

ESG Proposals in 2015

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433 resolutions have been filed so far on a wide range of environmental and social issues, a record number, according to [Proxy Preview 2015](#), a publication by As You Sow, the Sustainable Investments Institute and Proxy Impact. The report provides a detailed examination of the wide range of topic areas covered in the proposals, an index of the companies that received them and brief discussions with some of the most prominent and prolific proponents about specific proposals.

39% of the topics focus on environmental and sustainability matters, predominately climate change, with political activity accounting for another 26%. The primary filers are socially responsible investors, such as Calvert Investments, Walden Asset Management and Trillium Asset Management, as well as faith-based institutions. Excluding proxy access proposals, pension funds and labor unions, including AFSCME, the UAW Retiree Medical Benefits Trust, Laborers' International and the AFL-CIO, submitted about 18% of the proposals.

Companies have sought to omit 113 proposals through the SEC no-action letter process, with 21 of those then withdrawn. So far, the SEC has permitted 8 to be excluded and denied 22. Traditionally, about 10% of all ESG proposals are omitted through the SEC process, but 40% more are withdrawn before going to vote. 13 investors have agreed to test a new framework to track their engagement efforts with companies during the 2015 proxy season. These efforts include filing proposals, communicating with companies, influencing regulation, and finally, taking more assertive action like lawsuits or public campaigns.

Some of the new resolutions this year cover transporting oil and gas by train, deforestation, and the high price of specialty drugs. The SEC staff recently declined to allow companies to exclude those proposals because they reasoned that the proposals focus on fundamental business strategies with respect to pricing policies for pharmaceutical products.

The report acknowledges that it is extremely rare to see a majority vote on an ESG proposal, with only six in 2014, but indicates that "social proposals above 10 percent are virtually impossible to ignore and often - but not always - result in some action by the company to address the shareholder's concern." Average support was 22% in favor in 2014, although many of the lobbying proposals received much higher votes.

If you have any questions regarding the matters covered in this publication, please reach out to any of the lawyers listed below or your usual Davis Polk contact.

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