

Climate change and sustainability



2011 proxy season update

Social and environmental resolutions comprise 40% of all shareholder proposals

Support for corporate responsibility proposals continued to rise in the 2011 proxy season.¹ For the second year in a row, resolutions focusing specifically on social and environmental issues comprised the largest portion of all shareholder proposals that came to a vote. Moreover, this season, they constituted 40% of all such resolutions, up from 30% last year.

You can find more detailed information on the history and trends of corporate responsibility shareholder proposals in Ernst & Young's recent report, *Shareholders press boards on social and environmental risks*.

This proxy season, resolutions related to the environment represented one-third of proposals on social and environmental issues. Most called on companies to issue sustainability reports or to provide greater disclosure about the economic risks associated with climate change.

At the beginning of the 2011 proxy season, we estimated that the proportion of social/environmental resolutions would reach 50% of all shareholder proposals. The actual proportion that came to a vote was 40%, owing partly to a higher than expected number of submitted proposals that were later withdrawn by proponents. Many resolutions were withdrawn following substantive action by the relevant companies as both sides reached agreement on how best to achieve corporate responsibility goals. The withdrawals therefore represent a significant level of success that is not captured in the voting data.

¹ Proposal data for 2011 is based on meetings through 30 June, while voting results are available for meetings through 15 June. Data for prior years reflects full year. "Votes cast" is defined as votes for and against; abstentions, which would lower the level of support indicated, are not included. DataSource is Ernst & Young's corporate governance database, which is based on SEC filings.

The trend of increased voting support and investor attention indicates to some extent why companies may be open to reaching agreement with shareholders. For example, of the nine proposals on hydraulic fracturing submitted this season, half were withdrawn because of company action. The remaining proposals received very high levels of support, averaging more than 40% of votes cast; one resolution won support from 49.5% of votes cast.

Data shows that shareholder votes on social/environmental proposals are continuing their trend of garnering increasing support, with average support levels doubling since 2005:

Historical average support levels for social/environmental proposals

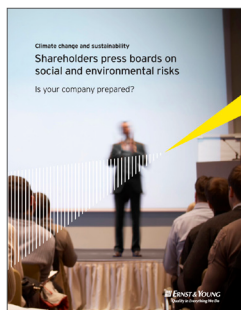
	2005	2006	2007	2008	2009	2010	2011
Average support	10%	13%	15%	14%	17%	18%	21%

Another key development pertains to the critical threshold of 30% support – the level at which many boards begin to respond to shareholder proposals. In 2005, only 2.6% of all corporate responsibility resolutions reached the 30% threshold. By 2010, 26.8% had hit that level. This proxy season, it was 31.6%.

Furthermore, in 2011, five corporate responsibility resolutions received support from a majority of votes cast – more than double the count in each of the past three years. And although environmental proposals rarely surpass or even reach the 50% mark to attain majority support, this season, one proposal requesting a sustainability report on a company’s environmental, social and governance performance received support from 92.8% of votes cast (management had indicated that it would publish a report in the near future and recommended a vote in favor of this proposal).

With that as a prologue, we invite you to read *Shareholders press boards on social and environmental risks*. It gives a detailed look at the growing level of support among institutional investors who are pressing companies to address the risks tied to climate change, evolving regulations and heightened awareness of sustainability issues among many different stakeholders.

Our point of view



Shareholders press boards on social and environmental risks: is your company prepared?

Proposals from shareholders reveal that investors find their companies’ social and environmental policies correlated with their risk management strategy – and ultimately their financial performance. Read the full report at ey.com/climatechange.

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