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Shareholder activism and the ethical harnessing of institutional investors

The unique case of ShareAction

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The unique case of ShareAction

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Abstract

Purpose – This study aims to foster a deeper understanding of socio-ethical shareholder activism by outlining the corporate campaigning strategies of a UK-based non-governmental organisation (NGO) and by assessing their impact on both institutional investors and the practices of two multinational companies. As we move into a world where shareholder ownership is becoming more democratised, shareholder activism is gaining prominence in the USA, Europe and Asia, opening new avenues for participation in corporate governance by stakeholders such as NGOs who have traditionally been uninvolved in corporate decisions.

Design/methodology/approach – The article adopts a qualitative methodology and case study research design. It relies on semi-structured interviews, analysis of documents and participant observation.

Findings – First, the study sheds light into the ways in which NGOs are connecting themselves to the financial sector. It argues that they can pursue their political goals by framing their arguments in a way that emphasises the short-term financial risks/benefits for investors. Secondly, it demystifies the term “shareholder activism”, transforming it from an action tool belonging only to big and powerful institutions, to a tool which gives other stakeholders such as NGOs and ordinary people a real stake in companies’ affairs. What is more, the study highlights the divergent nature of institutional shareholder activist intervention in the USA and the UK.

Research Limitations/implications – Given the generally long-term nature of shareholder campaigns, which can sometimes span over several years, it could be beneficial to adopt a longitudinal research design. Future research can endeavour to focus on a number of different campaigns over a period that exceeds three years.

Practical Implications – The research has implications for NGOs adopting a shareholder activist campaigning model and for policy makers aiming to encourage investor stewardship.

Originality/value – The fact that the research field of NGO socio-ethical shareholder activism is relatively new and under-explored by academia, coupled with the growing incidence of the phenomenon in the UK and across the world, as well as its potential benefits for society as a whole, renders further investigation into the topic necessary.

Keywords Business ethics, Investors, Corporate social responsibility, Non-governmental organisations, Shareholder activism

Paper type Research paper



1. Introduction

Can the modern corporation have social responsibilities? This question has occupied the minds of scholars since the concept of corporate social responsibility (CSR) first became prominent in the 1950s when American corporations rapidly increased in size and power

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(Boatright, 2007). The debate regarding the role of the corporation in modern society is characterised by highly contested views. On the one hand, some critics such as Milton Friedman argue that the notion of CSR is pernicious. Friedman (1970) suggests that, as corporations are not human beings, they cannot assume true responsibility for their actions, and that the sole responsibility of managers is to make profits and maximise shareholders' investments. On the other hand, there are those who believe that CSR is an integral part of any modern business and that there are good business reasons which can explain why it might be advantageous for corporations to act in a socially responsible manner (Klonoski, 1991; Davis, 1973; Mintzberg, 1983). For example, Davis (1973) makes a compelling case for CSR from a business perspective by outlining various advantages that a responsible business might bring – namely – helping to build a safer and more equitable community benefits the corporation by creating a stable context in which to do business; the achievement of social goals leads to good public image which attracts more customers; voluntarily committing to social actions may forestall legislation.

In recent times, increasing pressure has been placed on corporations to reconcile and account for the interests of their numerous stakeholders (Balabanis *et al.*, 1998). Nowadays 52 of the world's 100 largest economic entities are corporations and their assets exceed the gross national product of many nation states (Anderson *et al.*, 2005). With the advent of globalisation, the enormous influence that large corporations have on the wider society is hardly contestable. The valuable resources and management capacities that they possess have led many to think of business as capable of making a substantial contribution to social life (Davis, 1973; Klonoski, 1991). Yet, in legal and institutional terms, the modern corporation is created in a way which gives credence to the interests of one specific stakeholder group – the owners, or shareholders.

From a theoretical perspective, the current paper explores the power and structure of companies by drawing on the work of Bakan (2006) and looks at the persistence of the way in which corporations are reconstructed legally to favour the rights of property holders. In his book "The Corporation", Bakan (2006) directs his readers' attention to the fact that corporations are legal entities and, as such, the law dictates what their managers can and cannot do. Citing the famous legal case of Dodge V. Ford (1916), the author highlights the flawed institutional logic by which corporations are governed – logic which closely resembles Friedman's ideas about the role of business in modern society. The case stands for the legal principle that managers are obliged by law to prioritise the interests of shareholders above all others and have a duty to maximise returns[1]. Bakan also refers to another famous legal case from nineteenth-century England – Hutton V. West Cork Railway Company. According to its verdict, social responsibility is justified only in circumstances when it is driven by enlightened self-interest, in other words, when it is in line with the best financial interests of a company.

The article rests on the premise that business should assume responsibility for contributing to an environmentally and socially viable world. Herein, shareholder activism is seen as a counteracting force to the flawed institutional logic by which companies are governed and as an essential mechanism for holding business to account. Based on a qualitative case study of the "Tar Sands" campaign, the paper explores the shareholder activist strategies employed by the UK-based non-governmental organisation (NGO) ShareAction. The study aims to analyse the tactics used by

ShareAction to incentivise responsible ownership behaviour on the part of investors and to evaluate the effectiveness with which the organisation brings about change in company practices. So far, most of the studies have primarily examined activism in the USA (see Clark *et al.*, 2006; Hoffman, 1996; Proffitt and Spicer, 2006 and others). There is a major research gap to fill and a need to adopt a UK perspective since the phenomenon is on the rise here. In addition, the research area has been dominated by the use of quantitative methodology (see Southwood, 2003; Barber, 2007). The literature would benefit from more in-depth studies seeking to answer the “hows” and “whys” of reality. Such a purpose can be accomplished with the use of qualitative methodology and, in this case, a detailed case study encompassing semi-structured interviews, participant observation and document analysis. The main contribution of the paper is twofold. First, the empirical findings reveal that NGO shareholder activism offers new avenues for democratising the corporation. Secondly, the study argues that it may take a long time before the outcomes of a shareholder activist campaign are realised because shareholder engagement is a long-term process which requires a lot of dedication on the part of campaigners. This suggests a new way of thinking about the nature of an effective shareholder activist campaign and casts doubt on the reliability of previous studies’ findings. The paper asks an important question – can we classify a campaign as ineffective if there have been changes as a result of it, albeit not all initial campaign goals have been met?

The paper is structured as follows. First, the literature review defines the term shareholder activism, considers the different typologies of shareholder activism advanced in previous research and positions the article with respect to these, reviews the potential of institutional investors for influencing corporations, looks at the role that NGOs can play in corporate governance, and discusses the propensity of the tactic to bring about change in corporations. Secondly, the methodology used in the study is explained. Third, the empirical findings are explored and the effectiveness of the case study is assessed. Finally, a discussion section reflects upon the findings, drawing out the implications of the case study for activists, companies and the wider society.

2. Literature review

Apart from the well-known ways to influence organisations via formal rules and regulations, consumer boycotts, pressure from the media and from environmental groups, the financial market is increasingly being used as a method for changing corporate actions (Sjostrom, 2008). Companies are dependent on shareholders and investors who keep their share prices up by buying stock. As owners and primary stakeholders, they often engage with companies to maximise their shareholder value, to express dissatisfaction with management’s decisions and to hold organisations accountable for their actions. Therefore, the potential of shareholder activism for bringing about corporate change is vast. The term can be defined as the use of ownership rights to actively shape corporate policy and behaviour (O’Rourke, 2003). Shareholder activism can either be focused on corporate governance (or instrumental) issues, or on social, environmental and ethical (SEE, hereafter) issues. This article aims to explore the latter form of action.

Leaving aside the traditional distinction between instrumental and SEE action, the existing literature has explored a variety of different ways of classifying shareholder activism. It would be useful to discuss some of these and position the current study with

respect to them. For example, Gillan and Starks (2007) distinguish between three varieties of shareholder activism. At the one end, the authors regard investors who simply trade a company's shares and express their dissatisfaction by undertaking the "Wall Street Walk"[2] as active. At the other end of the continuum of possible shareholder responses lies the market for corporate control where investors initiate takeovers with the view of accomplishing fundamental corporate changes. Between these extremes, Gillan and Starks claim, are intermediate points on the continuum which include actions such as buying a minority stake in a company with the intent of changing its practices. These intermediate points also encompass interventions such as: letter writing, informal dialogue with management, filing of formal proposals, media campaigns and lawsuits. The current article focuses on analysing precisely this middle ground of shareholder action, as defined by Gillan and Starks (2007).

Nordén and Strand (2011) develop another typology by distinguishing between formal and informal shareholder activism. The former involves investor actions that are made publicly – for example, filing a shareholder resolution, attending the annual general meeting (AGM) and asking a question, writing a publicly available letter and others. By contrast, informal activism, which involves private meetings with company officials, is conducted behind the scenes and is therefore not publicly visible. Formal activism predominates as a strategy in the case study discussed in this paper; however, although to a lesser extent, the campaign also bears evidence of informal tactics. Similarly, when discussing how NGOs use the capital markets to achieve their aims, Waygood and Wehrmeyer (2003) distinguish between direct and indirect tactics, whereby the NGO either uses its own influence as a shareholder to initiate change at company level (direct) or co-opts the influence of financial institutions which hold shares in the targeted companies (indirect). Applying the authors' classification, it could be argued that the tactics employed in this case study are of both direct and indirect nature, with the latter predominating.

Having located the present case study in various typologies of shareholder activism, the literature on institutional shareholder activism provides further relevant insights. The most powerful and influential actor in the arena is, without doubt, the institutional investor, as institutional investors often own a greater percentage of shares compared to other shareholders, giving them greater influence over decisions. The role that mainstream investors can play in ensuring that the companies in which they hold shares are responsibly governed has been well documented in the literature and there seems to be no disagreement about it (Owen *et al.*, 2006). Perks *et al.* (1992), Sparkes and Cowton (2004) and others believe that institutional investors could become the focal point of social movements and could bring about the desired change in corporations. Given the fact that control in the UK is concentrated among a relatively small group of institutional shareholders (Goergen, 2007) who, as Roberts *et al.* (2006) reveal, own 80 per cent of all listed equities in the UK, their role for encouraging responsible corporate behaviour and for contributing to the success of shareholder activism is essential.

In recent years, both in the UK, where this study is based, and in the USA, there has been a dramatic increase in the number of investors playing an active ownership role in investee companies. According to data from the Investor Responsibility Research Centre (IRRC), between 1973 and 2004, more than 15,000 proposals on a range of SEE and governance topics were filed at USA corporations – one-quarter of which were filed in just four years, or 2001 through 2004 (Voorhes, 2005). In the UK, recent examples of

active ownership include investors lobbying for better working conditions at Tesco's clothes manufacturers in Asia, investors raising questions at the AGM of the mining company Vedanta Resources due to its poor human rights, environmental and health and safety track record, investors revolting against excessive remuneration during the "Shareholder Spring" of 2012 and others. However, although on the rise, the actual extent to which large investors make use of their power and engage with companies on SEE issues remains unclear, with the academic literature presenting divergent views and evidence.

Scepticism is finding ground in a study by [Clark and Knight \(2006\)](#) who argue that institutional investors have been slow to respond to environmental and social responsibility issues. Similarly, [Lewis and Mackenzie \(2000\)](#) also suggest that active engagement is far from widely pursued, even by ethical funds who prefer to take a passive market signalling approach (negative screening) instead of a more active approach which entails them buying shares in a company to engage in activism. On a more positive note, [Sparkes and Cowton \(2004\)](#) suggest that institutional investors have been encouraged through government legislation to take a less passive approach to the management of their shareholdings. For example, section 172 of the UK Companies Act 2006 which sets out directors' duties was designed to promote more long-termist, responsible behaviour at company level. [Sparkes and Cowton \(2004\)](#) claim that these regulatory changes are the reason why shareholder activism and socially responsible investing (SRI) have passed through a process of maturation expressed in their adoption by an increasing number of large institutional investors. The extent to which ethical and mainstream investors from the UK adopt an active ownership role in the face of allegations against a company in which they hold shares will be discussed in the empirical findings.

Apart from the institutional investor, the NGO is another actor which is making use of the financial market to promote its concerns. NGOs have nowadays become an important player in the shareholder activist arena since they have increasingly started to enter the capital market in an attempt to express their views on responsible business conduct through buying shares and becoming shareholders themselves ([Waygood, 2006](#)). However, through their attempts to engage with investors and influence them to act on certain issues, civil society organisations have the potential to also serve as a driving force behind an increase in institutional investor stewardship. Their importance, as [Sjostrom \(2007\)](#) suggests, lies in their ability to incentivise action by investors who have more power to push for change. Recent examples of NGOs which have used shareholder activism as a tool in their campaigning tactics include ShareAction, World Wildlife Fund-UK (WWF, hereafter), Friends of the Earth, Platform London, Greenpeace and others. However, despite the growing influence of NGOs as corporate watchdogs since the 1980s ([The Economist, 2000](#)) and despite their new important role as shareholders, from a UK perspective, there is little research ([Waygood and Wehrmeyer, 2003](#)) examining their role in the arena and addressing how they use the power of shareholder activism. Examples of papers on NGO shareholder activism in the USA context are more common and include [Emel \(2002\)](#), [Guay *et al.* \(2004\)](#), [Spar and La Mure \(2003\)](#), among others. The aim of the article is to explore the shareholder activist strategies of UK-based NGOs in relation to a case study of a particular campaign and to assess the potential of shareholder activism for bringing about change.

The effectiveness of the tactic for influencing corporate policy has been previously discussed in the literature, with the majority of authors adopting a sceptical stance as to the ability of the phenomenon to serve as a “mechanism for the social control of business” (Smith, 1990). Sparkes and Cowton (2004) are among those who express their optimism about the potential for change of shareholder activism. The authors believe that, compared to the passive approach to ethical investment characterised by negative and positive screening, activism can prove to be a more powerful tool for influencing companies. However, authors such as David *et al.* (2007) adopt a more critical view. Using quantitative methods and a methodology similar to the one developed by Neubaum and Zahra (2006), the authors test the relationship between activism and corporate social performance (CSP, hereafter) (using KLD’s[s3] social and environmental ratings) and conclude that activism can be detrimental to CSP, as it often entails a diversion of resources away from environmental issues into political activities aimed at resisting external pressures. David *et al.* (2007) conclude that managers try to negotiate more with salient shareholders but their actions are “symbolic rather than substantive” (p. 98). O’Rourke (2003) also adopts a sceptical stance on shareholder activism. Her research is based on interviews, secondary data, detailed literature review and various case studies. Although acknowledging some of the merits of the phenomenon, O’Rourke (2003) criticises activism on the grounds that it only achieves small and voluntary change and is limited to those who already possess ownership rights. O’Rourke (2003) questions the ability of a model of shareholder democracy for advancing sustainability and replacing other democratic forms of controlling firms.

In summary, the research area of shareholder activism has been dominated by the use of quantitative methodology – the majority of studies exploring shareholder resolutions rely on statistical analysis of the ethical resolutions compiled by the IRRC within a specific time period and explore causal relationships between variables. Similarly, when it comes to the effectiveness of shareholder activism both supporters and sceptics often measure changes in corporate behaviour with reference to scores by rating agencies (David *et al.*, 2007; Neubaum and Zahra, 2006). The current article’s theoretical contribution lies in the advancement of an alternative way of thinking about effectiveness and in discovering aspects of shareholder activism whose potential has not been mentioned previously. These arguments are further elaborated in the Discussion and Implications section. Given the under-researched field of SEE shareholder activism in general, especially in the UK context, and NGO intervention in particular, the paper aims to provide an insight into the world of NGOs[4] by discussing how ShareAction uses the financial market to advance its goals. The main research questions are outlined below:

- RQ1. What strategies does ShareAction use to leverage the shareholder power of investors and to encourage them to be responsible owners?
- RQ2. How effective is the organisation in harnessing the power of institutional investors and in changing corporate actions?

3. Methodology

The paper is based on a detailed examination of a single case study – namely – ShareAction’s “Tar Sands – Counting the Cost” Campaign. The campaign was chosen because it is one of the most ambitious projects of ShareAction to date. It generated

extensive media coverage ([The Independent, 2010](#); [Telegraph Magazine, 2010](#); [Sunderland, 2010](#); [Peston, 2010](#)) and was based on a shareholder activist tool which is scarcely used in the UK market, especially when focused on a company's environmental or social impacts – namely – a shareholder resolution.

ShareAction is a UK-based non-governmental charitable organisation founded in 2005 which campaigns for responsible investment by institutional investors and “uses shareholder action to further social goods” (*Fieldwork Interview*, ShareAction, 2012a)[5] such as the “relief of poverty, protection of the environment, promotion of human rights, sustainable development and compliance with ethical standards of conduct” ([ShareAction, 2010a](#)). Responsible investment, as defined by the organisation, is a different and superior approach to ethical investment – rather than positive or negative screening, it involves shareholders taking an active ownership stance and using their power in the companies they invest in ([ShareAction, 2013](#)). The work of the organisation involves single issue campaigns aimed at mobilising the financial power of shareholders to create change in corporations. What make ShareAction (formerly FairPensions)[6] unique are its campaigning methods which are based solely on using the power of shares to change corporate behaviour through responsible investment or, in other words, shareholder activism. Although there are other NGOs in the UK which incorporate shareholder activist tactics as part of their broader campaigns, ShareAction occupies a niche in the third sector community as it focuses its time and resources exclusively on shareholder activism as a primary campaigning tool and, as such, is regarded as an expert in the area by other NGOs and the investor community. This makes ShareAction a uniquely valuable organisation to be studied.

Researching the use of the financial market for advancing SEE issues aims to provide an understanding of the potential of activism for shaping corporate behaviour, as well as an understanding of the role of NGOs for encouraging change and moving responsible investment to the mainstream. The geographical coverage of the study reflects the importance of the City of London as a major international financial centre. Exerting influence on large institutional investors in the City can have far reaching consequences at a global level.

The methodological position of the study is based on a multi-method qualitative research paradigm encompassing semi-structured interviews with NGO staff members and SRI experts, analysis of documents (newsletter archives, investor briefings, press releases, campaign information) and participant observation based on a two-week internship at ShareAction's headquarters. The use of qualitative methods was determined to be the most appropriate way of answering the research questions. This decision was influenced by the under-researched and contemporary nature of the phenomenon under investigation which presupposes a more detailed approach focusing on more than an exploration of the causal relationships between different variables.

The case study approach was chosen because a simple, well-constructed case study can challenge an existing theory and also provide a source of new theoretical insights ([Saunders et al., 2003](#)). As the case study embraces a diverse range of methods and sources, it has the potential to generate in-depth, narrative-like description ([Marinetto, 2012](#)) which is of particular importance for answering “why” and “how” questions ([Yin, 2003](#)). Furthermore, within critical realism, case research is regarded as particularly effective in explaining complex and contextualised social phenomenon by identifying the underlying processes and structures that shape these phenomena ([Easton, 1998](#)).

The case study approach allows for the formulation of robust theoretical insights based on real-life experiences, rather than more abstract and speculative theorising which is abundant in the literature on shareholder activism (Ghauri and Grønhaug, 2002). Case studies have long been criticised for being an inadequate method of inquiry. The main question being raised by critics of this research design centres on the issue of generalisation; or in other words, the inability to generalise results to a wider population (Marinetti, 2012; Thomas, 2004). However, the philosophical position of this study renders such claims unsubstantiated. According to critical realism, the findings encountered, be it even in a single case study, can serve to inform our understanding of other phenomena, situations and behaviours. As Silverman (2005) suggests, when it comes to describing case studies, extrapolation is a better suited word than generalisation, as they rely on analytical, rather than statistical, generalisation (Yin, 2003; Bryman, 1988).

Altogether 23 face-to-face interviews were conducted with members of ShareAction, investors and experts in the field of socially responsible investment. All interviews were digitally recorded and subsequently transcribed and all lasted between 40 and 90 minutes. The data collection process was governed by purposive sampling – individuals were carefully selected based on their time spent in the organisation, their role and their broader knowledge on responsible investment. The interview schedule was designed prior to the start of the data collection process and all interviews were conducted in the participants' natural work setting to elicit further information about their daily activities, to contextualise the research findings, and to enhance ecological validity (Creswell, 2003). Eighteen questions were devised, specifically addressing the research objectives. However, additional emerging questions, which elicit further explanation and allow for the exploration of emergent themes, were also asked (Gubrium and Holstein, 2002). The validity and reliability of the information were ensured through triangulation with extensive field notes written during the data collection process, as well as analysis of live and company documents. In addition, respondents were given the opportunity to comment on the interview transcripts, key concepts were clearly operationalised at the beginning of the study, and an external auditor was used to provide an assessment of the data collection and interpretation.

To analyse the data, the interviews were first transcribed and, together with the field notes, were transformed into a coherent "text" (Silverman, 1993; Latimer, 1998). The interview extracts and field notes served to build a coherent story which addresses the research questions by reconstructing the events around the campaign. This account was supplemented and reinforced by the use of documentary evidence which helped gain a deeper understanding of the situation. Organisational documentation contributed to a greater accuracy of findings by taking into account the fact that social reality is a continuous process which needs to be examined in its entirety. Rather than considering a single fixed moment in time, it allowed for an understanding of how processes have unfolded over a longer time-scale. Furthermore, following adaptive theory (Layder, 1998), pre-existing secondary research sources were used to support and develop the empirical findings. Reoccurring trends in the data emerged after a careful reading and re-reading of the interviews. Therefore, thematic analysis was used to categorise and organise the data in analytically relevant ways. This entailed assigning codes to parts of varying size text such as words, phrases, sentences and paragraphs (Miles and

Huberman, 1994) for the purposes of condensing the data set into analysable units (Coffey and Atkinson, 1996).

4. “Tar sands – counting the cost” campaign – harnessing the power of share ownership

Tar sands (also known as oil sands and heavy oil) are a type of naturally occurring unconventional bitumen deposit which is an extremely dense and viscous form of petroleum. The extraction of oil in a usable form from such deposits requires a complex, energy-intensive and high emission-producing process (ShareAction, 2010b). Energy companies have begun to extract oil from tar sands in countries such as Canada and Venezuela where the world’s largest deposits occur. Shell is one of the largest developers of Canada’s oil sands and their Albion Sands mine opened in 2003 (Shell, 2009). British Petroleum (BP) also has plans to start oil production in Alberta, Canada in 2014 – a final investment decision with respect to the company’s Sunrise project’s (which is a joint venture with Husky Energy) first phase was expected in late 2010 (BBC News, 2010) .

In 2009 ShareAction was approached by a number of NGOs working in the environmental, oil and gas sectors to organise the drafting and filing of two resolutions at BP and Shell. In November 2009, ShareAction began coordinating efforts to secure the 100 shareholders necessary to table a resolution at the AGMs of BP and Royal Dutch Shell, which were to be held on the 15th April and the 18th May 2010, respectively. The “Counting the Cost” Campaign focused on Alberta, Canada – the most developed location of tar sands extraction covering about 140,000 square kilometres. ShareAction worked together with a coalition of NGOs and trade unions (including Greenpeace, WWF and UNISON) to build public support for the resolutions via their membership base.

According to the “Counting the Cost” Campaign, tar sands involve severe environmental, social and financial risks. The vast reserves of heavy oil, coupled with unusually high greenhouse gas emissions from the extraction process, make tar sands a major contributor to climate change. A report commissioned by Greenpeace (2009) suggests that, by 2020, greenhouse gas emissions from oil sands could “exceed the current emissions of countries like Austria, Portugal, and Denmark” (p. 11). The exploitation of tar sands is also linked to widespread deforestation of Canada’s Boreal forest and wildlife loss. In terms of social consequences, heavy oil has an impact on the health and human rights of indigenous people. Approximately 11 million litres of contaminated water, which contain various carcinogens linked to elevated levels of cancer in First Nations communities, leak into the nearby rivers and groundwater each day (Tar Sands Campaign, 2010). At the time of the campaign, there were also doubts about the business case for tar sands with industry analysts and investors (see Ceres, 2010; WWF-UK and The Co-operative Financial Services, 2009) questioning the long-term profitability of oil sands and pointing to the very high operating costs, oil price volatility, expected fluctuations in demand, increasing environmental regulations, movements towards renewable energy, as well as legal, reputational and financial risks arising from environmental damage and human rights cases (ShareAction, 2010c).

The campaign incorporated various tactics for encouraging shareholder action, the most central of which was the shareholder resolution. Filing a shareholder resolution entails placing the issue on the formal agenda of the company and on the engagement

agenda of the investor community. The use of this particular shareholder tool meant that ShareAction was able to:

[...] get investors interested because they had a vote ... and most shareholders want to make an informed voting decision, so it means they want to talk to you because they want to know more about the issue, to know how they should vote (*Fieldwork Interview*, ShareAction, 2012b).

Furthermore, given the vast amount of issues competing for investor attention, filing a resolution can be an effective way of pushing a topic to the forefront (ShareAction, 2011). The wording of the resolutions and the way they were drafted by ShareAction encouraged further engagement on the part of shareholders. The resolutions were aimed at improving transparency and asked for risk assessment of Shell's future Canadian oil sands projects and of BP's soon-to-start Sunrise Project (see the resolutions [Table I](#) below):

As can be seen from the resolutions, the attention of investors is not directed towards climate change or human rights, but towards long-term success, profitability and risks. The documents are very much aligned to shareholders' concerns. The successful way in which the resolution was drafted was one of the main themes emerging across all interviews:

[...] people felt they could not dismiss it as a kind of NGO resolution the way they generally do with environmental resolutions [...] they had to engage with it and had to actually look at the issue seriously (*Fieldwork Interview*, ShareAction, 2012c).

According to one of the interviewees, the document was well-perceived by shareholders because:

[...] they do not see their role as telling companies what to do (for example to cease their tar sands operations) but as understanding what risks exist within a company, are they being mitigated, and is discussion with the company necessary in order to encourage it to take better account of the risks (*Fieldwork Notes*, 2012).

Overall, tailoring the resolution in business terms and making a request that appears sensible to investors were the factors which have encouraged shareholders to be more active and engage in dialogue with ShareAction and the two companies.

Under section 338 of the UK Companies Act 2006, the successful tabling of a shareholder resolution requires at least 100 individuals who are prepared to file with shares having an aggregate value of minimum £10,000 in nominal value (for BP's resolution it was 100 individuals holding shares with a market value of approximately £300,000) (ShareAction, 2011). Such a large share value makes essential the backing of at least one institutional investor. In terms of the BP and Shell's resolutions, this backing was secured without a problem – there was one institutional investor who was interested in the topic and was prepared to file. Various members of ShareAction bought company shares individually to meet the “one hundred individuals” requirement – this represented an example of the direct influence approach mentioned previously (see [Waygood and Wehrmeyer, 2003](#)). It is important to note that, when campaigning, and as evidenced by the wording of the resolutions, ShareAction has not approached the issue from the point of view of an NGO – instead, it has identified and presented itself as part of the investor community, as a shareholder concerned with the long-term financial performance of the companies.

BP plc

**Special Resolution – Report on investment risks associated
with the Sunrise Project**

That in order to address our concerns for the long term success of the Company arising from the risks associated with the Sunrise SAGD Project, we as shareholders of the Company direct that the Audit Committee or a Risk Committee of the Board commissions and reviews a report setting out the assumptions made by the Company in deciding to proceed with the Sunrise Project regarding future carbon prices, oil price volatility, demand for oil, anticipated regulation of greenhouse gas emissions and legal and reputational risks arising from local environmental damage and impairment of traditional livelihoods. The findings of the report and review should be reported to investors in the Business Review section of the Company's Annual Report presented to the Annual General Meeting in 2011.

Royal Dutch Shell plc

**Special Resolution – Report on investment risks associated
with future Canadian Oil Sands projects**

That in order to address our concerns for the long term success of the Company arising from the risks associated with oil sands, we as shareholders of the Company direct that the Audit Committee or a Risk Committee of the Board commissions and reviews a report setting out the assumptions made by the Company in deciding to proceed with oil sands projects regarding future carbon prices, oil price volatility, demand for oil, anticipated regulation of greenhouse gas emissions and legal and reputational risks arising from local environmental damage and impairment of traditional livelihoods. The findings of the report and review should be reported to investors in the Business Review section of the Company's Annual Report presented to the Annual General Meeting in 2011.

Source: ShareAction (2010g); ShareAction (2010h)

Table I.
Special resolutions of
BP and Shell

Although the support of this one investor was sufficient to file the resolution, ShareAction sought to expand the number of institutional investors who formed the co-file group. This was another strategy aimed at ensuring greater credibility with the shareholder community, the media and the companies. Interestingly, the organisation lobbied other shareholders who would engage in activism by segmenting the investment community and targeting SRI investors rather than mainstream ones. As one member of ShareAction explains:

You go to those investors who you think are more likely to be interested and open. So, we went to the faith investment community. These are people who are more mission-driven, people who are more likely to take a brave stance on something (*Fieldwork Interview*, ShareAction, 2012d).

Furthermore, the organisation managed to convince them to take action through holding meetings and conversations with different people, reinforcing the sensibility of the resolution and assuring investors that they are not the only ones who are doing this and that other people are prepared to file as well. Having a sense of being in a group was an important condition for securing investor support:

[...] they were encouraged by the fact that other investors are looking seriously at it and they were like “if they will do it, we will do it”. So, there was a lot of bringing people to the line at the same time. They needed to feel that they were not alone – they needed to have that support (*Fieldwork Interview*, ShareAction, 2012b).

The result of ShareAction’s efforts was that overall 12 institutional investors co-filed the resolutions. This greatly facilitated further engagement with other shareholders who also felt more confident about talking to the companies. As one interviewee comments:

The tactic of gathering as much institutional support as we could, rather than the bare minimum we needed, also encouraged more engagement by the shareholder community with us initially and then in turn with the company because it was like “Look, there is a lot of good people backing this. This is not, you know, a mad thing. We should really take this seriously”. (*Fieldwork Interview*, ShareAction, 2012b).

Therefore, it could be argued that investor support is essential as shareholders tend to be influenced largely by their peers in the investment community.

After successfully filing the resolution, the next step of the strategy involved persuading as many shareholders as possible to engage with the companies on the issue and to vote in favour of the resolution. This was achieved through face-to-face meetings with investors and key industry figures; getting the support of concerned Members of Parliament and putting pressure on the parliament’s own pension fund to set an example by voting in favour of the resolutions; extensive media coverage in the BBC, the Observer (backed officially the campaign), the Guardian, Times, Daily Telegraph and others; and celebrity endorsement (Radiohead’s Thom Yorke, Alistair McGowan).

Shareholder action was also encouraged through the dissemination of a briefing document (a strategy used for almost all of the campaigns) which was distributed by ShareAction to BP and Shell’s shareholders and whose main aim was to set out the arguments in support of the resolution. The investor briefing is “a shorter document, very focused on a particular issue, perhaps focused at a particular period of time” (*Fieldwork Interview*, ShareAction, 2012a). The main points in the briefing are that the economic viability of Canadian tar sands projects has been compromised due to a

number of factors such as expected climate change regulation, future carbon prices, growing uncertainty with respect to the sustainability of high oil prices, which are a necessary prerequisite for profitability, given the high levels of capital expenditure required for such projects, lower bitumen recovery levels and others. The statements in the briefing document are supported by strong evidence and portray a time of strategic uncertainty for heavy oil in which the viability of BP's decision to commence tar sands exploitation and of Shell's current operations in Canada are put into question. Part of the 2010 briefing reads:

A recent report by Deutsche Bank supports this view, suggesting that high oil prices could well trigger a permanent shift to more energy efficient products, more efficient oil use and substitution. Such a structural demand shift would not be reversed by lower prices [...] Long-term demand forecasts made by the International Energy Agency, OPEC and the USA Department of Energy's Information Agency have fallen by some 20 per cent since 2006 [...].

In the face of these increasing doubts about the likelihood of the market conditions necessary for oil sands to be profitable, investors in Shell and BP need the companies to disclose their assumptions on future demand and on oil price which underpin their strategies and to respond to the doubts raised by independent analysts [...] (ShareAction, 2010d, pp. 1-2).

Despite the obvious climate change and human rights implications of tar sands production, this briefing document (as well as other campaign briefings prepared by ShareAction) is business focused and "messed in hard cold numbers and economics" (*Fieldwork Interview*, ShareAction, 2012b), with the most important argument being the emphasis on the potential financial cost. Thus, ShareAction has suppressed its ethical concerns and has tailored the campaign as if the approach to shareholder activism was instrumental, rather than ethical. In reality, due to the hidden underlying motivations of actors who engage in activism, there is often an overlap between ethical and instrumental shareholder action. It can be concluded that, similarly to shareholders who can engage in socio-ethical activism with a view of accruing reputational and financial benefits for the company, NGOs can accomplish their aims by couching their ethical concerns in the language of profits, risks and financial opportunities. Similarly, Sjoström's (2007) empirical paper, drawing on two case studies of NGOs using share ownership rights to influence corporate policy, found that less powerful actors such as NGOs can achieve their goals by effectively translating their ideologically based concerns into financial terms, as this makes the issue relevant for actors (investors) who have more power to initiate change.

ShareAction also aimed to encourage investors to vote in favour of the resolutions by using what Waygood and Wehrmeyer (2003, p. 378) label as "rights of membership". As most UK pension providers have holdings in BP and Shell, for the first time in its campaigning history, the organisation mobilised pension savers in an online action tool which enabled them to send a message to their respective pension fund, urging it to back the resolution (Peston, 2010; Sunderland, 2010). This is a method for unifying such dispersed ownership and bringing to life Blackburn's (2002) ideas of democratic control exercised by employees. Furthermore, such an online tool is a legitimate way of transmitting into the boardroom the voice of stakeholders who do not have an immediately obvious financial stake in a company. The overall number of people taking the action exceeded 6,000 (ShareAction, 2010c). However, members of ShareAction

reported that some of the pension funds contacted responded by saying that their fiduciary duties preclude them from engaging with the companies.

The final results of the resolutions were as follows – at Shell’s AGM 11 per cent of shareholders either voted for, or abstained from voting, and at BP’s AGM 15 per cent of shareholders refused to back management’s recommendation to oppose the resolution (Williams, 2010). The tangible actions secured as a result of the engagement process, as well as the overall effectiveness of the organisation in harnessing the power of institutional investors and in changing corporate behaviour, are discussed in the next section.

5. Assessing the effectiveness of NGO-led share activism

To be able to assess objectively the effectiveness of the campaign, first the overall purpose of the engagement process should be summarised. The main aims were:

[...] tar sands to become an issue of discussion among investors, Shell and BP to be put under more scrutiny about their plans on tar sands, some information to be disclosed (which had not been disclosed to date) and BP to start talking about tar sands, because BP had not spoken about tar sands at all, they just had refused to talk about it[7] (*Fieldwork Interview*, ShareAction, 2012b).

Most of the studies examining the effectiveness of shareholder activism have focused primarily on analysing the voting results of proposals (for example, see Tkac, 2006; Rojas *et al.*, 2009) and have tended to consider the final vote as an ultimate indicator of success or failure. However, as suggested in one interview with an EIRIS (Ethical Investment Research Services) official who is an expert on responsible investment, such an interpretation may be rather narrow:

It is very rare for a resolution on environmental or social issues to get a majority of votes. Companies often expect to get a very high proportion of investors accepting their position. If they don’t, however, they often feel the need to be responsive to “asks” in the resolution. So, a minority vote is almost universal, BUT, it does not mean the company pays no attention, because they know there may be a media campaign; they know they are going to be under pressure from different stakeholders, and they feel that they need to be responsive to their owners (*Fieldwork Interview*, EIRIS, 2012).

This statement is in line with Monks *et al.*’s (2004), Graves *et al.*’s (2001) and Cragg’s (2000) view that a minority vote is not necessarily considered as a failure because most large shareholders tend to vote with management. Monks *et al.* (2004) contend that voting statistics alone cannot determine what constitutes a “passing” vote because, where management feels growing pressure from investors and consumers, a significant minority of 10-20 per cent is enough to initiate change.

Secondly, the vote is only one part of the continuous process of engagement with investors. Quantitative studies which assess the effectiveness of activism through analysing the results of proposal votes fail to account for the complexity and multidimensionality of the engagement process, which often involves a variety of different actions apart from filing resolutions, and spans through long periods of time. As one interviewee suggests “This is an eight to nine month period of time so, for us, we look at it as an eight to nine month campaign – it’s not just about April to May” (*Fieldwork Interview*, ShareAction, 2012g). Therefore, the campaign should be assessed in its entirety.

In terms of encouraging responsible ownership, ShareAction managed to secure the support of 12 institutional investors and altogether 142 shareholders in Shell and 120 shareholders in BP who co-filed the resolutions. This, coupled with the high percentage of votes in favour of the resolution can, by itself, be regarded as a significant success. The percentage of votes in support is high compared to what is reported as average in the literature. Studies suggest that although a majority vote is rare for proposals in general, the vote totals and the support of institutional investors tend to be much higher when the proposals are related to corporate governance since they are in line with shareholders' interests and are aimed at increasing firm value (see [Karpoff, 2001](#); [Thomas and Cotter, 2005](#)). In a paper that analyses the results of resolutions on SEE issues throughout an 11-year period (1992-2002), [Tkac \(2006\)](#) reveals that the average level of support was 8.2 per cent. In a similar paper encompassing the period between 2000 and 2003, [Monks et al. \(2004\)](#) calculate that the average support for all CSR resolutions is 7.7 per cent and during the 1997 proxy season the average percentage was 6.6 according to [Campbell et al. \(1999\)](#). All these numbers are significantly lower than the support gathered for the BP and Shell's resolutions.

However, it should be taken into account that an analysis of the list of co-filers (see [Table II](#) below) reveals that, rather than mainstream ones, most shareholders were charitable foundations, faith investors and one trade union pension scheme:

Furthermore, when talking about the co-filers of the resolutions, one interviewee explains that:

American investors came on board quite quickly and that helped too because then you could say to the British: "Americans investors are filing, but these are British companies. Shouldn't some British investors file?" (*Fieldwork Interview*, ShareAction, 2012a).

The more active stance of American investors in comparison to British ones is well documented in the literature, which suggests that traditionally activism has been much more widely adopted in the USA where it is easier to table a shareholder resolution ([Purcell, 1979](#)). In the UK, investors are eligible to propose a resolution if they hold at least 5 per cent of the total voting power of all the outstanding shares of the company (could require considerable financial backing), or if they have the support of 99 other investors each holding shares worth at least £100 ([Sparkes, 2002](#)). By contrast, in the USA, investors are eligible if they hold 1 per cent of the total voting power of the corporation or \$2,000 in shares which they have had for at least one year ([Logsdon and Van Buren, 2009](#)). The findings suggest that the legal barriers to NGO capital market intervention mentioned by [Waygood and Wehrmeyer \(2003\)](#) (i.e. it can be difficult to comply with company law procedures especially when submitting a resolution) are applicable to the "Tar Sands" case study – one interviewee refers to the threshold for filing a resolution as "unacceptably high" (*Fieldwork Interview*, ShareAction, 2012g).

The passive role of British investors is also apparent if the voting results are taken into account – for example, BP's resolution has attracted support from major global institutional investors that are mainly from the USA ([ShareAction, 2010e](#)). One of the interviewees talks with disappointment about the number of UK investors who backed the resolutions:

I thought that we might get more votes than we did. We got a decent number of votes around the world, but we got a lot more support in the USA [...] UK shareholders just backed the companies' management [...] One of the big investors in the UK that voted in

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Boston Common Asset Management, USA

CCLA (on behalf of the COIF Charities Investment Fund)

Central Finance Board of the Methodist Church

The Co-operative Asset Management

The Ecumenical Council for Corporate Responsibility (ECCR)

Joseph Rowntree Charitable Trust

MMA Praxis International Fund, USA

Public and Commercial Services Union

Clients of Rathbone Greenbank

Trustees for Roman Catholic Purposes

Unison Staff Pension Scheme

Table II.Investors who co-
filed the resolutions**Source:** ShareAction (2010b)

support of us is actually a USA owned company. I got a sense of the British financial establishment coming behind BP management and refusing to support an outsider like us (*Fieldwork Interview*, ShareAction, 2012d).

These lines suggest that there is a deeply entrenched cultural understanding impeding the adoption of a more public approach to shareholder activism by mainstream British institutional investors. The literature postulates that UK activism hardly ever has to resort to the more radical options of filing or voting on a resolution and that it is largely limited to dialogue with companies “behind closed doors” (Becht *et al.*, 2010, p. 5; Owen *et al.*, 2006). Considering this, it seems that there is still a long way to go until the effective encouragement of a more public approach to responsible ownership becomes a reality.

However, interviewees seem to agree that the main success of the campaign was in raising global awareness and investor awareness on the issue of tar sands, which was one of the key objectives:

We had hundreds of articles in newspapers about tar sands, we had twenty top investors who came to a briefing that we gave about tar sands [...] Every single fund manager in the UK had learnt more about tar sands (*Fieldwork Interview*, ShareAction, 2012b).

The filing of the resolutions served as an incentive for the two companies to meet with investors and discuss the issues. In contrast to its previous reluctance to talk about tar sands, after the filing of the resolution, BP held high level meetings to explain its plans with key players in the City (ShareAction, 2010f). Similarly, Shell met “fifty per cent of its shareholder base just to talk about our resolutions” (*Fieldwork Interview*, ShareAction, 2012c). Both companies disclosed their carbon price and oil demand assumptions and Shell made detailed disclosures on its Carbon Capture and Storage plans for mining projects. The information provided by the companies revealed that they were using demand projections that assume no government action on climate change, entailing a potentially catastrophic global temperature increase of up to 6°C (ShareAction, 2010f).

Shareholder activism should be regarded as an on-going process which can span throughout a number of months, or even years and, as such, the resolution could be seen not as an end of a chapter but rather as the beginning of future engagement. As an interviewee from EIRIS suggests, talking specifically about the “Tar Sands” campaign:

Investors need to realise that engagement is a long term process. If they haven’t immediately achieved what they were aiming to do, they can place another resolution at the next AGM, or engage with the company to get them to change policy or behaviour, or even make a public statement about your disappointment [...] so, it is an on-going process (*Fieldwork Interview*, EIRIS, 2012).

Several major investors have said publicly that they will continue to engage with the two companies for a much greater level of transparency on tar sands (ShareAction, 2010f). Moreover, some of the disclosures made by the companies can be further pursued by oil and gas analysts, as well as environmentalists[8].

6. Discussion and implications

This paper has contributed to the literature by providing an insight into NGOs’ use of the financial market and by exploring shareholder activism – a phenomenon which has recently become the focus of a lot of media and government attention. The study has shed light into the ways in which NGOs such as ShareAction are connecting themselves to the financial sector. The findings have practical implications for other activists engaging in shareholder activism as they provide insights into investor behaviour. For example, it has been discovered that investors are influenced by peers from the industry, that they see their role as assessing risks rather than telling companies what to do, and that they are more interested in hearing about the business case for taking action. Similarly, the case study also provides valuable insights to prospective activists regarding the role and mechanism of shareholder resolutions. It has been argued that a resolution can be an effective tactic, as it has the propensity to get the attention of investors and make them prioritise an issue of interest to the campaigners. The wording of a resolution and the extent to which it contains sensible requests are two factors that can maximise its effectiveness.

Furthermore, the paper also has implications for companies as it reveals that even a recently established, comparatively small NGO has the potential to influence policy-making and corporate decisions through its shareholder activist practices. Taking a broader perspective, the intervention has demystified the term “shareholder activism”, transforming it from an action tool belonging only to big and powerful institutions, to a tool which gives other stakeholders such as NGOs and pension savers a real stake in companies’ affairs. As

has been observed, as members of a pension scheme, individuals can use their rights of membership to put pressure on institutional investors such as pension funds.

These findings reveal that O'Rourke's (2003) criticism of shareholder activism is unsubstantiated. The author has argued that the use of the tactic is only limited to those already in possession of ownership rights without taking into account that, in fact, ordinary savers are shareowners in big financial institutions through their pension savings or cash Individual Savings Accounts[9]. What is more, as has been observed, individuals (in the case study – members and supporters of the campaigning NGO) can purchase a share in a publicly quoted company and table a resolution, ask a question at its AGM[10], or use the rights of membership to put pressure on institutional investors. Therefore, shareholder activism holds the means of democratising the corporation through introducing broader stakeholder participation in decision-making. Real stories where this has happened abound in the literature.

For example, Sikka (2003) traces the formation and actions of the Sound Diffusion Action Group – a group of small UK investors who sought compensation from an accountancy firm for alleged failures following the collapse of Sound Diffusion Plc. The author concludes that investor activism could “reposition social subjects and ferment emancipatory change” (p. 220). The literature also suggests that there have been cases where the leveraging of pension savings has proven to serve as a powerful influence over corporations. For example, Useem (1984) retells the story of the Amalgamated Clothing and Textiles Workers Union which ran a campaign to break J.P. Stevens and Co's[11] (Stevens, hereafter) links to the transcorporate network by putting pressure on other companies sharing directorships with Stevens to sever them. In one of the campaign's most notable moments, the chairman of Stevens, who also served as an outside director of the nation's fourth largest bank, refused to stand for re-election in 1978 after the union threatened to withdraw \$1 billion in pension funds from the bank.

The findings also provide a new perspective on David *et al.*'s (2007) argument which discards the potential of activism by claiming that managerial actions in response to campaigners lack real substance and will to address the problems. The empirical findings reveal that, albeit not achieving the ultimate campaign goal, the campaign has made progress in a number of ways – namely – it has raised investor awareness of the issue, it has increased dialogue between investors and the companies, and it has led to greater transparency and disclosure of information on the part of the two companies. It should be noted that, the findings suggest that often the outcomes of shareholder activist campaigns take a long time to be realised and therefore, longitudinal studies are better suited to consider the effectiveness of the tactic. When it comes to assessing the implications of responsible ownership, the words of one of EIRIS' employees can be cited in response to O'Rourke (2003) and David *et al.*'s (2007) sceptical stance towards shareholder activism due to the small and voluntary nature of changes it initiates:

The tar sands are not going to go away. You could campaign for them to stop but that will not happen, so what do you do in an imperfect world? Presume that you want the companies to adopt the best technologies with the least environmental damage, taking account of the interests of indigenous people in Alberta, to work with governments and civil society groups and others to make sure that the overall damage is less [...] and the whole point of the engagement was to try and push companies like BP and Shell closer to that position (*Fieldwork Interview*, EIRIS, 2012).

In summary, it could be argued that, even though the dominant way in which institutions are run prioritises the interests of shareholders (Bakan, 2006), share activism offers new and exciting avenues for change. It serves as a mechanism for democratising finance through providing an inroad into corporate affairs to other stakeholders such as NGOs, pension savers and individuals.

However, the use of the hereby discussed shareholder activist strategies might result in potential negative implications as a consequence of the financialisation of NGO activism. As has been discussed previously, one of the main strategies adopted by ShareAction has been to translate their socio-environmental concerns in financial terms so as to incite action by investors. A potential problem of this tactic might be, as argued by Waygood and Wehrmeyer (2003), a reinforcement of the idea that corporations only have to do the right thing when this impacts beneficially their bottom line. Another concern expressed by Sjostrom (2007) relates to the fact that third sector organisations may find themselves confined to addressing only SEE issues that can be translated into profitability risks at the expense of other moral issues that do not have a financial dimension. This raises questions concerning the effectiveness of the strategy in cases where the financial incentive and the business case for action are weak.

An interesting avenue for future research would be to analyse a case study where NGOs are presented precisely with this dilemma to ascertain how they adapt their strategies and cope with the challenge. Given the need for a behavioural and cultural shift necessary for the wider adoption of activism, there is a scope for future research that focuses more closely on the policy work of NGOs and on the interaction between third sector organisations and the government with the aim of determining what would initiate the required changes. Secondly, a larger-scale study may seek to explore a variety of shareholder activist campaigns undertaken by various NGOs who, unlike ShareAction, are not necessarily experts in capital markets campaigning – their strategies and successes can be compared and contrasted to the findings of this study. Further avenues for research could explore companies' responses to the activist pressure of NGOs who use the AGM as a campaigning tool. Moreover, given the recent proliferation of media attention towards the role of shareholders as active owners of the corporation, it would be interesting to study public opinion on the issue and the general awareness of people in terms of their ability to exercise democratic ownership of companies. The level of awareness and acceptance of this idea will provide insight into the viability of Drucker's (1976) unseen revolution argument[12].

7. Conclusion

This article has explored the strategies that ShareAction has used to encourage activism by institutional investors in the case of the 2010 "Tar Sands" Campaign. It shows that the organisation relied on the shareholder resolution as a tactic for inciting interest and involvement by investors who have voting rights and need to be informed prior to making a decision on how to use them. Furthermore, the ability to "speak in the language of investors", manifested in an emphasis on the financial risks of heavy oil exploration, was the main strategy for gaining shareholder support. The tactic, which has been used in all of ShareAction's campaigns, has helped build a long-term relationship with activist investors and legitimise the claims of the NGO. Other strategies discussed included: targeting of SRI investors, generating extensive media coverage, using the power of pension savers to pressure pension funds via an online action tool, writing profitability oriented investor

briefings, holding face-to-face meetings with investors and getting the support of policy makers and high-profile figures.

The article also evaluated ShareAction's ability to harness the shareholder power of institutional investors and to influence corporate policy in view of the case study described. It has been revealed that, while the organisation managed to secure the necessary number of investors for the resolution to be filed, it all depended on segmenting the investor community and contacting mainly progressive rather than mainstream investors. Although the "Tar Sands" Campaign might seem ineffective due to the intangible nature of the outcomes achieved, it could be argued that it was successful in hugely raising the profile of the issue, making the operations of the two companies more transparent and encouraging a dialogue between investors and the targets of activism – a dialogue which has continued well beyond the remits of the resolutions.

A number of important conclusions can be drawn from the case study as it stands. First, as a tool in the shareholder activist toolbox, this research has shown that a resolution can be very effective for pushing NGOs' concerns to the forefront of investors' attention. Secondly, the study suggests that the chances of inciting investor action appear to be higher if the argument "speaks the language of investors". Thirdly, the case reveals that ordinary people who are pension savers can become shareholder activists themselves by putting pressure on their pension funds to behave responsibly and by urging them to engage with targeted companies. Finally, the case study has highlighted some deeply entrenched cultural barriers which inhibit the adoption of a more public approach to shareholder activism by UK investors (for example, supporting the Tar Sands resolution). The insights presented here serve to highlight the need for continuing and comparative research in deepening and clarifying our understanding of NGO interaction and influence in the sphere of shareholder activism.

Notes

1. The brothers Dodge, a few years after helping Ford establish his company by providing a considerable investment, decided to build their own car company with the quarterly dividends from their Ford shares. However, Ford cancelled the dividends as he wanted to divert the money to customers in the form of price reductions to Model T automobiles. The brothers Dodge took Ford to court claiming that profits belonged to shareholders and the interests of others should not be prioritised, no matter the intentions. The judge agreed and concluded that "a business corporation is organised and carried on primarily for the profit of the stockholders" (Bakan, 2006, p. 12).
2. "Voting with your feet" is another term used to describe the "Wall Street Walk". In other words, investors who are dissatisfied with the behaviour of investee companies choose to sell their shares rather than to initiate a dialogue.
3. KLD is an organisation that provides social research and consulting services for institutional investors. It has created the DS 400 Index – a socially responsible stock index.
4. This paper uses Bendell's (2000, p. 16) definition of NGOs: "groups whose stated purpose is the promotion of environmental and/or social goals rather than the achievement or protection of economic power in the marketplace or political power through the electoral process".
5. To distinguish between interviewees and at the same time safeguard their anonymity, all interview extracts from one participant are represented through a certain letter which is specific for each interviewee. For example, "Fieldwork Interview, ShareAction, 2012a"

written at the end of a quote indicates an interview conducted in 2012 with a member of ShareAction, whereas “Fieldwork Interview, ShareAction, 2012b” indicates that this is a quote from an interview conducted in 2012 with a different person from the organisation.

6. The organisation changed its name from FairPensions to ShareAction in 2013.
7. Disclosures required from BP included the total cost of producing a barrel of oil from tar sands, the greenhouse gas emissions from all processes involved in the Sunrise Project and disclosures from Shell included details of their carbon price assumptions and the level and likelihood of sustained high oil prices.
8. The two resolutions discussed in the paper represented only one of the numerous strategies used by tar sands campaigners. Following the tabling of the proposals, between September and March 2011, The Co-operative, WWF, Greenpeace, FoE and Transport and Environment campaigned for a ban on tar sands imports into Europe as part of the Fuel Quality Directive. As a result, the EU Commission decided that it would include tar sands in the Directive, but agreement from EU member states was necessary for the proposal to pass into law (*The Co-operative, 2010*). In 2012 member states voted but, after intensive lobbying from the Canadian Government and oil industry, the vote did not achieve the necessary three-quarters to be approved (there were 89 “for”, 128 “against” and 128 abstentions) (*Carrington, 2012*). A new vote held on 17th December 2014 was passed by just a dozen votes, implementing controversial rules which do not penalise polluting tar sands imports from Canada. However, there are reports that the Commission plans to continue the Fuel Quality Directive beyond 2020, establishing new targets for greenhouse gas emissions (*Neslen, 2015*).
9. Cash Individual Savings Account is an account which pays interest tax-free. The amount you can pay into the account is limited to a maximum allowance for each tax year.
10. Most companies have only one class of shares – ordinary shares, which give individuals who buy them both voting rights and access to the AGM. However, as the share class system is flexible and determined by each company, there are some exceptions to this rule. For example, News Corp has recently introduced restrictions on the voting rights of foreign shareholders (*News Corporation, 2012*).
11. J.P. Stevens and Co was a large American textile firm known for its opposition to unions. Its history dates back to the 1813. It was bought by its textile rival West Point in 1988 for \$1.2 billion.
12. In his book “The Unseen Revolution” *Drucker (1976)* talks about the development of an influential pension fund movement which will serve as an alternative to free market economics and the state, and whose focus will be placed on “the formulation and achievement of social goals” (p. 12). His main argument is that, if socialism could be defined as the propensity of workers to own the means of production, then the USA is “the first truly socialist country in the world”. *Drucker (1976)* emphasises the power that individual employees who are members of pension schemes can exercise over the actions of corporations.

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