a rail and shipping gives also support to our approach. After sustained pressure from filing shareholders, the company reportedly agreed in 2002 to post on its website the greenhouse gas emissions from its rail operations dating back to 1999. This successful withdrawal followed previous ones deemed advisable by filers, given the “company willingness to report” (as the IRRRC put it in one of those events). In other cases in our sample, withdrawals in exchange for dialogue do not even ended up with implementation at all. In 1999, TRW, a defense contractor (later acquired by Northrop Grumman Corporation) received a resolution requesting it to prepare a report on its involvement in ballistic missiles defense projects. The resolution was resubmitted from 2000 to 2003. All suggests that it was never implemented. In 2002, for instance, the IRRRC reported that “(...) TRW agreed, for the fourth year, to keep meeting with the proponents to discuss space weapons and ballistic missile defense.”

We expect our approach to be contested, in particular by researchers such as Proffitt and Spicer (op. cit.) who rely on the social movement perspective to inquire on the shareholder resolution filing activity. In this perspective, success is the result from collective mobilization and it may only become discernible over years or even decades. For instance, Proffitt and Spicer claim that religious shareholder activists had a pioneering role introducing the question of international human rights and labor standards in the proxy machinery, allowing other actors such as pension funds to step in later on and use their financial power to pressure corporations to adopt the proposed labor standards, which became the generalized solution to the problem of human rights. We can even stretch the conclusions of the social movement perspective to the point of accepting that the establishment of a dialogue is in itself a success. This dialogue may help alert companies of a gap in its performance vis-à-vis a major stakeholder; dialogue can also help to frame out the

agenda, thus helping acceptance by management (of the targeted firm and its peers) of the filer's advocated solutions.

In fact, Proffitt and Spicer claim that management crafts a response to each proposal they oppose for printing in the proxy statement, and these management statements of opposition serve as de facto policy positions. Thus, resolutions focus managerial attention publicly and officially on the issue. In this sense, they argue that "Shareholder proposal success can indicate the degree to which a campaign captures the attention of corporate managers and concerned investors. While all shareholder proposals are advisory to management, even those with low vote outcomes have the potential to stimulate problem-solving behavior, collaboration and policy change." (Proffitt and Spicer op. cit. pp. 173). Submitting a proposal, then, and above all, being able to resubmit it can be eventually seen as successes from the social movement approach. We recognize the difficulties inherent to testing formally the central tenets of the social movement perspective, although we are confident that researchers in the future can test some implications of the approach. In any case, we stick to our view that the short-term metric of success proposed by Proffitt and Spicer, namely, the ratio of proposals that gather 10 percent or more of votes and those that are withdrawn overestimates the number of successful cases.

Table 5 shows indeed that it is not possible to assume that all withdrawn proposals can be automatically considered a 'success', or put it in another way, that they lead to a precise action on the part of management. According to our research on the 657 withdrawn proposals, 234 proposals, (or 35.6 percent of withdrawals) could be labelled as "successes"; 239 of them were withdrawn in order to initiate a dialogue with management, or in exchange of actions other than those requested, but that were deemed acceptable by filers (36.4 percent). In 22 cases (3.3 percent), the IRRIC reported that the filer wanted to avoid likely omission by the regulator. Of marginal importance were two

other possible outcomes of withdrawn proposals: the company merged or it was acquired since the proposal was filed (2 resolutions); or because the policy suggested was already in place (6 resolutions, 0.9 percent).

(Insert here Table 5)

We were not able to retrieve any information in the internet or in the IRRC yearly publication about 154 resolutions (23.4 percent of withdrawn resolutions). We concluded that filers of these proposals confronted an uncompromising management and envisaged a very low vote turnover. To avoid clear messages of failure, these proponents preferred to quietly withdrawn their proposals.

Data from Table 6 and 7 gives support to our treatment of withdrawn proposals of unknown outcome. As Table 6 shows, 60.4 percent of all withdrawn proposals for which no information on the outcome of the negotiation could be collected —and that we treat as failures—, were filed by religious investors; mutual funds and public pension funds coming at a very distant second place with 8.4 percent. Coincidentally, religious investors are responsible for almost half (47.8 percent) of resolutions failing to gather enough vote turnover for resubmission. The two facts combined gives support to our view that this type of filer may in fact withdraw proposals in order to avoid failure.

(INSERT HERE TABLES 6 & 7)

Our criteria to assess success in social policy proposal filing yield the vision of a very mitigated capacity of this activity to bring changes in corporate social policy, vis-à-vis previous estimations. For instance, if Tkac (op. cit.) approach was applied to our sample, nearly 28 percent of all proposals (657 resolutions out of 2310) would be considered as successful. We come forward instead with a percentage of success that approaches 10 percent of all social policy resolutions contained in our sample.

This 10 percent of success represents a modest, although no negligible capacity to change corporate social policy. Success in the social policy filing scene is much lower than the level attained in its corporate governance counterpart. Smith (1996) for instance, unearthed evidence that nearly 72 percent of firms targeted by CalPERS (California Public Employees' Retirement System) during the period 1989-1993 (26 out of 36) abided to the requests of shareholders. Carleton et al. (1998) examined the so-called 'behind-the-scenes' negotiations between companies and the pension fund TIAA-CREF on issues such as board diversity, blank check preferred and confidential voting. They assert that of the 45 firms contacted by TIAA-CREF during the period from 1992 to 1996, 32 (71 percent) reached an agreement prior to TIAA-CREF's proxy resolution being voted, and 13 (29 percent) firms resisted and had TIAA-CREF's resolution voted. Ultimately, TIAA-CREF reached agreements with 42 of the 43 firms that were not acquired during the course of negotiations (97.7 percent). The figures that we present for social policy filing are dwarfed by those of CalPERS and TIAA-CREF, however, it is important to bear in mind that these two institutions' holdings are extremely large, which makes them atypical.

If effectiveness of social policy filing looks rather restraint, vis-à-vis corporate governance activism, it is worthy to question why some groups of filers, notably individual investors or advocacy groups, the least able to successfully negotiate with management, continue to file social policy proxies. Above all, as Tkac (op. cit.) recalls, these investors may rely in other tools to exert pressure on firms, such as disruptive demonstrations during annual general assemblies and in other venues. We don't have a ready-made answer to this question. However, we recognized a numbers of factors that may contribute to explain why some filers, such as individuals and advocacy groups, continue targeting firms, in spite of being relatively unable to get their suggested policy adopted.

In the first place, we must note that even if social proxy filing is not very effective, it is also not very costly. As we have already discussed, a reduced investment can give access to the proxy machinery. Moreover, as Romano has suggested that filers of both corporate governance and social policy resolutions benefit from an implicit subsidy in the operation of the Rule 14 a-8, because they do not have to pay the costs of printing and mailing proxy resolution to stockowners. In many cases, she argues, advancement of careers of people involved in filing decision could lead to over-supply of the activity. Those gains are private to the actors pushing for shareholder activism in the funds that they manage, while costs are distributed across the stockowner base.

Secondly, our sample makes us to speculate that large firms tend to be repeatedly targeted by socially concerned investors. The decisions adopted by very large firms, arguably the leaders in their industry, may be adopted by other competitors, out of fear of losing reputation and consequently, considerable segments of their client base. In other words, it is possible that there is a spin-off in adoption of social policies. Thomas and Cotter (2005) present evidence that firms targeted during 2002-2004 by religious investors and what they call 'social activists' tend to be statistically larger (in terms of their market capitalizations) than those targeted by other groups of filers focusing on corporate governance issues. This finding is certainly consistent with our reasoning.

Thirdly, we did not have access to information allowing us to track down systematically the reaction of management of firms to resolutions gathering 20 percent or more of vote turnover. Del Guercio and Hawkins (1999) reported that in many cases, resolution going beyond the mentioned threshold (which is modest by the standards of corporate governance activism) made management uncomfortable enough to satisfy shareholder demands. Also, Romano (2002) studied adoption by firms of confidential proxy voting. She found that management not only is

responsive to voted proposals on the issue, but also that its rapidity of response seems related to the level of support obtained by the resolution. 52 firms in Romano's sample adopted confidential voting after receiving a resolution requesting that policy. Seven of the resolutions obtained a majority vote, and in each of those cases, management instituted confidential vote the following year. The average support received by the 44 confidential voting proposals submitted in the year before management adopted the practice was 39.2 percent, whereas the average turnover for 26 proposals received two years before adoption was 31.9 percent, and the average support for the 20 confidential proposals filed three years before adoption was 26.4 percent.

The subject of management reaction to voted social policy shareholder resolution proposals clearly deserves more attention. Such research endeavor, however, will confront practical difficulties. To begin with, as Vogel noted "(...) firms are often reluctant to acknowledge that public protests influenced their business judgments" (Vogel, *op. cit.*, pp. 11). This reluctance, plus the time lags implied in the corporation top level decision-making impose a great difficult to assess to which extend a managerial decision constitutes a response to high vote tallies. Secondly, and perhaps more important, comes the fact that researchers cannot rely on an easy systematic reporting of adoption of social policies requested in social proxies. Corporate governance structures and processes, the object of corporate governance proxies, are systematically tracked and reported by organizations such as the Investor Responsibility Research Center. This makes it easier to track adoption along the time.

Fourthly, it is possible as well that social policy filing may be reinforced by other forms of activism, such as demonstrations, criticisms of targeted firms in the media, letter campaigns, etc. If such is the case; even voted proposals receiving a very low level of support, but combined with other forms of pressure may carry a threat to corporate reputation big enough to make their

managers abide to shareholders' requests. We came across with anecdotal evidence which is congruent of this possibility. In 2007 Berkshire Hathaway, a financial company controlled by the renowned investor Warren Buffett sold its 11 shareholding stake in PetroChina, a company that activist has accused of indirectly funding human right abuses in the region of Darfur, in Sudan (The Economist 2007). The company received in May, 2007 a shareholder proposal urging it to divest its shareholdings in PetroChina. The board of Berkshire suggested stockowners to vote against the proposal and most of them did so. The proposal was voted and it received slightly less than 2 percent of support (Berkshire Hathaway 2007). In spite of the low turnover received by the proposal, the company decided to divest, effectively abiding to shareholders' request. We cannot say which management motivation to act in this case was. The fact that the price of the share of PetroChina continued to soar after Berkshire Hathaway decision to divest, suggests that collective action from social activists, in the form of proposal resolution, demonstrations or media campaigns provoked the decision. If that is the case, however, it is difficult to disentangle the effects of each source of pressure received by the firm. Furthermore, the filers of the resolution at Berkshire Hathaway stressed out that there is an Executive Order (signed by former President Clinton in 1997) that was expanded by another later by President Bush in 2006, prohibiting American businesses to operate in Sudan. Although the investment in PetroChina does not follow in this category, the possibility that stockowners lobby the US government to intervene heightened pressure perceived by Berkshire's management. In summary, there are many ways to pressure companies to act, shareholder resolution filing being one of them, and these actions may mutually reinforce.

Finally, it is also possible that many socially concerned investors engage in "symbolic politics", in other words, that they consider that pushing firms to adopt policies that are congruent with their values is an objective in itself. Rehbein et al. (2004) considered the possibility that some groups of investors file social proxies as

a way to affirm members' collective identity and solidarity, instead of more rational objectives, such as confronting a poor social performance of the firm.

Once the question of overall effectiveness has been tackled, it is interesting to study the connection between successfully withdrawn proposals and filer identity and issue raised in the resolution. Table 8 gives support for the view of the existence of a relationship. Three types of filers, namely socially-screened mutual funds, public pension funds and religious investors absorbed 89 percent of withdrawals that we labelled as successful. It is noteworthy that together these groups accounted for only 61 percent of proposals filed during the period under study. Particularly outstanding are mutual funds and pension funds. Although mutual funds filed 13 percent of all proposals, they were responsible of a third of successfully withdrawn proposals. Likewise, public pension funds filed 9.6 percent of all proposals, but they were responsible for a fourth (24.4 percent) of all successfully withdrawn proposals. Religious investor presents a more mixed picture. They are among the most successful filers, being able to negotiate 30.8 percent of successfully-negotiated withdrawals. However, they also accounted for 38.2 percent of all proposals filed during the period under examination. The mitigated capacity of religious investors can be attributed to lack of financial power¹⁰, but also to other potential aspects. They were indeed the most prolific type of filer during the 35-year sample analyzed by Proffitt and Spicer (2006, pp. 166). But at the same time, as these authors put it, "Religious organizations were innovators in coming up with the first

¹⁰ The assumption of lack of financial might, however, must be handled with care. Although it can be true for single religious institutional investors, most of them are members of the Interfaith Center on Corporate Responsibility, an organization comprising 275 faith-based institutional investors. ICCR constitutes in fact a clearing-house for social policy shareholder activism and resolutions filed by an individual organization could benefit from the support of a much larger number of institutional investors.

proposals in most topic areas and in battling the companies and the Securities and Exchange Commission for acceptance of the topic.” Championing new causes can imply higher levels of failure; because some issues could never be able to create a critical mass of support among the shareholder base.

(INSERT HERE TABLES 8 & 9)

In sharp contrast to the three abovementioned groups, individual investors and advocacy groups initiated a limited number of successful withdrawals. Individuals, while responsible for roughly one resolution in five, were responsible for only 1.3 percent of successful withdrawals. For their part, advocacy groups accounted for almost 6 percent of all resolutions filed, while they only accounted for 1.3 percent of all successful withdrawals.

Issues raised in the resolutions also show a connection with successful withdrawal. Board diversity resolutions, for instance, accounted for 13.2 percent of all successful resolutions, while this type of issue represented only 4.5 percent of all proposals. Equal employment presents a similar picture: only 9.3 percent of resolutions were related to it, but it accounted for 28 percent of all successful withdrawals. Also important were issues such as energy and environment and international labor and human rights.

Evidence supports the view that successful types of activist shareholders, such as mutual funds, public pension funds and to a lesser extent, religious investors, tend to concentrate their resolutions in some of the most successful issues. For instance, as Table 10 depicts, board diversity is the privileged domain of religious investors and mutual funds. Energy and environment proposals are mainly filed by religious investors and mutual funds, with individuals and asset managers at a distant third and fourth place, respectively. Religious investors and mutual funds are the main filer of proposals related to equal employment; while public pension fund are particularly active in the domain of

international labor and human rights. Individuals, in the other hand, are connected with relatively 'unsuccessful' issues, such as proposals calling companies to terminate their involvement with partisan politics, tobacco production and distribution, or abortion and contraception.

(INSERT HERE TABLE 10)

Additional evidence of the importance of issues raised in resolutions and filer identity in exerting pressure on management comes from our examination of voting patterns. As we have said in various parts of the paper, relatively high voting turnovers can be quite uncomfortable for management, leading it to abide to shareholder demands. Table 11 shows mutual funds and pension funds' tend to obtain higher than average support for their resolutions when they are submitted to vote. In fact, both types of filers garnered more support for their resolution than the average proposal during all the years in our sample. Moreover, filers that we previously characterized as 'unsuccessful' (i.e. advocacy groups, individual investors) in terms of their capacity to withdraw resolutions in exchange of managerial action, tend also to gather lower vote turnovers for the resolutions that they sponsor.

The same applies to the issues that are particularly effective in terms of successful withdrawals, namely board diversity; equal employment; international labor and human rights; and, to a lesser extent, energy and environment. These issues tend to gather much higher vote support. Conversely, 'unsuccessful' issues, such as abortion and contraception or animal rights tend to gather consistently very low levels of support.

(INSERT HERE TABLE 11)

Conclusion

Our paper examined 2310 shareholder proxy resolutions filed by investors during the 1997-2004 period in the United States. Those shareholder proposals sought changes in corporate social policy. We conducted Google searches, complementing them with information appearing in Social Policy Shareholder Resolutions, a yearly publication of the Investor Responsibility Research Center, and ABI/Inform database in order to examine the effectiveness of social policy shareholder proposal filing to induce changes in corporate social policy.

Tkac (op. cit.) and Proffitt and Spicer (op. cit.) consider withdrawn proposals as effective, because they assume that when filers withdraw resolutions, they do so in exchange of concrete action from targeted companies. We argue against this view in this paper and we present evidence to support our argument. To begin with, in some cases, it has been reported by the IRRC that filers withdrawn their resolutions because they foresaw imminent omission from the regulator. We stress the fact that social policy resolutions gather in average low vote turnovers, making it likely that proposals are withdrawn just to avoid the possibility that the resolution cannot be resubmitted in subsequent proxy seasons, an event that could be seen as a clear defeat. Many of these filers can be tempted as well to withdraw resolutions in exchange of a dialogue, which is not necessarily conducive to precise actions from management of concerned firms. When no information was reported on the outcome of the withdrawals, we consider that the resolution was withdrawn by the filer because he anticipated the possibility of very low turnovers, or because some kind of dialogue, not worthy of being publicized, has taken place with officers of the targeted firm. Our analysis shows that more than 60 percent of all resolutions for which no information was retrieved have been filed by religious investors, which is also, by large, the group that exhibited more proposals unable to be resubmitted, as a consequence of low turnover.

We were able to find information in the internet regarding 234 withdrawn resolutions, for which concrete actions of management were announced. In most cases, this information was posted by observers of the ethical investing community or by the filers themselves. We only detected one case in which a firm qualified the information disseminated by the filer on the nature of the deal.

Our paper also presents evidence linking effectiveness in social policy shareholder activism to filer identity and type of issue raised. Some actors, most notably, mutual funds and pension funds engaged in social policy resolution filing tend to be much more successful, withdrawing their resolutions in exchange of implementation of their requests. The same applies to a number of groups of issues, namely: board diversity, energy and the environment, equal employment and international human and labor rights. The accrued effectiveness of mutual funds and pension funds would partially reflect their greater financial might, which is particularly true for pension funds active in social policy filing, such as the New York City pension funds. However, their effectiveness can be also the result of their choices of issues, and therefore of the quality of their resolutions. Mutual funds and pension funds tend to concentrate on issues for which there is a wider consensus on their pertinence, enabling these resolutions to boost firms' value in financial markets. Unlike mutual funds and pension funds, individual investors and advocacy groups look particularly unsuccessful in negotiating withdrawal deals with management. These results are reinforced by other data presented in the paper. In effect, the more effective type of issues and filers (in terms of getting their resolutions implemented in exchange of withdrawal) suffer fewer omissions from the proxy materials and their proposals, when voted, tend to gain the sufficient support needed for resubmission.

Religious investors present a mixed picture in terms of effectiveness. They look successful in terms of their capacity to

withdraw resolutions in exchange of management implementation of their requests; although we should bear in mind that religious investors filed more social policy resolutions than any other type of filer during the period under study. Nevertheless, religious investors also saw many of their resolutions omitted by the regulator and their resolutions represent an overwhelming percentage (almost 48 percent) of all proposals failing to attain the needed thresholds for resubmission.

The 234 successfully withdrawn resolutions account for slightly more than 10 percent of the total number of resolutions in our sample, a much reduced rate of success that it is traditionally attributed to the activity of filing social proxies. Thus, effectiveness of social policy filing looks rather restraint, vis-à-vis corporate governance activism (Smith 1996, Carleton et al. 1998) conducted by large institutional investors. If that is the case, it is worthy to question why some groups of filers, notably individual investors or advocacy groups, the least able to successfully negotiate with management, continue to file social policy proxies. Above all, as Tkac (op. cit.) recalls, these investors may rely in other tools to exert pressure on firms, such as disruptive demonstrations during annual general assemblies and in other venues, letter campaigns and media targeting. We don't have a ready-made answer to this question. However, we recognized a numbers of factors that may contribute to explain why some filers, such as individuals and advocacy groups, continue targeting firms, in spite of being relatively unable to get their suggested policy adopted.

In the first place, we must point out to the fact that filing social policy resolutions is not very effective in the case of some actors, but is also not very costly. Secondly, our sample suggests that filers of social policy resolutions tend to target large companies that can be the leaders in their industry. It is possible that a large company, which adopts a new environmental policy, such as no logging of old forest, may be followed by competitors who

become afraid of losing their reputation. In other words, we suspect that there could be an important 'spill-over' effect. Thirdly, we did not have the possibility to track down systematically the adoption of policies of voted resolutions that gathered relatively large vote turnovers. In 82 cases proposals submitted to vote gathered the support of 20 percent of the vote or more. In many of these cases, and even in the case of proposals obtaining less than this threshold, management may be inclined to adopt policies deemed acceptable for filers, so that they do not to resubmit again their resolutions. As Carleton et al. (op. cit.) assert, in many cases, firms that resist shareholder demands expressed in resolutions, submitting the issue to the vote of shareholders, may end up adopting the suggested policies anyway, without making public announcements to the effect. According to Carleton et al. a number of companies targeted by TIIA-CREF were not willing to change their official policy (regarding, for instance, gender and minority participation in their boards), although they did effectively so by making an effort to recruit women or minorities into their boards.

It is also possible that the social policy filing activity can be reinforced by other forms of activism, such as demonstrations, criticisms of targeted firms in the media or letter campaigns. These forms of protest may add power to the effectiveness of shareholder proposals, prompting management to react positively to the request, even in the absence of high vote turnovers. Finally, we should consider the possibility that many socially concerned investors engage in "symbolic politics", in other words, that they consider pushing firms to adopt policies that are congruent with their values as an objective by itself. Rehbein et al. (2004) recognized the possibility that some groups of investors file social proxies as a way to affirm members' collective identity and solidarity, rather than using them as a tool to confront poor social performance of the firm. The low degree of effectiveness that characterizes social policy filing by individual investors and advocacy groups is congruent with the view that some groups of social policy resolution filers, most notably

individuals and advocacy groups engage in “symbolic politics” by means of the proxy machinery. Romano (2001) has suggested a number of measures to restraint the firms’ subsidy of shareholder filing (filers do not have to pay for printing and mailing of their proposals to shareholders). We cannot say at this point in time that our analysis sustains a limitation of shareholder access to the proxy machinery, for instance, increasing the voting thresholds for resubmission, but clearly, our analysis suggests that more research is needed on the motivation and strategies of social policy resolution filers. Future research on this issue could help regulators to reform the functioning of the Rule.¹¹

Future research on social policy shareholder activism could benefit from taking into account the findings of this paper, particularly research concerning the capacity to influence management to change course on social policy. Thomas and Cotter (op. cit.) have conducted research on the determinants of vote turnover received by corporate governance and social policy shareholder resolutions. They ran regressions that included, among other dummy variables, the identity of filers. They did not include, however, as possible determinants of vote tally of social resolutions the type of issue that they raise to the consideration of management. We suspect, on the basis of our analysis, that not only filer identity but also the type of issue can play a role in the percentage of vote received by social policy resolutions.

¹¹ Available research shows that shareholder use of the proxy machinery to voice their concerns on corporate governance and social issues alike is basically circumscribed to the United States. De Jong et al. (2006) for instance studied data from 245 general annual meetings of Dutch companies held during the period 1998-2002. All proposals presented to these meetings (1,583 resolutions) were sponsored by management. Girard (no date) also reports a very limited use of the proxy machinery by shareholders in Great Britain. The persistent use of shareholder resolutions in the United States suggests that not only shareholders but also management receive benefits from this activity. More research is clearly warranted on the role of social policy shareholder resolutions, before a more restrictive regulatory framework is advanced.

The paper has examined the role of the type of issue and identity of the filer in the capacity of shareholder activism to modify corporate social policy. Further research can benefit from examination of role of other elements, linked to the firm and the industry where it operates. Among other subjects, it would be interesting to study if more profitable firms more likely to yield to shareholder pressure, or if reputation (no matter how we proxy it) plays a role in management decisions in abiding to shareholder requests.

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Tables

Table 1: Companies targeted by social policy filers, 1997-2004

Companies ^{1/}	No. of proxies	%
Targeted 20 or more times	558	24,2
General Electric	73	
Exxon Mobil	62	
Altria Group	47	
Chevron Texaco	29	
Citigroup	28	
Wal-Mart Stores	28	
AT&T	27	
Du Pont (E.I.) de Nemours	27	
Boeing	23	
Coca-Cola	23	
Merck	23	
Unocal	23	
International Business Machines	22	
Johnson & Johnson	21	
Loews	21	
RJR Nabisco	21	
Ford Motor	20	
General Motors	20	
Raytheon	20	
Targeted 10-19 times	440	19,0
Targeted 5-9 times	584	25,3
Targeted once	214	9,3
Total proposals	2310	100,0

1/ In case of names changes proposals are added to those received by the successor (Exxon/Exxon Mobil; Phillip-Morris/ Altria, Chevron/ChevronTexaco).

Table 2: Social Policy Shareholder Proposals in the US, 1997-2004, according to the category of issues

	1997	1998	1999	2000	2001	2002	2003	2004	1997-'04	%
Abortion & contraception issues	21	7	6	6	0	1	1	0	42	1,8
Animal rights	0	1	1	1	2	1	3	9	18	0,8
Board diversity	15	19	14	8	12	11	12	13	104	4,5
Charitable giving	8	29	4	12	5	9	30	16	113	4,9
Corporate welfare & governmental links	1	0	0	2	0	0	3	0	6	0,3
Corruption (corporate involvement)	1	6	1	0	0	5	3	2	18	0,8
Energy and environment	68	63	53	66	65	80	78	83	556	24,1
Equal employment	32	16	19	29	24	32	30	32	214	9,3
Ethnic or nationality-based discrimination	3	6	1	0	0	5	0	0	15	0,6
Fairness in society	31	28	25	31	30	14	11	27	197	8,5
Family/conservative values	1	1	1	2	1	0	0	0	6	0,3
Gun production/distribution	0	0	0	1	2	1	0	0	4	0,2
Historical violations of human rights	0	0	3	3	0	0	0	0	6	0,3
Human health issues	1	2	3	12	11	20	28	26	103	4,5
International labor and human rights	35	42	44	45	74	73	55	46	414	17,9
Involvement in partisan politics	13	18	13	12	12	10	5	52	135	5,8

Table 2 (cont.)

Involv. in the military & national security issues	11	9	12	12	12	10	12	11	89	3,9
Local or indigenous communities' human rights	0	0	3	6	4	4	2	2	21	0,9
Pornography	0	1	0	0	2	0	0	1	4	0,2
Product/service quality service, safety/reliability	6	6	1	0	1	2	3	2	21	0,9
Restriction/removal of equal employm.practices	6	4	1	1	3	2	2	1	20	0,9
Tobacco issues	34	25	24	15	13	13	24	19	167	7,2
Workplace issues	4	3	3	3	1	0	2	2	18	0,8
Sub-total	291	286	232	267	274	293	304	344	2291	99,2
Other/unknown	7	7	1	1	0	1	1	1	19	0,8
TOTAL	298	293	233	268	274	294	305	345	2310	100,0

Table 3: Social policy shareholder activism in the United States, 1997-2004, proposals according to the type of main sponsor

	1997	1998	1999	2000	2001	2002	2003	2004	1997-04	%
Advocacy group	10	12	10	27	19	9	19	31	137	5,9
Asset manager	14	5	5	16	18	29	24	23	134	5,8
Church-based pension fund	0	1	0	12	9	10	16	11	59	2,6
Individual	80	82	50	58	50	47	65	40	472	20,4
Mutual fund ^{1/}	6	18	21	35	58	54	47	62	301	13,0
Public pension fund	9	12	11	13	36	41	50	50	222	9,6
Religious investor	167	148	128	103	78	97	80	80	881	38,1
Trade union	11	14	4	4	0	6	1	25	65	2,8
Trade union-based pension fund	0	0	0	0	6	0	0	15	21	0,9
University	0	0	0	0	0	1	0	0	1	0,0
Unknown/unavailable	1	1	4	0	0	0	3	8	17	0,7
TOTAL	298	293	233	268	274	294	305	345	2310	100,0

1/ Only one proposal was filed (in the year 2000) by a conventional, non-socially screened mutual fund.

Table 4: Social policy shareholder activism in the United States, 1997-2004, proposals according to the out-come

	1997	1998	1999	2000	2001	2002	2003	2004	97-04
Withdrawn proposal	98	72	61	65	72	98	105	86	657
%	32,9	24,6	26,2	24,3	26,3	33,3	34,4	24,9	28,4
Voted	115	121	123	150	158	161	145	199	1172
% of proposals voted	38,6	41,3	52,8	56,0	57,7	54,8	47,5	57,7	50,7
Average turnover	7,0	7,6	7,5	7,5	8,7	9,1	11,7	11,3	9
Vote tally of 20% or higher (No. of proxies)	0	4	3	6	6	18	26	19	82
Proposals failing to pass ^{2/}									
Vote turnover less than 10%	11	11	15	6	9	20	17	12	101
Vote turnover less than 6%	10	18	18	12	13	15	13	13	112
Vote turnover less than 3%	7	9	9	12	7	6	4	11	65
Unknown requirement		5		1					
Omitted	82	95	46	41	37	30	49	49	429
%	27,5	32,4	19,7	15,3	13,5	10,2	16,1	14,2	18,6
Not presented ^{1/}	3	4	3	12	7	5	6	11	51
%	1,0	1,4	1,3	4,5	2,6	1,7	2,0	3,2	2,2
Unknown status		1							1
Total	298	293	233	268	274	294	305	345	2310

^{1/} Not presented, not in proxy, shareholder meeting cancelled, or a takeover or merge took place during the proxy season.

^{2/} Proposals not receiving enough votes to be resubmitted the following year.

Table 5: Social policy shareholder activism in the United States, 1997-2004, withdrawn proposals according to the outcome

	1997	1998	1999	2000	2001	2002	2003	2004	97-04	%
Withdrawn proposal (total)	98	72	61	65	72	98	105	86	657	100,0
Success (fully implemented)	15	9	9	22	35	47	54	43	234	35,6
Dialogue ^{1/}	45	42	33	26	18	29	26	20	239	36,4
Withdrawn to avoid omission ^{2/}	0	2	1	0	2	4	7	6	22	3,3
Merger/takeover/sale	0	0	0	1	0	1	0	0	2	0,3
Already implemented, not applicable	0	1	0	0	2	1	1	1	6	0,9
Unknown outcome/failure	38	18	18	16	15	16	17	16	154	23,4

^{1/} Withdrawn in exchange of actions other than those requested in the proxy or dialogue with the firm.

^{2/} Omission by SEC was considered likely by the filer, according to IRRRC.

Table 6: Withdrawn proposals (unknown outcome/failure) according to the type of filer

	1997	1998	1999	2000	2001	2002	2003	2004	97-04	%
Advocacy group				2	3				5	3,2
Asset manager	2	1			3	4	1	1	12	7,8
Church-based pension fund							2		2	1,3
Individual	2	2	2	1	2		2	1	12	7,8
Mutual fund	1	1	1	5	1		1	3	13	8,4
Public pension fund	1		3			1	1	7	13	8,4
Religious investor	31	14	12	8	6	11	9	2	93	60,4
Trade union	1							2	3	1,9
Unknown category of filer							1		1	0,6
TOTAL	38	18	18	16	15	16	17	16	154	100

Table 7: Proposals failing to gather the necessary vote turnover to be filed the following year, and omitted proposals, according to the type of filer

PANEL A

Proposals unable to be filed the following year^{1/}

	1997	1998	1999	2000	2001	2002	2003	2004	97-04	%
Advocacy group	2	2	2	3	2	1	5	10	27	9,7
Asset manager	1	1	0	1	2	2	6	4	17	6,1
Church-based pension fund	0	0	0	0	1	0	0	2	3	1,1
Individual	9	9	7	8	3	11	10	6	63	22,7
Mutual fund	0	1	2	2	2	5	2	0	14	5,0
Public pension fund	0	1	0	1	2	3	4	4	15	5,4
Religious investor	16	22	31	15	16	17	6	10	133	47,8
Trade union	0	2	0	0	1	2	1	0	6	2,2
	28	38	42	30	29	41	34	36	278	100,0

1/ The proposal failed to gather 3% the first year it was filed, 6% the second or 10%, the third year and after-wards.

Table 7: Proposals failing to gather the necessary vote turnover to be filed the following year, and omitted proposals, according to the type of filer

PANEL B

Omitted proposals

	1997	1998	1999	2000	2001	2002	2003	2004	97-04	%
Advocacy group	6	0	3	9	1	1	7	3	30	7,0
Asset manager	1	0	0	1	1	3	0	2	8	1,9
Church-based pension fund	0	0	0	0	1	0	2	2	5	1,2
Individual	55	51	29	25	22	15	30	11	238	55,5
Mutual fund	0	2	3	0	5	4	4	8	26	6,1
Public pension fund	2	1	0	0	5	1	2	3	14	3,3
Religious investor	15	33	8	6	1	5	3	7	78	18,2
Trade union	2	7	2	0	1	1	0	3	16	3,7
Trade union-based pension fund	0	0	0	0	0	0	0	4	4	0,9
Unknown	1	1	1	0	0	0	1	6	10	2,3
	82	95	46	41	37	30	49	49	429	100,0

Table 8: Social Policy Shareholder Proposals, successfully withdrawn proposals, according to the type of sponsor

	1997	1998	1999	2000	2001	2002	2003	2004	97-04	%
Successfully withdrawn proposals	15	9	9	22	35	47	54	43	234	100,0
Advocacy group	1	1	0	3	1	0	0	0	6	2,6
Asset manager	0	0	1	1	1	3	6	1	13	5,6
Church-based pension fund	0	0	0	1	0	1	0	1	3	1,3
Individual	0	0	0	1	0	0	1	1	3	1,3
Mutual fund	0	1	1	7	18	18	17	17	79	33,8
Public pension fund	0	3	0	2	8	11	18	15	57	24,4
Religious investor	14	4	6	7	7	14	12	8	72	30,8
Unknown/unavailable	0	0	1	0	0	0	0	0	1	0,4

Table 9: Social Policy Shareholder Proposals in the US, 1997-2004, successfully withdrawn proposals according to the issue

	1997	1998	1999	2000	2001	2002	2003	2004	97-04	%
Abortion and contraception issues	0	0	0	0	0	0	0	0	0	0,0
Animal rights	0	0	0	0	0	0	0	0	0	0,0
Board diversity	7	0	1	2	6	6	4	6	32	13,2
Charitable giving	0	0	0	0	1	0	0	0	1	0,4
Corporate welfare & governmental links	0	0	0	0	0	0	0	0	0	0,0
Corruption (corporate involvement)	0	0	0	0	0	0	0	0	0	0,0
Energy and environment	2	1	3	2	3	11	16	11	49	22,2
Equal employment	3	1	3	11	12	12	15	10	67	28,0
Ethnic/nationality-based discrim.	1	0	0	0	0	2	0	0	3	1,2
Fairness in society	0	0	0	0	1	1	2	0	4	1,6
Family/conservative values	0	0	0	0	0	0	0	0	0	0,0
Gun production/distribution	0	0	0	0	0	0	0	0	0	0,0
Historical violations of human rights	0	0	0	0	0	0	0	0	0	0,0
Human health issues	0	0	1	0	0	2	5	3	11	4,9
International labor and human rights	2	5	1	7	10	12	9	6	52	21,4
Involvement in partisan politics	0	0	0	0	0	0	0	2	2	0,8
Involv. in the military & national security issues	0	0	0	0	0	0	1	2	3	2,1
Local/indigenous communities' human rights	0	0	0	0	0	1	0	1	2	0,4

(Table 9 cont.)

Pornography	0	0	0	0	0	0	0	0	0	0,0
Product/service quality, safety/reliability	0	0	0	0	0	0	0	0	0	0,0
Removal of equal employment practices	0	0	0	0	0	0	0	0	0	0,0
Tobacco issues	0	2	0	0	1	0	1	2	6	2,9
Workplace issues	0	0	0	0	1	0	1	0	2	0,8
TOTAL	15	9	9	22	35	47	54	43	234	100,0

Table 10: Selected issues raised in proxies, according to four most frequent type of filers during the period 1997-2004

	1997	1998	1999	2000	2001	2002	2003	2004	97-04
Abortion and contraception									
Individual	20	7	6	4	0	1	1	0	39
Advocacy group	1	0	0	2	0	0	0	0	3
Board diversity									
Religious investor	14	14	12	1	3	5	1	1	51
Mutual fund	0	0	1	3	6	3	8	9	30
Individual	0	4	1	2	1	1	1	0	10
Public pension fund	0	0	0	0	0	1	1	2	4
Energy and environment									
Religious investor	47	39	32	30	24	27	24	22	245
Mutual fund	0	5	5	10	17	20	17	28	102
Individual	10	4	6	7	10	14	11	7	69
Asset manager	9	3	4	7	7	13	6	7	56
Equal employment									
Religious investor	23	6	9	15	8	7	3	3	74
Mutual fund	2	3	4	3	10	12	6	11	51
Public pension fund	0	1	1	1	2	2	10	14	31
Individual	0	4	1	4	2	5	3	1	20

Fairness in society

Religious investor	23	21	21	17	6	5	1	6	100
Advocacy group				4	8	3	7	4	26
Mutual fund	2			5	5	2	1	4	19
Trade union	2	4	2	2	2	2		4	18

International labour and human rights

Public pension fund	5	9	10	11	32	36	24	24	151
Religious investor	22	23	22	6	5	7	7	5	97
Mutual fund	1	4	5	8	13	10	5	4	50
Individual	3	5	6	7	9	3	8	5	46

Involvement in partisan politics

Individual	9	8	9	10	12	10	5	11	74
Trade-union	3	5	1	0	0	0	0	17	26
Trade union-based pension fund	0	0	0	0	0	0	0	14	14
Advocacy group	1	0	0	2	0	0	0	6	9

Removal of equal employment practices

Individual	6	4	1	1	1	1	2	1	17
Advocacy group	0	0	0	0	2	1	0	0	3

Tobacco issues

Religious investor	24	22	16	11	10	11	19	17	130
Individual	5	2	5	1	1	1	0	0	15
Mutual fund	1	1	3	2	2	1	1	0	11

Table 11: Percentage of vote obtained by proposals, according to filer identity and issue raised

	1997	1998	1999	2000	2001	2002	2003	2004
PANEL A (TYPE OF FILERS)								
Advocacy group	2,8	5,7	7,4	6,8	8,0	8,4	7,9	7,2
Asset manager	9,0	5,7	9,2	6,3	10,2	7,1	7,4	18,0
Church-based pension fund		13,1		14,1	12,6	13,3	14,5	12,0
Individual	5,4	6,6	7,3	5,9	6,7	7,1	7,1	7,8
Mutual fund	7,1	7,7	7,8	9,2	11,6	13,1	17,5	14,6
Public pension fund	10,8	14,8	12,2	12,1	11,2	11,4	15,4	14,8
Religious investor	7,2	7,6	7,0	6,7	7,3	7,9	11,5	8,3
Trade union	6,5	5,8	8,0	10,1	6,8	6,1	9,0	10,2
Trade union-based pension fund								11,1
Unknown filer ^{1/}			8,6				27,6	97,9
University / college						5,9		

1/The result for 2003 and 2004 represents the vote tally for a single proposal in each case.

Table 11 (Cont.)

	1997	1998	1999	2000	2001	2002	2003	2004
PANEL B (TYPE OF ISSUES)								
Abortion and contraception issues		2,5		2,0				3,7
Animal rights		4,0			2,2	4,9	5,3	
Board diversity	10,3	14,4	15,3	19,9	20,5	15,9	27,1	6,9
Charitable giving	3,3	7,3	14,3	4,5	3,6	3,2	7,7	6,1
Corporate welfare & governmental links				5,4			8,0	
Corruption (corporate involvement)		3,2						
Energy and environment	6,6	6,9	6,9	6,5	7,8	9,7	12,5	15,6
Equal employment	8,2	14,2	9,3	8,9	11,8	17,1	25,3	22,0
Ethnic or nationality-based discrimination								
Fairness in society	7,0	4,2	5,0	7,6	8,4	9,3	9,5	8,4
Gun production/distribution					5,4	4,3		
Historical violations of human rights			0,8					
Human health issues	3,9	6,0	2,8	4,5	6,7	3,7	6,3	14,2
International labor and human rights	7,1	9,4	9,1	10,4	9,9	8,8	9,9	12,6
Involvement in partisan politics	5,9	6,5	6,0	4,4	5,9	5,8	5,9	9,2
Involvement in the military & national security issues	6,4	7,6	4,7	7,0	6,0	5,6	5,8	6,4
Local or indigenous communities' human rights			8,0	5,9	9,2	8,2	7,2	
Product or service quality service, safety and/or reliability	5,7	3,2				4,2	8,6	9,8
Restriction/removal of equal employment practices	9,9			1,9	7,4	10,0	3,3	

Table 11 (Cont.)

	1997	1998	1999	2000	2001	2002	2003	2004
PANEL B (TYPE OF ISSUES)								
Tobacco issues	6,6	7,0	6,1	6,0	7,3	5,7	8,2	5,8
Workplace issues								
Total number of voted proposals	115	121	123	150	158	161	145	199
Percentage received by all voted proposals	7,0	7,5	7,5	7,5	8,7	9,1	11,7	11,3

Appendix 1: Categories of issues raised in social policy shareholder proposals

Category/description	Examples of action requests
<p>Abortion, contraception, and commercial and research use of fetuses. Seek to limit or terminate corporation's involvement in contraceptive products and/or use of human fetuses in research or productive activities, or any form of perceived support for groups, political parties or countries that promote abortion and/or contraception rights.</p>	<p>Endorse Pro Vita principles Disclose giving to pro-abortion political parties Discontinue research using human foetal tissue Don't buy or use human fetuses</p>
<p>Animal rights. Seek to promote, in general, a better treatment of animals in corporations' research and productive activities, or the ban or strict limitation of using animals in those activities, particularly for testing products or methods.</p>	<p>Adopt anti-vivisection policy Review animal welfare standards Stop animal testing not required by law Use non-animal test methods</p>
<p>Board diversity. Seek to enhance diversity of corporate boards, in terms of an increased presence of women, ethnic minorities, and to a lesser extent, union members.</p>	<p>Commit to/report on board diversity Increase efforts to diversify board Union member on the board</p>
<p>Charitable giving. These proposals are related to termination, limitation, regulation of charitable donations (including</p>	<p>Disclose charitable contributions. Don't make charitable donations.</p>

<p>calls to make charitable contributions subject to shareholder approval, or making donations for particular or unidentified groups). Proposals related to giving to political parties are included in Involvement in Partisan Politics. Those calling for termination of donations to pro-abortion groups or political parties or candidates are included under Abortion, contraception, and commercial and research use of fetuses.</p>	<p>shareholders vote on donations over \$ 10,000 stop support for NPR</p>
<p>Corporate welfare and governmental links. Seek to encourage corporations to report to shareholders on tax burden and/or subsidies received from government.</p>	<p>Include tax burden figures in annual report Report on corporate tax benefits and subsidies</p>
<p>Corruption. Seek to constraint or eliminate possible corporate involvement in illegal activities, such as fraud, money laundering; and/or to enhance respect of an ethical code.</p>	<p>Adopt policy against money laundering Form committee to oversee anti-fraud compliance Report on "conflicts of interest" legal compliance Report on ethics policy and record no financial aid for convicted executives</p>
<p>Energy and environment. Seek to enhance the environmental performance of the firm. This category excludes proxies that seek to improve <i>simultaneously</i> corporations' environmental</p>	<p>Clean up toxic waste sites Conduct annual pollution prevention review Develop energy efficiency plans Endorse Ceres principles</p>

<p>performance and respect of other local or indigenous' communities rights.</p>	<p>Report on old growth logging policy</p>
<p>Equal employment. Seek to promote discrimination-free workplace environments, which may prevent certain groups of people to obtain employment in the corporation or to get access to equal opportunities of promotion or benefits, as a consequence of their gender identity, ethnicity, religious confession, sexual orientation, or age.</p>	<p>Adopt sexual orientation anti-bias policy Extend benefits to domestic partners Improve hiring and promotion of minorities Increase minority representation in management</p>
<p>Ethnic or nationality-based discrimination. Seek to eliminate corporate actions, <i>outside the workplace</i> that may be perceived as promoting discriminatory attitudes against certain groups in society.</p>	<p>Guard against negative images in marketing NBC should comply with TV Code on ethnic material Report on using only non-racist logos/trademarks Stop TV stereotypes of Polish-Americans</p>
<p>Fairness in society. This category involves a vast array of proposals seeking to promote corporate policies that are consistent with fairer access to wealth and well-being for disadvantage groups or communities, at domestic or international levels. Calls to corporations to adopt anti-globalization initiatives are included in this category, at it is frequently argued by the promoters of these proposals that</p>	<p>Adopt fair lending policy in emerging markets Adopt social guidelines regarding deregulation Adopt strict criteria for emerging market loans Ask DOA to set raw milk "floor price safety net" Become industry leader on fair lending Comply globally with community investment act Create plant closings committee</p>

<p>globalization can be linked with negative impacts for workers, poor people and disadvantaged communities.</p>	
<p>Family/conservative values. Proxies seeking to engage corporations (particularly those in the media industries) to promote family-centered values; exclude depiction of explicit sexuality or alternative lifestyles.</p>	<p>Return to family values Don't run ads that offend heterosexuals No favourable portrayal of illicit sex on TV Prohibit unbiblical programming</p>
<p>Gun production/distribution. Seek to terminate corporate involvement in production or marketing of guns, which are not conceived primarily for military purposes.</p>	<p>Don't sell guns in company's stores Report on steps against gun violence</p>
<p>Historical violations of human rights. Seek to involve corporation in redressing historical grievances to human rights, whether related to its past business activities or not.</p>	<p>Divest from firms in former Axis countries No services to Swiss pending Holocaust settlement</p>
<p>Human health issues. Proxies seeking to promote corporate involvement in initiatives that improve access to healthcare or healthier products or working environments at domestic and international levels.</p>	<p>Adopt drug accessibility policy Adopt drug price restraint policy Consider supporting national health care Develop ethical criteria for patent extension Disclose countries/guidelines for clinical trials Make AIDS drugs available in poor countries</p>

<p>International labour and human rights. Seek corporate adoption of higher standards of conduct regarding respect of human rights and workers' rights at the international level. The category's proxies are meant to terminate corporate partnerships with governments or groups that allegedly are linked at the moment of the proxy filing, to human or labour rights' violation at the international level. Proposals linked to historic (i.e. non-contemporary) events of human rights violations, implying or not the targeted firm are classified elsewhere. The present category concerns also the adoption of standards conceived to eliminate religious discrimination against workers in company. Calls to divest or pullout activities from particular countries (for unspecified reasons, but where accusations of human rights violations have been detected) are included in this category.</p>	<p>Adopt code of conduct for China operations Implement ILO standards and third party monitoring Implement McBride principles Report on maquiladora operations Suspend payments to Indonesian military</p>
<p>Involvement in partisan politics. Seek to limit or terminate corporate involvement in partisan politics or political activity. When specific partisan positions on controversial issues are targeted (like halting</p>	<p>Affirm political non-partisanship Create/report on political contribution guidelines Disclose political contributions in newspapers Disclose prior government</p>

<p>donations to pro-choice parties, for instance) proposals are classified in the category that is closest to the issue (Abortion, Tobacco, etc).</p>	<p>service</p>
<p>Involvement in the military and national security issues. Seek to reduce or stop corporate involvement in defense, or certain types of defense projects, such as ballistic missiles or space weapons.</p>	<p>Develop military contracting criteria Report on foreign offset agreements Report on space weapons Stop producing nuclear weapons</p>
<p>Local or Indigenous Community Rights. Include the right to a healthy environment, particularly in the case of energy-based projects, respect of ancestral lands and respect of fair compensation to local or indigenous communities. Proxies addressing the issue of human rights violations are included under International Labour and Human Rights.</p>	<p>Conduct risk analysis of developing tribal land Limit use of Hopi water supply Obtain power supply without harming Cree Review Chad-Cameroon pipeline project Review social criteria in financial ventures Report on sites' impact on indigenous peoples</p>
<p>Pornography. Proxies seeking to terminate/limit corporate involvement in production/distribution of pornography</p>	<p>Adopt bylaw to eliminate adult entertainment Report on involvement in pornography industry Stop marketing pornography</p>
<p>Product or service quality, safety and/or reliability. Seek to assure that products or services sold by the corporation, or support activities such as R&D meet higher standards of quality, reliability and safety.</p>	<p>Create safety policy and report Ensure customer privacy Report on train safety program</p>

<p>Restriction or removal of equal employment practices. Seek to reverse corporate policies intended to provide benefits for domestic partners of workers; to protect homosexual workers, or to support affirmative action programs</p>	<p>Don't extend benefits to domestic partners Drop sexual orientation from EEO policy Issue statements opposing affirmative action End employee benefits for gay partners</p>
<p>Tobacco issues. Call tobacco-based corporations to discourage smoking among particular groups; to increase awareness about risks associated to smoking; and to eliminate practices or additives that make tobacco to increase presumed risks to consumers' health. Proposals calling non-tobacco-based corporations to divest from tobacco firms are included in this category.</p>	<p>Compensate tobacco disease victims Apply US prevention programs to all youth Discourage smoking by pregnant women Discourage youth smoking in developing countries Divest tobacco holdings Link exec. pay to reduction in teen tobacco use</p>
<p>Workplace issues. Proxies seeking to protect workers rights at the domestic level. This category excludes proxies seeking to redress inequalities confronted by particular groups (regrouped under Equal Employment)</p>	<p>Adopt employee bill of rights Allow workers one hour for lunch Take steps against workplace violence Take steps to resolve disputes with AFL-CIO</p>
<p>Other</p>	<p>Adopt due process review for NBC Bar Japanese horse owners from races</p>

Appendix 2: Categories of filers

Category of filer	Description and or examples
Advocacy group	Groups or NGOs, promoting the advancement of particular (often single) causes. Ex. Global Exchange, Friends of the Earth, GE Stockholders Alliance, Pride Foundation, People for the Ethical Treatment of Animals.
Asset manager/advisor	Company offering financial services, but not identified as a socially-screened mutual fund in the 2003 Report on SRI Trends. Ex. Harrington Investments, Christian Brothers Investment Services, Mercy Consolidated Asset Management, Northstar, Boston CAM, Progressive Asset Manager.
Church-based pension fund	Pension fund created for employees of a specific church. Ex. Brethren Benefit Trust, General Board of Pension and Health Benefits of the United Methodist Church.
Individual	Any filer identified by family name and initials. This category includes “gadfly” activists, such as Evelyn Davis.
Mutual fund (socially-screened)	Socially-screened mutual

	funds, included in the 2003 report on SRI Trends. Ex. Domini, Calvert, Catholic Funds, Walden, MMA Praxis, Trillium, Green Century, LongView, Ethical Funds, Citizens Funds.
Mutual fund (conventional)	Ex. Tocqueville Gold Fund.
Public pension fund	Pension funds operated by city or state governments. Ex. New York City funds, such as New York City Employees' Retirement System (NYCTRS), Teachers' Retirement System (TRS), New York City Police Pension Fund, New York City Fire Department Pension Fund and Board Education retirement System (BEARS). Other examples in the category are the Connecticut Retirement Plans and Trust Funds, the Minnesota State Board of Investment and the New York State Common Retirement Fund.
Religious investor	Religious orders or religious-based healthcare or educational organizations, as well as the Interfaith Center on Corporate Responsibility (ICCR) are included in the category. Ex. Catholic Healthcare West, School Sisters of Notre Dame, Sisters of Loretto, Mercy Investment.
Trade union	Service Employees

	International Union (SEIU), Communication Workers of America (CWA), American Federation of State, County and Municipal Employees. (AFSCME), PACE Workers, Teamsters, International Brotherhood of Electrical Workers (IBEW), Hotel Employees and Restaurant Employees (HERE), AFL-CIO, Du Pont Workers, Carpenters.
Trade union-based pension fund	Central Laborers' Fund.
University	Swarthmore.