

Shareholder resolutions, co-ordinated by the 'Aiming for A' investor coalition, with support from ShareAction and ClientEarth,\* got the overwhelming support of shareholders in 2015, mandating the energy giants to disclose their businesses' risks against climate change.

## CASE STUDY

# Successful shareholder resolutions force BP and Shell to give climate change a #SeatAtTheTable

## Overview

In the UK, [fossil fuel extraction is linked to 20-30% of market capitalisation](#) on the London Stock Exchange. As pension funds and institutional investors generally select their investments based on main stock exchange indices, they hold significant shares in public companies like BP and Shell, which means that ordinary pension savers' money is invested in these companies. Climate change undermines the chances of today's pension savers retiring on a healthy planet later on in life. Furthermore, considering that climate change is "the greatest economic challenge of the 21st century", [according to the Head of the IMF](#), with serious implications for a wide range of investment classes including businesses and their shareholders, it also poses a substantial financial risk to pension savings.

Despite engaging on this matter, Shell and BP have shown a reluctance to make substantive movement on this issue, continuing to base public projections on environmentally catastrophic business-as-usual scenarios. This ignores the fact that the 2015 agreement by global political leaders to limit carbon emissions to contain global warming to 2°C will [require 80% of known fossil fuel reserves to remain in the ground](#), including fossil fuel assets belonging to Shell and BP. This is why ShareAction supported the 'Aiming for A' Coalition and law firm ClientEarth, to build awareness among the firms' shareholders about the importance of transparency and risks to their investments from BP and Shell's reckless approach to climate change.



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\*'Aiming for A' is a coalition built by [CCLA](#) and includes the £100bn Local Authority Fund Management Forum and the largest members of the £12bn Church Investors Group. [ClientEarth](#) is a charity that uses the law as a tool to protect the environment.

## Our approach

Although companies are not legally owned by their shareholders, they are accountable to them and hence likely to respond to pressure from them. This is why we believe that investors, particularly large ones such as pension funds, are key to any systemic and sustained improvement in corporate behaviour. Given the lack of attention BP and Shell have given to the business risks of climate change, some serious investor pressure was needed. ShareAction, “Aiming for A” and ClientEarth therefore decided to go for something bold – a shareholder resolution.

ShareAction produced an [investor briefing](#), which explained why it makes financial sense for investors to back the resolutions asking the companies for more transparency on their assessment of the business risks of climate change. We then managed to build [a strong shareholder coalition of 53 individual and institutional investors](#) with billions of pounds under management to co-file the resolutions.

This was a great first step but more hard work had to be done – to spread our message much further among both BP and Shell’s thousands of investors to secure at least 75% of the votes which are needed in order to adopt a shareholder resolution. To raise further support for the resolutions, we launched a public-facing campaign – to give climate change a [#SeatAtTheTable](#) – allowing members of the public to show their support for the resolutions.

## Shareholder Resolutions

UK listed companies are obliged to hold an annual general meeting (AGM) for shareholders. At the AGM the board of directors proposes a number of resolutions for the shareholders to discuss and vote on, dealing with matters such as accepting the company’s annual report and accounts. It is possible for shareholders – if they jointly hold sufficient shares (in the UK you need either at least 100 investors that hold shares of an average sum of no less than £100 per shareholder (i.e. £10,000 in total) or sufficient shareholders that represent 5% of all voting rights) – to take the initiative and add a resolution to be put to the vote of all shareholders with voting rights at the AGM. This is known as ‘filing a shareholder resolution’. In the UK the procedures for doing so are set out in the Companies Act 2006. Once filed, shareholder resolutions need to pass at the AGM with 75% of shareholders voting in support of it.

# Outcome

Realising that they were under pressure from their investors to demonstrate they take climate risks seriously, in January 2015 Shell's management came out and [recommended their shareholders](#) to vote in favour of the shareholder resolution. [BP followed with a similar move](#) shortly afterwards.

- Mobilising investors: filed by a coalition of institutional and individual investors holding billions of pounds' worth of shares, the resolutions were passed with 98% at BP and nearly 99% at Shell.
- Stimulating debate on climate risk: with media coverage in some of the most influential newspapers worldwide and the backing of major investors, the micro and macroeconomic dangers of climate change gained serious attention in the mainstream and the investment industry.
- Influencing corporate behaviour: the successful shareholder resolutions are legally binding, requiring BP and Shell to make disclosures on how they are stress-testing their business models against the challenges of a 2°C world.

## What we've learned

We see supportive but stretching resolutions as one of the most effective methods "to engage meaningfully and forcefully with companies on climate change" (Elspeth Owen, Barrister at ClientEarth), allowing institutional investors to undertake positive company stewardship. While this approach may feel slow and too collaborative with fossil fuel companies for some, we believe that climate change is a complex challenge that requires action on many levels and in many formats. Shareholder resolutions, as part of a suite of methods, have an important role to play in ensuring positive and more sustainable corporate conduct, and in securing the change we need to a low-carbon economy.

If you are considering filing a shareholder resolution, bear in mind that it takes a lot of time, paperwork and effort to do so. This provides you with valuable time to engage investors and the company, which is acutely needed in order to raise support among 75% of all shareholders. Remember to always contact the company you're targeting directly before approaching investors to support your cause. You need to demonstrate that the company has had the opportunity to react before investors are encouraged to get involved.

Even if you don't manage to win the necessary

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**The overwhelming shareowner support for this resolution [at BP] is a game changer in our quest for stronger reporting on climate change risks and opportunities.**

**It sends a strong signal to the financial markets that the time has come to make climate change reporting the new normal.**

- Anne Stausboll,  
Chief Executive Officer,  
California Public Employees'  
Retirement System (CalPERS)

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75% of the vote, a resolution is still a powerful campaigning tool because every shareholder globally sees the resolution on the AGM invitation and ballot paper, enormously raising the profile of the issue you are trying to highlight. Campaigners need to decide whether a bolder resolution that is less likely to pass or a more reasoned one is more suited as a campaign tactic. ShareAction has taken both approaches; in addition to the resolutions described here [we co-filed more radical resolutions with BP and Shell in 2010](#), challenging the businesses on their involvement with tar sands, which did not pass the vote.

Relatively rare in Europe, shareholder resolutions are one of the most public actions that investors can take, so placing an issue on the AGM ballot provides a significant opportunity to attract the media spotlight as well as investor and management attention to a particular issue. We recommend having a clear press strategy to maximise this.

It's good to have a plan for how to act after the vote has taken place. Think through carefully how to keep up the pressure either way, if your resolution passes or is unsuccessful. While in this case the successful adoption of shareholder resolutions on climate risk disclosure has been an important win, we know that BP and Shell are still a long way from taking the ambitious steps needed to face up to the risks climate change presents. It is now our task to closely monitor how BP and Shell are living up to the commitments made and to continue pushing the companies.

## To find out more

You can read the Shareholder Resolution that ShareAction, ClientEarth and the 'Aiming for A' Coalition co-filed [here](#).

Read our blogs posts from the AGMs of [BP](#) and [Shell](#). Some press coverage can be seen here: in the [Financial Times](#), [The Guardian](#) and [The Independent](#).

A guide to Shareholder Resolutions in the UK can be found [here](#).

To enable further exchange and skill sharing in investor-focused campaigning, ShareAction is developing a European Network for civil society organisations. To find out more, don't hesitate to get in touch with ShareAction's European Outreach Officer, Friederike Hanisch, on [friederike.hanisch@shareaction.org](mailto:friederike.hanisch@shareaction.org)

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