Trade Group Targets Shareholders Pressuring Big Oil on Climate Change

Exxon is among the oil companies facing shareholder pressure to disclose climate risks to its bottom line. Photo credit: Spencer Platt/Getty Images

By Karen Savage
The National Association of Manufacturers (NAM), a 123-year-old trade group that has worked diligently to defend Big Oil (https://www.climateliabilitynews.org/2019/02/26/national-association-manufacturers-oil-climate-liability/) in the burgeoning climate liability battles, has also taken on another opponent to the status quo: investors.


In recent years, shareholders concerned about climate-related risks to the companies' bottom lines, which includes liability suits, have introduced proposals urging oil and gas companies to reduce their carbon footprint and be more forthcoming about the climate risks to their bottom line.

Once largely unmoved by a hard-to-imagine future threat, investors now need only look out their windows or turn to news reports to see firsthand the catastrophic effects of climate change: The charred remains of entire communities in the aftermath of California wildfires (https://www.sfchronicle.com/science/article/Scientists-see-fingerprints-of-climate-change-all-13112858.php); parts of Texas submerged by more than 4 feet of water in the wake of Hurricane Harvey (https://www.climateliabilitynews.org/2017/08/28/hurricane-harvey-climate-change-impact/); countless unnamed weather events from the record-shattering rain that swept Louisiana in 2016 to the now-routine flooding (https://www.huffpost.com/entry/click-scott-florida-floods-climate-change-kids-tides_us_5e591e4e00a817e7a626) in Florida and areas (https://www.nbcnews.com/mach/news/east-coast-sea-level-rise-high-tides-flooding-norca577241) along the Atlantic seaboard.

While most shareholder proposals have failed, there have been some victories: In 2017, investors forced Exxon to produce its first climate-risks report and other proposals prompted (https://www.washingtonpost.com/2017/02/22/business/exxonmiCroft-looked-at-climate-change-when-it-should-have/). The initiative—dubbed 

"There's a growing risk to millions of workers and retirees like you," warns a dire voice on a video posted NAM's YouTube channel. "Your retirement savings could be in jeopardy."

By painting proxy advisory rms as the enemy of individual investors, MSIC is misleading the public, said Sue Reid, vice president of climate & energy for Ceres, a nonprofit organization dedicated to sustainable investing.

"Big ugly billionaire–driven money-grubbing asset managers" are driving shareholder resolutions that work for them and not the "little guy" completely misses that many shareholder resolutions are backed by pension funds, which administer the savings of thousands of individual retirees.

"They might have a lot of money that they manage, but absolutely those are the resources of the 'little guy,'" Reid said. "So for workers across the spectrum—an awful lot of blue collar workers across the United States—these are their hard-earned resources to support their retirement."

**Corporate Disconnect**

Projects like MSIC and the Manufacturers’ Accountability Project (https://www.climateliabilitynews.org/2019/02/26/national-association-manufacturers-oil-climate-liability/) call into question an apparent disconnect between NAM’s drive to discredit the communities and one of its many member companies.
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"We are deeply concerned about the negative message that the NAM Report conveys about investor engagement and shareholder resolutions in general and climate change in particular," the investors said in the letter. They said they were particularly concerned about the NAM-funded study, which suggests that shareholder resolutions—particularly resolutions related to climate change—do not increase investor profits.

"The report, which argues that shareholder resolutions on climate change are politically motivated and may negatively affect company performance and shareholder value, is clearly at odds with the policies and experiences of many NAM members. Further, NAM’s depiction of climate-related resolutions may permit an inference that the companies that serve on its board are skeptical about climate science or the action needed to address this urgent issue," wrote the investors.

Smith, representing Walden Asset Management, a division of the Boston Trust and Investment Company, appealed to the NAM-funded study at the time to NAM’s member companies to protect their reputations and integrity by distancing themselves from both NAM and MSIC.

"The irony is that many companies on the NAM board are active business leaders on climate change, yet their dues to NAM are funding an aggressive attack against the very investors they meet with regularly to address climate change."

Corporate Change Comes From Within

Shareholder resolutions stem from not only concerns about future profitability, but also the social impacts of their investments. In recent years, shareholders have proposed hundreds of resolutions aimed at forcing companies to address the risks of climate change and make other policy changes.

These resolutions provide a way for shareholders to bring critical issues to the attention of a company’s management and board. Generally, any investor holding $2,000 worth of stock or 1 percent of a company can introduce a resolution.

It was pressure from shareholders that forced Exxon in 2014 to provide a report on its climate-risk calculations. That report, Energy and Carbon—Manage the Risks, was subsequently subpoenaed by the New York attorney general’s office in its investigation into a potential climate fraud lawsuit. The AG has since filed suit against Exxon.

The passage of a shareholder resolution in 2017 forced Exxon to acknowledge that its core oil and gas assets face some risk of becoming stranded. A resolution that the company provide investors with an accounting of how it plans to meet its short-, medium- and long-term greenhouse gas targets was also approved. The SEC has not yet ruled on Exxon’s request to avoid a vote on the resolution.

Hoping to push Exxon to more fully outline which assets could become stranded, shareholders are now proposing a resolution that the company provide investors with an accounting of how it plans to meet its short-, medium- and long-term greenhouse gas targets. As outlined in the Paris Climate Agreement, the SEC has instructed companies to outline their climate-change-resolutions,

NAM believes proxy advisory firms have been a reason for the recent success of some of those resolutions. NAM president and chief executive Jay Timmons told Reuters, "I think it is a reason for the recent success of those resolutions, but it is not the only reason.

For far too long, proxy advisory firms have exerted undue influence over manufacturing companies, trying to force business decisions without any regard to investors’ best interests, NAM president and chief executive Jay Timmons told Reuters.

NAM also submitted a letter to the SEC, urging the agency to “highlight the importance of effective guardrails around third parties (like proxy advisory firms and activist investors) that often detract from business growth and shareholder value creation” and to streamline the proxy process in order to allow companies to “continue to focus on growing their businesses and driving shareholder returns.”

NAM and the Main Street Investors’ Coalition did not respond to requests for comment.

Not only can shareholder resolutions lead to increased corporate earnings, but carbon asset risk resolutions could prevent companies from incurring additional liability for climate change damages, said Danielle Fugere, president of As You Sow, a non-profit advocating for corporate responsibility through shareholder advocacy.

"It will help companies move forward understanding that they need to start making changes, that they need to start reducing their carbon risk, that demand may in fact fall precipitously in the future and the world is moving to a low carbon energy system," Fugere said. "If they are not on board, then they are at risk of being competitively disadvantaged."

Nell Minow, a long-time shareholder rights advocate, said the Main Street Investors Coalition does not represent actual Main Street investors.

"In reality, it is a corporate-funded group with no real ties to retail investors," Minow wrote in a post on the Harvard Law School Forum on Corporate Governance and Financial Regulation. "And its advocacy is as fake as its name."
Trump Order Takes Aim at Shareholders Pushing Companies to Address Climate Risks

Most Oil Giants Still Fighting Shareholder Pressure to Address Climate

Battling for Big Oil: Manufacturing Trade Group Leads Assault on Climate Suits