

**INFLUENCING CORPORATIONS THROUGH
SHAREHOLDER ACTIVISM: THE CASE OF THREE
NGO-LED CAMPAIGNS IN THE UK**

by

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ABSTRACT

Modern day corporations are not only economically and politically powerful, but they also have a significant impact on society and the environment. Due to their relevance, once solely focused on government, non-governmental organisations are increasingly engaging in private politics and making corporations the targets of their campaigns. The recent economic crisis has highlighted the role of the financial market for changing corporate actions and, as a result, shareholder activism – a campaigning tactic which is comparatively new, has rapidly grown in popularity among the third sector community. The term can be defined as the use of ownership rights to actively shape corporate policy and behaviour. The research is based on three campaign case studies which provide a detailed exploration of how UK-based NGOs use various shareholder activist strategies to realise their campaign objectives: the campaign against Vedanta Resources’ operations in India, the campaign against Shell’s involvement in the Niger Delta, and the Tax Justice campaign targeting FTSE 100 companies. Based on the premise that companies should consider the interests of different stakeholders, the main aim is to explore the shareholder activist strategies used by NGOs, to determine their impact on the investor community and the targeted companies, and to examine what are the main challenges faced by campaigning organisations. The study adopts a multi-method qualitative approach encompassing participant observation, semi-structured interviews and document analysis. It draws on a wide range of literature to explain and build upon the findings – social science literature, but also social movement, pressure group and financial accounting literature. It has been discovered that shareholder activism can potentially be a very effective tactic and that NGOs’ use of this strategy is on the rise – NGO share campaigns more than doubled in the period 2003-2013 compared to 1990-2002. One of the main conclusions is that NGOs are increasingly using business case arguments when engaging with companies and investors as this method enhances campaign effectiveness. Based on the case study findings, a theoretical model which attempts to explain the factors contributing to the overall impact of campaigns has been developed. The findings also have implications about the nature of corporate governance and the democratisation of business. Shareholder activism has been seen as a tool which democratises corporations through opening the door to private politics to a wider range of stakeholders such as citizens, pension savers, and voluntary organisations. In addition, the nature of a ‘successful’ campaign has been reinvented and it has been suggested that the overall impact of an intervention should be regarded from a ‘delayed gratification’ point of view and the symbolic outcomes of campaigns should not be discarded as irrelevant.

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DISCLAIMER

The views expressed by interviewees in this thesis are personal and do not represent the opinions, views, policy or procedures of the organisations they are working for.

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LIST OF ABBREVIATIONS

ABF	Associated British Foods
ABG	Amnesty Business Group
AGM	Annual General Meeting
ALEC	American Legislative Exchange Council
BAT	British American Tobacco
BIS	Business, Innovation and Skills
BP	British Petroleum
CAAT	Campaign Against the Arms Trade
CAFOD	Catholic Agency for Overseas Development
CalPERS	The California Public Employees' Retirement System
CDP	Carbon Disclosure Project
CEO	Chief Executive Officer
CFP	Corporate Financial Performance
CM	Capital Market
CoE	Church of England
CORE	Corporate Responsibility Coalition
CSC	Colombia Solidarity Campaign
CSP	Corporate Social Performance
CSR	Corporate Social Responsibility
CTI	Carbon Tracker Initiative
Defra	Department for Environment, Food and Rural Affairs
DSS	Department of Social Security (now Department for Work and Pensions)
DTI	Department of Trade and Industry
ECCR	The Ecumenical Council for Corporate Responsibility

EIA	Environmental Impact Assessment
EIRIS	Ethical Investment Research Service
EITI	The Extractive Industries Transparency Initiative
ENRC	Eurasian Natural Resources Corporation
ESG	Environmental, Social, Governance
Eurosif	European Sustainable Investment Forum
FCA	Financial Conduct Authority
FIL	Finance Innovation Lab
FoE	Friends of the Earth
FRC	Financial Reporting Council
FTSE	Financial Times and the London Stock Exchange
JRCT	Joseph Rowntree Charitable Trust
HUFF	Hermes UK Focus Fund
ICAEW	Institute of Chartered Accountants in England and Wales
ICMM	The International Council on Mining and Metals
ILO	International Labour Organisation
INHRC	Indian National Human Rights Commission
IPL	Indigenous Peoples' Links
IUCN	International Union for the Conservation of Nature
IRRC	Investor Responsibility Research Centre
ISA	Individual Savings Account
ISC	Institutional Shareholders' Committee
JSE	Johannesburg Stock Exchange
LMN	London Mining Network
MNC	Multinational Corporation
MoEF	Ministry of Environment and Forests
MOSOP	Movement for the Survival of the Ogoni People

MP	Minister of Parliament
NEIW	National Ethical Investment Week
NGO	Non-Governmental Organisation
NNPC	Nigerian National Petroleum Corporation
NSPCF	Norwegian State Pension Fund
OECD	Organisation for Economic Co-operation and Development
OMC	Orissa Mining Corporation
ONS	Office for National Statistics
OSPCB	Orissa State Pollution Control Board
PCPF	Parliamentary Contributory Pension Fund
PCS	Public and Commercial Services Union
PETA	People for the Ethical Treatment of Animals
PIRC	Pensions and Investment Research Consultants
PLC	Public Listed Company
PRI	Principles for Responsible Investment
PSC	Palestine Solidarity Campaign
RBS	Royal Bank of Scotland
REF	Research Excellence Framework
RSPB	The Royal Society for the Protection of Birds
RSPCA	Royal Society for the Prevention of Cruelty to Animals
SEC	Securities and Exchange Commission
SEE	Social, Environmental and Ethical
SIP	Statement of Investment Principles
SPDC	Shell Petroleum Development Company
SRI	Socially Responsible Investment
SSRN	Social Science Research Network
SWIP	Scottish Widows Investment Partnership

TJN	Tax Justice Network
TRI	Toxic Release Inventory
UCLA	University of California, Los Angeles
UKSIF	The UK Sustainable Investment and Finance Association
UNEP	United Nations Environment Programme
UN PRI	United Nations Principles for Responsible Investment
USS	Universities Superannuation Scheme
WDM	World Development Movement
WII	Wildlife Institute of India
WWF	World Wildlife Fund
ZRA	Zambian Revenue Authority

Early one Saturday morning, there was a man walking down the sandy beach next to where he lived. He was taking his usual leisurely stroll after a big storm had passed and found the beach littered with starfish as far as his eyes could see, stretching in both directions. Off in the distance, the man noticed a young boy approaching. The boy's fragile figure was leaning forwards and bending, then standing straight up again and extending one arm towards the ocean. Repeating the same movements every so often, at distance it seemed as if the boy was dancing. As the boy came closer, the man realised that what he had seen was not a dance – rather, the boy was picking up the starfish one by one and throwing them back into the ocean. 'Why are you doing this? There must be hundreds, if not thousands of starfish on this beach. Throwing ten back into the water will not make much difference' – the man remarked when the boy was standing right next to him. The boy bent down again and picked up a starfish. Then he turned, smiled at the man and said: 'It makes all the difference in the world to this particular starfish!', before throwing the starfish as far as he could into the water.

Adapted from 'The Star Thrower', by Loren Eiseley (1979)

PART ONE: BACKGROUND AND OVERVIEW

1. Introduction

Shareholder activism is not a privilege – it is a right and a responsibility. When we invest in a company, we own part of that company and we are partly responsible for how that company progresses. If we believe there is something going wrong with the company, then we, as shareholders, must become active and vocal.

(Mark Mobius, 2010)

This research aims to explore how non-governmental organisations (NGOs, hereafter) use shareholder activism to advance their campaign goals, what impact they achieve among the investor community and the targeted companies, and what challenges they face along the way. This introductory chapter of the thesis starts by arguing that there has been a shift in NGO focus away from campaigning exclusively for public policy reform and toward targeting corporations. The chapter then proceeds to explain the reasons behind this change and to explore the traditional strategies used by NGOs to challenge corporations. The effectiveness of these strategies is discussed with reference to the academic literature and it is concluded that the propensity of such tactics to have a significant influence over corporations is hotly debated. A comparatively recent campaign mechanism – shareholder activism – is put forward as an approach which can provide NGOs with the leverage they need. The term is defined and the chapter provides some background details on socio-ethical shareholder activism. The final section of the chapter extrapolates the gaps in the literature, albeit relying on the method of problematisation, and justifies the purpose and value of the present study. It also provides an overview of the contents and structure of the thesis.

1.1. The Role of NGOs for Influencing Corporations

Corporations – NGOs' New Targets

In the early days of NGO activity, protesters targeted what they perceived as the obvious source of power – the governments that permitted unethical practices to continue without any sanctions being imposed. However, although still relevant, this dynamic of activism has been increasingly supplemented by pressure directed at multinational corporations. The contemporary conception of civil society organisations, which dates back to the late 20th century, distinguishes between the state and the market economy and regards civil society as balancing the power of both, responding to consumer and citizen needs where

governments and companies have failed at mitigating some of the social problems resulting from the excesses of capitalism. Among others, Cohen and Arato (1994), Mathews (1997), Kaviraj and Khilnani (2001), and Colas (2002) are prominent proponents of this perspective. NGOs are a subset of civil society organisations and can be described as organised, private, self-governing, non-profit and voluntary groups (Salamon *et al.*, 1999). This definition summarises the ideas behind civil society itself and therefore the two terms (CSOs and NGOs) will be used interchangeably throughout the paper (see Section 1.7. for a more detailed definition of the term ‘NGO’).

But what is it that renders companies important for NGOs? The logic is infallible since the modern corporation’s rapid rise in power and influence – power that has prompted Bakan (2005) to refer to business as the ‘world’s dominant institution’ (p.139) – has meant that corporations can wield a disproportionate amount of economic influence, particularly in the developing world. In 2000 Sarah Anderson and John Cavanagh reported that the sales of the top 200 corporations accounted for over a quarter of the world’s economic activity. A comparison between the income of the twenty-four largest multinationals and that of national states reveals that only five states have incomes higher than those of the top nine multinationals (Forsythe, 2000). As Spar and La Mure (2003) suggest, if such influence can be used to trigger political action by governments, then the best way to change a country’s practice may be through targeting the multinational that invests there.

Second, the strategic decisions of large corporations inevitably involve social as well as economic consequences (Mintzberg, 1983) and their impact on society is hardly contestable. Corporate actions draw the line between positive economic development and exploitation of resources (most pronounced in third world countries); between fair wages, access to training, forced child labour, and inequality at work; between sustainable living and environmental disasters. The valuable resources and management capacities that organisations possess have led many to think of business as capable of making a substantial contribution to social life (Davis, 1973; Klonoski, 1991). Precisely this ability of companies to impact on societal welfare makes them relevant to NGOs as a focus for campaigning.

Third, the numerous environmental disasters (the Exxon Valdez oil spill, the Deepwater Horizon spill, the Bhopal incident) throughout history reveal that corporations have, on various occasions, underestimated the huge potentially detrimental impact they can have on

the environment. Such significant disasters make the companies involved relevant to NGOs with environment related missions. Herein, due to the significant economic, political, social and environmental impact of companies, NGO shareholder activism is seen as an essential mechanism for holding business to account for its actions or inaction.

NGOs' Traditional Strategies

The ways in which NGOs have tried to exercise influence over corporations have been examined extensively in the literature, leading to the advancement of a variety of different classifications that seek to encompass the strategies and tactics employed by the third sector. A closer look at the field of NGO-firm relations reveals that authors often talk about the main tactics, classifying them in two polar categories that reflect the broader approach to engagement of specific NGOs. For example, den Hond and de Bakker (2007) talk about reformative and radical NGOs who use either symbolic gain or symbolic damage strategies (positive or negative publicity) and either material gain or material damage strategies (boycotts or buycotts); Frooman (2003) classifies strategies into coercive (negative in nature; involve the threat to reduce a benefit or increase a cost to a firm) and compromise (positive in nature; either reduce a cost to the firm or increase a benefit), and the withholding and usage strategies described by Frooman (1999) are examples of coercive and compromise strategies.

Articles on stakeholder pressure and NGO tactics are often influenced by – and seek to critique and expand upon – Frooman's (1999) theoretical work (examples include Hendry 2005; Frooman and Murrell, 2005; Huijstee and Glasbergen, 2010), which identifies four strategies used by stakeholders to gain influence (direct withholding, direct usage, indirect withholding, indirect usage) and classifies them in accordance to power and interdependence. When there is low interdependence between the stakeholder and the firm, the former uses a withholding strategy (a key resource is withheld from the firm in order to initiate change) and when there is a high interdependence, the stakeholder uses a usage strategy whereby a resource is still supplied by the stakeholder but there is negotiation involved with the firm. When the stakeholder has greater power over the firm, the former selects a direct method of influence. Conversely, when the firm is not dependent on the stakeholder and has greater power over him, the stakeholder chooses to use an indirect strategy whereby he works through a more powerful ally (Frooman, 1999).

An interesting work that departs from the predominant categorisation of strategies as engaging v. confrontational is that by Smith (1990) who distinguishes between indirect and direct form of action and, within the broader category of direct action, between direct violent and non-violent action. The table below summarises the strategies outlined by Smith (1990):

Table 1: Smith’s Classification of Different NGO Strategies

Type of Action	Description and Examples
Indirect	Involves the organisation doing research and communicating to other stakeholders the issues that are of relevance to it. Examples include research reports, policy briefings and provision of data.
Direct Violent	Often illegal but generates a lot of publicity. An example is the campaign against vivisection by Stop Huntington Animal Cruelty (SHAC) in the late 1990s that saw investors, employees and others connected to Huntington Life Sciences (a UK-based drug testing company) being threatened, verbally abused and at times even physically assaulted by activists.
Direct Non-Violent	<ul style="list-style-type: none"> - Demonstrations and marches. - Protests. - Boycotts. - Occupations. - Non-violent sabotage and disruption. - Stunts. - Picketing.

Source: Smith (1990)

Effectiveness

So far academic assessments of the effectiveness of NGOs in influencing corporate behaviour have been at best mixed (for example, Spar and La Mure, 2003) and predominantly negative in nature. Among all the strategies described above, boycotts are probably the most commonly used type of action. Yet their effectiveness is far from universally proven. In a study that reviews consumer boycotts in the US between 1970 and 1980, Friedman (1995) concludes that only a quarter of ninety instances of boycotts were successful. Koku *et al.* (1997) compare the effect of announcements of boycotts on firms’ stock price with the effect of announcements of boycott threats and find that stock prices rose upon these announcements.

In addition, boycotts have attracted a variety of criticisms. For example, Smith (1990) suggests that mass support for boycotts (a crucial element of an effective boycott) seems rare in Western society. Second, external factors such as market structure or a firm's business model are crucial determinants of boycott effectiveness. Consumer boycotts are less likely to succeed under monopolistic conditions since there is no good substitute for switching consumption (Delacote, 2009). Similarly, many issues cannot be resolved by ethical purchase behaviour because, due to their business model, the firms involved are not susceptible to it. For example, cigarette companies cannot be targeted as there is no such thing as ethical cigarettes and consumers have a choice of whether to buy the product or not. Delacote (2009) argues that the reason behind boycott failures stems from the fact that they encourage free-riding behaviour and rely on consumers with small boycotting costs, whose boycott however has no impact on the targeted firm's profit.

Another way of influencing business is by promoting the adoption of voluntary codes of conduct and self-regulation regimes. Kolk and van Tulder (2005) compare the codes drawn up by a range of international organisations, NGOs, companies and business associations. The authors argue that the codes developed by NGOs are sophisticated in terms of specificity and compliance mechanisms, but also have low compliance likelihood. They cite a report by the International Labour Organisation (ILO, 2003) which suggests that apparel and retail companies are not so advanced in the implementation of codes of conduct – a fact that puts into question their usefulness and impact. Doh and Guay (2004) examine the role of NGOs in the development and enforcement of twelve international agreements and conclude that 'the role of NGOs on codes of conduct is mixed in terms of influence and outcome' with third sector organisations having greatest influence in codes sponsored by them and weakest in codes sponsored by intergovernmental organisations. Simons (2004) reviews the language, human rights content and compliance mechanisms of the voluntary codes of conduct or policies developed by a number of companies, intergovernmental initiatives, industry groups and multi-stakeholder initiatives. The author concludes that existing self-regulation regimes are 'at best minimalist and at worst ineffective' (p.130). Moreover, some doubt the ability of NGOs to be comprehensive code monitors (Mayne, 1999) and many think that codes of conduct on their own, without traditional political processes, are unlikely to lead to improvement in corporate behaviour (Haufler, 2001; Locke, 2013).

In recent years, NGOs have favoured a move away from traditional confrontational tactics and towards cooperation with business – a trend marked by a significant increase in collaborative partnerships between NGOs and corporations (Murphy and Bendell, 1997; Lober, 1997). However, such partnerships are not without their limitations. They are often thought of being fraught with complexities and paradoxes that make them unstable and strategically risky (Hartman and Stafford, 1996). Moreover, close corporate ties may undermine public trust and put the credibility and legitimacy of NGOs under question (Dowie, 1995; Burgos, 2013). Arts (2002) argues that green alliances (between environmental NGOs and corporations) are weak as they are not embedded in the core operations of companies and in the creation of formal public policy regulation on the environment.

New Politics of Engagement: The Financial Market As A Campaign Tool

As the previous section has revealed, the literature on NGO campaigning tactics portrays a rather sceptical picture of the propensity of such strategies to have a significant influence over corporations. However, shareholder activism may be a new tactic that can provide NGOs with the leverage they need. The origins of NGO shareholder activism can be traced back to the 1970s when, in a high-profile media campaign, NGOs and their supporters used Annual General Meetings as a mechanism to publicly embarrass those corporations operating in apartheid South Africa¹. Although the academic research devoted to the topic has been scarce, the phenomenon has been on the rise over the past three decades, especially in the US and the UK (see Section 1.3.). Third sector organisations are now increasingly aware of their ability to use the financial market and their shareholder status to call for change in corporate actions (Sjostrom, 2007).

In recent years, shareholder activism has been adopted by NGOs such as Friends of the Earth (FoE, hereafter), Amnesty International, the World Wildlife Fund (WWF, hereafter), Greenpeace, to name but a few. In the UK context, prominent cases of NGO activism have included: the resolution submitted to Balfour Beatty (a UK construction company) in 2001 by FoE, the Kurdish Human Rights Project and The Corner House; Oxfam's 2006 'Patents vs Patients' campaign aimed at securing the availability of affordable generic medicines in

¹ For example, in 1977 the End Loans to South Africa Campaign filed a resolution at the AGM of Midland Bank.

developing countries; ShareAction's 2012 JustPay! campaign and others. The following section describes in more detail the nature and characteristics of shareholder activism.

1.2. Shareholder Activism – Setting The Scene

The recent financial crisis has given a new impetus towards rethinking the fundamental principles of corporate governance. It has brought to the forefront the failure of institutional shareholders to monitor the behavior of executive managers and boards in the banking sector and has served as an example of the existence of what Berle and Means (1932) call separation of ownership and control. The economic crisis has emphasised the need for more active engagement by shareholders in the management of their companies, highlighting the role of the financial market and shareholder activism for changing corporate actions.

Companies depend on shareholders who provide their primary source of income by keeping their share prices up through buying stock. As owners and primary stakeholders, investors have the right to engage with companies in order to express dissatisfaction with management 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 operationalised as the use of ownership rights to actively influence corporate policy and behaviour (O'Rourke, 2003). The range of avenues through which shareholders can influence the activities of a company varies significantly. It encompasses techniques such as the selling of shares (or the so called 'Wall Street walk'), informal dialogue with management, letter writing and posing a question at an annual general meeting (AGM, hereafter), media campaigns, filing of resolutions (or shareholder proposals), and lawsuits.

Shareholder activism can cover a broad spectrum of activities. According to leading global law firm Mayer Brown (2010), one strategy increasingly employed by UK campaigning groups is the purchase of shares in a company with the aim of gaining the direct right to participate in AGMs and resolutions – what is labelled by Waygood and Wehrmeyer (2003) as a direct micro approach. Contrary to Waygood and Wehrmeyer's (2003) argument, vast financial reserves are not a necessary prerequisite for wielding significant direct ownership influence. ShareAction's JustPay! campaign, where the purchase of a single share in a number of different companies gave the NGO access to these companies' AGMs, is a case in point (see Ivanova, 2012). In a broader sense, shareholder activism by NGOs also involves what Waygood and Wehrmeyer (2003) call an indirect micro approach, namely,

lobbying existing investors to exert their power as owners of the corporation to bring about change in policy or behaviour.

Marinetto (1998a) makes a useful comparison by suggesting that there are two types of shareholder activism: that which has instrumental objectives and that driven by socio-ethical considerations. In the former case, investors express discontent about corporate governance practices and feel that management is not acting in their best financial interests – common concerns include lowered stock market price and return on dividends, excessive chief executive pay, inadequate strategic direction of the company and others. In the latter case, investors' demands are related to some aspect of the ethical, environmental or social practices of the corporation. In reality, the underlying genuine motives of activist shareholders (both investors and NGOs) can often remain hidden – they may engage in activism on social, ethical and environmental (SEE, hereafter) issues with a view of accruing reputational and financial benefits, or they may use instrumental arguments to advance social motives. As such, the boundaries between instrumental and socio-ethical shareholder action can often become blurred.

The present study aims to explore socio-ethical activism sparked by the underlying SEE motivations of campaign groups². The research is based on the stakeholder view of the corporation and rests on the premise that companies should take into consideration the interests of different stakeholders. Such a position is justifiable on both instrumental and ethical grounds. From an instrumental perspective, the recent financial crisis has revealed that serving the interests of different stakeholders could represent a more sustainable model of corporate governance. From an ethical point of view, the stakeholder approach and shareholder activism advance democratic participation in corporate affairs, addressing the problem of representational injustice (see Fraser, 2005; Fleming and Spicer, 2007).

However, the view of the corporation as balancing the interests of a constellation of different stakeholders is far from universally accepted. The financial activism research stream, for example, whose theoretical foundation draws from agency theory, embraces shareholder primacy and advocates for the maximisation of shareholder value as the only

² Marinetto (1998a) distinguishes between two types of shareholder activism – 'instrumental' and 'socio-ethical'. Investors and NGOs engaging in socio-ethical activism can be motivated by three types of concerns – environmental, social, or ethical (SEE). Therefore, the term 'socio-ethical shareholder activism' is a broader term used to encompass engagements on SEE issues and to differentiate these from the other type of shareholder activism – 'instrumental' activism.

legitimate consideration of a corporation (Gillan and Starks, 2007; Thomas and Cotter, 2007). Sundaraman and Inkpen (2004) argue that taking into account the interests of multiple stakeholders creates the potential for confusion in managerial decision making and distorts entrepreneurial risk taking incentives. These criticisms go back to the classical neo liberal position about the main duty of firms as stated by Milton Friedman (1970) – namely – that firms are to pursue economic as opposed to social objectives. The following section explores socio-ethical shareholder activism in more detail by tracing its development throughout time, starting with the very first court decision that paved the way for engagement on SEE issues.

1.3. A Short History of Socio-Ethical Shareholder Activism – Emergence, Current Trends, Campaign Examples and Reasons Behind the Upsurge

Although shareholder activism has always formed an integral part of U.S. corporate governance, a new set of laws and regulations³ introduced by the Congress in the early twentieth century limited the ability of active investors to participate in corporate governance (Gillan and Starks, 2007). However, in 1942 the Securities and Exchange Commission (SEC, hereafter) adopted a rule that paved the way for the current rule 14a-8 and first allowed shareholders to submit proposals for inclusion on corporate ballots. The first three decades following the enactment of the rule saw shareholders submitting proposals mainly aimed at improving corporate governance and performance (Gillan and Starks, 2007). It was not until the 1970s when, as a result of a federal court decision, a shareholder proposal aimed at stopping the sale of napalm by Dow Chemical was filed, that other proposals on social responsibility issues began to appear (Gillan and Starks, 2007). This marked the emergence of socio-ethical activism – a trend followed a decade later (during the 80s) in the UK. The existence of the phenomenon can partly be attributed to the serious environmental disasters in the 80s (ex. the Exxon Valdez oil spill) which alerted banks and insurance companies to the liabilities they could be incurring by financing environmentally hazardous businesses (Marinetto, 1998b).

Since then socio-ethical shareholder activism has started to gradually gain prominence throughout the 1990s in the US, the UK and other parts of Europe. However, it is only in

³ Refers to the Glass Steagall Act, as well as regulatory reforms that followed the 1929 stock market crash.

recent years that there has been an upsurge in the number of investors taking an active role in the management of their companies. Voorhes (2005) reports that, according to data from the Investor Responsibility Research Centre (IRRC, hereafter), throughout the period 1973-2004, more than 15,000 proposals on a range of SEE and governance topics were filed at U.S. corporations – one-quarter of which were filed in just four years, or 2001 through 2004. The number of submitted shareholder proposals on environmental and social topics has been at an all-time high, with 417 SEE resolutions being filed during the most recent 2014 proxy season in the US – a figure which can be compared to the 216 resolutions filed in 2012 (Welsh and Passoff, 2014; Mathiasen and Mell, 2012). A report published by FSG in 2013 explains that: ‘shareholder activism has morphed from an occasional threat facing corporate management and boards to a sweeping trend that has spread to companies in all sectors and of all sizes, and increasingly, across all geographic regions’ (Khorana *et al.*, 2013, p.1). Such an increase in the level of shareholder activity can be explained by the realisation that corporate social responsibility (CSR, hereafter) issues can have an enormous impact on shareholder value (Voorhes, 2005) and by the fact that the encouragement of activism has been on the legislative agenda in both the UK and the US (for example, the Stewardship Code, the changes to the 1995 Pension Act in the UK) because of the increased sensitivity of authorities to the risk implications of environmental issues (Owen *et al.*, 2006; Tonello, 2010).

In the UK context, recent high-profile examples of socio-ethical shareholder activism include Shell and BP (by a coalition of NGOs, trade unions and investors lobbying for a risk assessment of tar sands projects in Alberta, Canada), Vedanta Resources (by Aviva Investors lobbying for an improvement in the human rights, environmental and health and safety track record of the company), Tesco (lobbying for better working conditions of Tesco’s clothes manufacturers in Asia) and others. Having outlined how socio-ethical activism first developed, as well as how and why it became increasingly prominent in recent years, the following section traces the changes in the identities of shareholder activists over time.

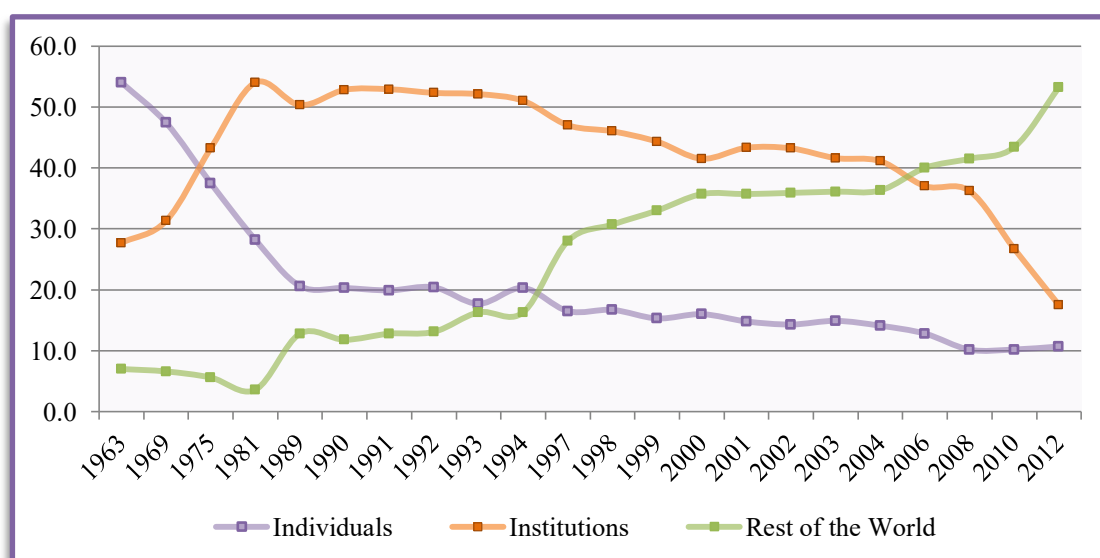
1.4. The Identities of Shareholder Activists

A shareholder can be anybody who owns a percentage of, or a share in, a certain company. Shareholders are classified in two groups – individual investors or institutional investors. Individual investors finance the acquisition of shares with their own personal savings –

examples include members of NGOs who buy shares to attend an AGM, or pension and individual savers who, through their own savings, have a stake in the capital markets. Institutional investors, or financial institutions, are organisations such as banks, pension funds, insurance companies, investment companies, or other bodies that trade in large share quantities and invest money on behalf of shareholders who are the ultimate beneficiaries of the ownership⁴.

The identities of shareholder activists have undergone a continuous change throughout the years. From 1942 through the end of the 1970s, the activist landscape in the U.S. was dominated by individual investors. By contrast, the 1980s saw a rise in the involvement of institutional investors, at first predominantly public pension funds (Gillan and Starks, 2007). The historical development of the ownership structure of the UK stock market follows similar trends. Figure 1 (below) reveals that, while fifty years ago individuals were the predominant shareholders of UK equities, from the 1960s onwards institutions substantially increased their equity exposure. Moreover, in the wake of an ever more globalised world, UK equities held by foreign institutions have seen a sharp increase post-1994.

Figure 1: Historical Trends in Beneficial Ownership⁵ in the UK (Percentage of UK Stock Market Owned by Value)



Source: Office for National Statistics (ONS, 2012).

⁴ For the purposes of this study, the terms ‘institutional investor’, ‘shareholder’, ‘investor’, ‘shareowner’, ‘asset owner’ and ‘financial institution’ are used interchangeably to denote the same meaning.

⁵ Here ‘beneficial owner’ is defined as the person or body who receives the benefits of holding the shares, for example income through dividends.

It should be taken into account that the heading ‘Institutions’ in Figure 1 incorporates data for pension funds, insurance companies and other financial companies such as hedge funds and banking groups and, although providing data for the largest institutional investors, it is not representative of all groups that can be labelled as an institutional investor. At a more granular level, Table 2 below explores the historical stock market ownership patterns of some of the biggest investors such as pension funds and insurance companies.

Table 2: Historical Trends in Ownership (UK): Insurance Companies, Pension Funds, and Financial Institutions (Percentage of Stock Market Owned by Value)

	1963	1975	1981	1991	2001	2008	2010	2012
Insurance Companies	10	15.9	20.5	20.8	20	13.4	8.8	6.2
Pension Funds	6.4	16.8	26.7	31.3	16.1	12.8	5.6	4.7
Other Financial Institutions	11.3	10.5	6.8	0.8	7.2	10	12.3	6.6

Source: ONS (2012)

By the 1990s pension funds and insurance companies were the most prominent holders of equity, accounting for more than half of the total (see Table 2). Although their ownership stake in the market has decreased⁶, they still hold a significant proportion of shares, compared to individuals. Furthermore, since the late 1990s, hedge funds (which form part of ‘other financial institutions’) have become prominent actors in the shareholder activist arena (Greenwood and Schor, 2009). However, they focus on corporate governance rather than on ethical issues and pursue activism as a profit making strategy (Kahan and Rock, 2006). Hedge funds engage with company directors with the objective of unlocking shareholder value and advocate for management replacements, executive compensation cuts, disbursements of cash reserves to shareholders via dividends, mergers, acquisitions, and others.

⁶ This can be attributed to regulation and the maturity of pension funds, as well as to the outsourcing of investment by insurers and pension funds to asset managers.

1.5. From Gaps in the Literature to Problematisation – the Contribution of the Study

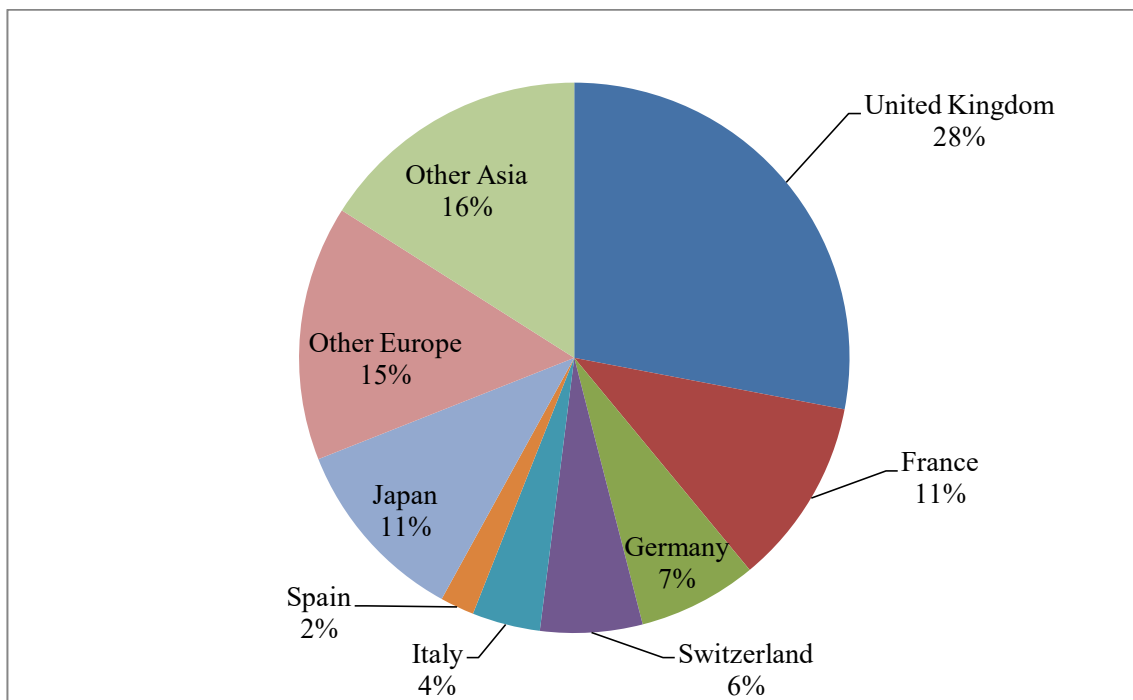
Despite the recent ascendancy of social, environmental and ethical activism, the number of studies examining the phenomenon, both empirically and theoretically, remains limited. Academic interest has tended to focus on activism driven by instrumental concerns. As Lee and Lounsbury (2011) argue, the study of instrumental shareholder activism (activism on corporate governance issues) has garnered much more attention. Undoubtedly, the upsurge in the occurrence of activism has generated growing academic awareness and analysis of the phenomenon – according to Sjoström (2008), a search in the SSRN database on ‘shareholder activism’ rendered 123 hits in November 2007, compared to 331 hits in October 2012. However, as an indication of the proliferation of research in the area of instrumental activism, the papers on SEE issues represented roughly a little less than one eighth of all the studies. The fact that the research field of socio-ethical shareholder activism is relatively young and vibrant (Goranova and Ryan, 2014), 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 future investigation into the topic necessary.

Furthermore, researchers have traditionally directed their efforts towards: examining the effects that socio-ethical activism has on corporate social performance (CSP, hereafter) (David *et al.*, 2007; Neubaum and Zahra, 2006); researching one specific shareholder activist tool, namely, the filing of proposals (Vogel, 1983; Graves *et al.*, 2001; Tkac, 2006; Monks *et al.*, 2004, among others); testing the causal link between different variables such as activism and financial returns, activism and shareholder value (Black, 1998; Gillan and Starks, 1998; Karpoff, 2001; Becht *et al.*, 2010).

Despite the growing influence of NGOs as corporate watchdogs since the 1980s (The Economist, 2000) and despite their emerging role as shareholders (Mayer Brown, 2010; Sjoström, 2008), there is little research examining how they engage in shareholder activism. As Waygood and Wehrmeyer (2003, p.373) contend: ‘There is a dearth of academic literature looking into the area of NGO capital market interventions’. This statement is even more true for the UK context as most of the academic literature, including the literature on NGO shareholder activism, has originated from the U.S. and covers

activism there (see Clark *et al.*, 2008; Hoffman, 1996; Proffitt and Spicer, 2006 and others). The adoption of a UK perspective would be beneficial given that shareholder action is very much embedded in country-specific macro structures (such as legislative framework, political clout and economic landscape) which put into question the possibility for generalisation beyond the U.S. context. Furthermore, Black and Coffee (1994) compare the UK and the US and argue that the former is an ideal institutional setting for investor activism, because it provides more legal tools to shareholders than the US⁷. The regulatory environment in the UK is also conducive to shareholder engagement (see p.27), which is reflected in the number of shareholder activist campaigns occurring in the UK when compared to other countries:

Figure 2: Breakdown of Campaigns Outside North America Since 2006



Source: Khorana *et al.*, 2013.

Apart from finding the gaps in the literature, the current study is also interested in what Alvesson and Sandberg's (2011) call developing a 'problematization' argument. The

⁷ A fundamental difference between the US and UK law is the ability of UK shareholders to change the company charter by shareholder vote without securing the agreement of the board and to remove directors – to be elected a director must receive a majority of the 'yes' votes cast (excluding abstentions). In addition, shareholders in the UK have the power to call extraordinary general meetings if they hold at least 10 per cent of the voting share capital (Becht *et al.*, 2010).

authors review 52 articles from four management journals and conclude that the most common way of formulating research questions is to spot ‘gaps’ in the literature. However, they suggest that gap spotting is unlikely to lead to the development of interesting and influential theories. Therefore, Alvesson and Sandberg (2011, p.256) propose a problematisation technique as an alternative, whose main purpose is to challenge the established assumptions in a particular field with a view of creating intriguing insights: ‘Problematisation research typically involves a more narrow literature coverage and in-depth readings of key texts, with the specific aim of identifying and challenging the assumptions underlying the specific literature domain targeted’ (p.256).

As the paragraphs above have revealed, the positive effects of private politics (direct engagement between NGOs and companies) on corporate behaviour are debated, with authors expressing criticism with respect to prominent NGO tactics such as boycotts, codes of conduct and business-NGO partnerships. In sum, there has been a large volume of studies discussing the limitations of NGOs in exercising power over corporations. Shareholder activism as a tactic can have the potential of being an influential and forceful way of initiating change at company level. In view of the critical accounts in the literature, what this study aims to achieve is to look at how and to what effect can the third sector use shareholder activism as an avenue for change.

1.6. Purpose of the Study

One of the aims of the present research is to update the chronology of NGO capital markets (CM, hereafter) intervention in the UK developed by Waygood (2006) and encompassing the period between 1990 and 2002. Focusing on shareholder activism, rather than CM intervention more broadly speaking, the study refines Waygood’s (2006) model of NGO CM intervention (also discussed in Waygood and Wehrmeyer (2003) and explained in Section 2.6. and Section 4.1.). The model is used to create a chronology of shareholder activist campaigns undertaken by UK based NGOs between 2003 and 2013. The chronology is then analysed with the aim of discerning certain patterns in the evolution of NGO strategy and comparing them with Waygood’s (2006) findings encompassing the period 1990-2002 (see Chapter 4 for the findings from this analysis). The chronology constitutes the first ever record to trace and systematically display NGO interventions in the sphere of shareholder activism since 1990. Such historical analysis exploring changes over time contextualises the three campaign case studies and adds depth to the research (see

Layder, 1993). It also adds a longitudinal dimension which in turn facilitates a more holistic understanding of shareholder activism.

Second, given the inefficacy of other NGO tactics described in the literature, and the under-researched field of NGO shareholder activist intervention on SEE issues, especially in the UK context, this thesis aims to contribute to knowledge by focusing on three case studies of local, national and international NGOs operating in the UK. The main objective of the case study analysis is threefold – to adequately portray the array of divergent NGO shareholder activist strategies, to discuss the effectiveness of the interventions and to analyse the challenges faced by campaigning groups. There has been a considerable volume of research devoted to examining the effectiveness of activism for enhancing financial performance. However, with the exception of a small number of mainly UK-based MSc theses (De Kleijn, 2007; McLaren, 2002), no consideration has been given to the mechanisms of engagement and no systematic analysis has been carried out with the intention of ascertaining the circumstances determining the effectiveness of an NGO shareholder activist campaign. Furthermore, an analysis of the extent to which NGOs try to shape the broader macro environment, the rules of the capital market and the attitudes of investors with the aim of facilitating shareholder activism would serve to illuminate the role that NGOs play for the advancement of shareholder democracy.

In addition to providing theoretical insights on the subject of shareholder activism, the findings of this study will serve to inform practitioners and institutional investors of the modern day challenges to activism and how these can be circumvented. Having extrapolated the main gaps in the literature and outlined the objectives of the study, the following section aims to operationalise the term NGO as used in this thesis.

1.7. NGOs – A Definition

When conducting a critical examination of NGOs' shareholder activist tactics, it is essential to understand what is meant by the term 'NGO' since there is considerable contradiction and confusion in the various definitions advanced. By definition, a non-governmental organisation is, according to the Oxford English Dictionary, 'an organisation not belonging to, or associated with a government'. However, this rather broad interpretation can encompass a number of different institutions aspiring to achieve a broad range of aims. In order to provide clarity to the question of NGO definition and to illustrate the breadth and

diversity of NGOs, McIntosh and Thomas (2002, p. 31) group them by scope, type, structure, focus and activities, and offer the following diagram:

Fig. 3: Diversity in NGO Characteristics: Scope, Type, Structure, Focus and Activities

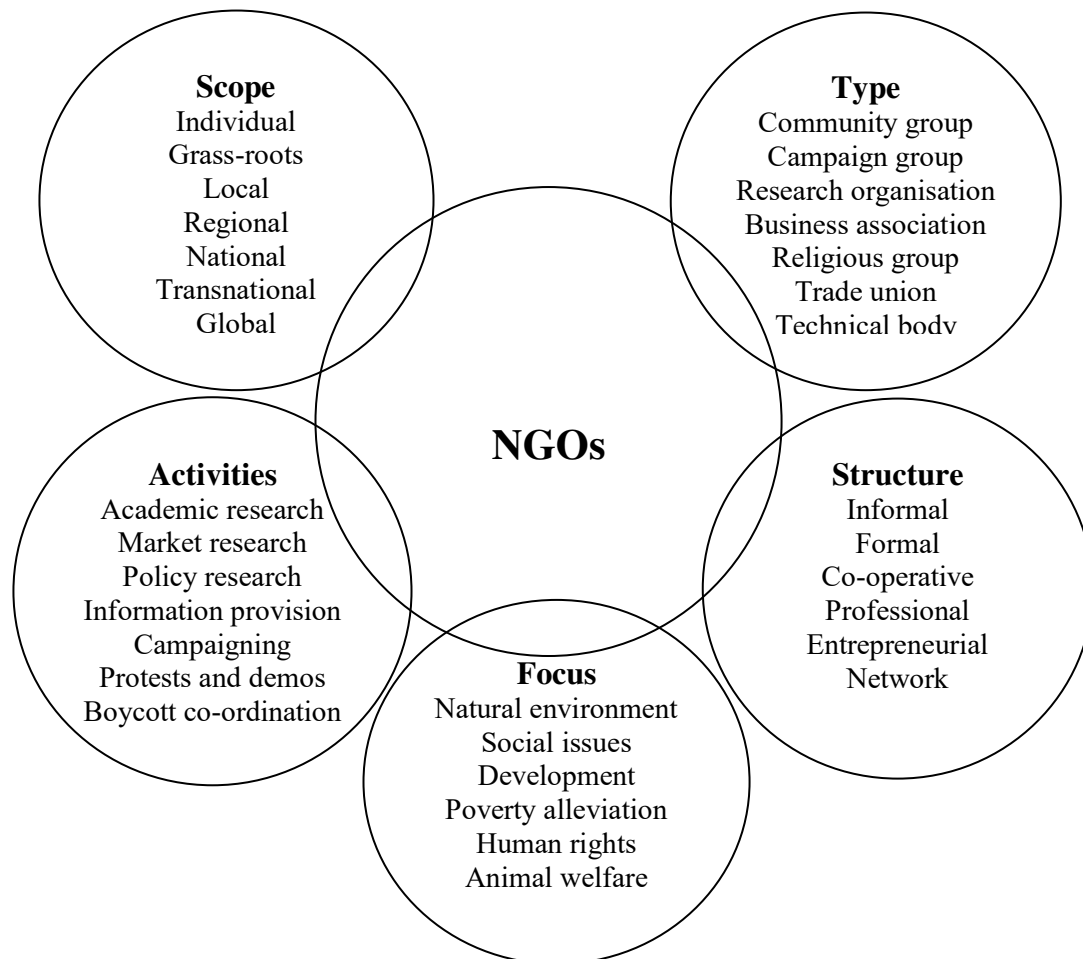


Figure 3 above demonstrates how diverse NGOs can be in their scope, type, structure, focus and activities. While the above classification is consistent with the NGOs covered in this thesis, the specific purpose of the NGOs under investigation is captured in a definition advanced by Teegen *et al.* (2004, p.466): ‘NGOs are private, not-for-profit organisations that aim to serve particular societal interests by focusing advocacy and/or operational efforts on social, political and economic goals, including equity, education, health, environmental protection and human rights’. The NGOs of interest for the purposes of this study are those who use the financial market in some of their campaigns for non-commercial gain in order to pursue their aims either directly through buying shares or indirectly by persuading other stakeholder (such as investors and pension savers) to act, as well as by lobbying for changes to public policy.

NGOs differ from social movement organisations in a number of ways. When compared to a social movement, in a hierarchical and more formal organisation such as an NGO, authority resides in individuals as opposed to in the collective; charters and rules are more binding than substantive ethics of the organisation; cooperation is replaced by delegation and control; personal trust cedes way to instrumental relations; the organisation is characterised by a strong division of labour as opposed to minimal division of labour; recruitment based on competence, rather than shared values, is the norm (Rothschild and Whitt, 1986).

McCarthy and Zald (1987) discuss the professionalisation of social movements and suggest that they have increasingly started to adopt NGO characteristics, turning as a result into more professionalised and effectiveness-oriented groups. It could be argued that the reverse process of NGOs adopting some of the characteristics of social movements is also underway. NGOs have become much more proactive in organising protest, as well as organising third parties to put pressure on governments and companies. Historically they have had a campaigning role, but are increasingly becoming interested in extra-institutional methods of action usually employed by social movements.

1.8. What Does Success Mean in the Context of NGOs and Shareholder Activism?

Every discussion of a particular campaign's success, impact or effectiveness⁸ should be accompanied by a definition of what exactly is meant by success. The study adopts the view that there are three different forms of success – a goal defined, a delayed gratification and a symbolic form. The goal defined form occurs when the predefined goals of campaigners are achieved in their entirety and the company cedes to their demands. When addressing the question of the effectiveness of shareholder activism, the majority of academic work to date has searched for signs of this goal defined type of success, following stringent quantitative procedures with the aim of analysing the relationship between shareholder activism and corporate social and financial performance in a specifically defined point in time (for example, a period encompassing 1, 2, 5, 10 or more years). However, this paper expands the narrow definition of success and defines it in terms of delayed gratification and symbolic outcomes. The delayed gratification view of success

⁸ These three words are used interchangeably throughout the thesis.

emphasises that shareholder activist strategies may take a long time to be realised (sometimes years) and building relationships with investors and companies is a long-term process. Therefore, the outcomes of a particular campaign may span beyond the period studied by researchers and, as such, the lack of achievements at a particular point in time should not be regarded as a failure (see Chapter 11, Section 11.3. for a further discussion). The symbolic view of success suggests that in certain circumstances, success is perhaps less about achieving a particular goal and more about running a campaign and raising awareness. According to this view, even small and incremental changes are welcomed as they still make a difference to, for example, the communities affected by a company's operations.

1.9. Organisation and Contents of the Study

This study is structured as follows:

- Chapter 1 provides an introduction to the thesis. It positions shareholder activism with respect to other campaigning strategies adopted by NGOs, operationalises the terms used in the study, briefly discusses the history of socio-ethical shareholder activism, explains where the contribution of the thesis lies, and examines the purpose of the study.
- Chapter 2 critically evaluates and groups the previous literature in four themes relating to shareholder proposals, the effectiveness of shareholder engagement, the role of institutional investors and papers on the use of shareholder activist tactics by NGOs. The chapter also examines the missing perspectives in the literature.
- Chapter 3 outlines the main research questions, the scope of the study and its philosophical orientation, as well as the research methods, data collection and analysis techniques used. The chapter also provides a justification for the selection of the three case studies and the methodology.
- Chapter 4 marks the beginning of the empirical findings. It creates a collection of all UK-based NGO shareholder activist campaigns (or, in other words, a chronology) between 1990 and 2013. The chronology details the different strategies employed in each campaign. These are analysed to reveal patterns over time and to make conclusions about how has NGO activity in the area of shareholder activism evolved since its origins during the 1990s.

- Chapter 5 begins by detailing the historical context in which the three case studies developed. It then draws on social movement literature and analysis of documents to explore the various injustice frames advanced by the campaigning NGOs with a view of gathering support for their cause.
- Chapter 6 and Chapter 7 both discuss the indirect strategies (those that enlist the support of third parties) used by NGOs in their campaigns. Chapter 6 considers those strategies that seek to leverage the shareholder power of financial institutions, while Chapter 7 analyses tactics which mobilise the support of non-institutional actors (pension savers, individuals, the media).
- Chapters 8 and Chapter 9 consider two shareholder activist direct strategies – namely – attendance at an AGM (Chapter 8) and filing of a shareholder resolution (Chapter 9).
- Chapter 10 evaluates the impact the three campaigns have had on the investor community. It also makes use of Zadek's (2004) five stages of organisational learning framework in order to determine the impact of the campaigns at company level.
- Chapter 11 compares and contrasts the three case studies. It also discusses four main external challenges faced by NGOs using shareholder activist tactics and provides an alternative interpretation to what is meant by a successful campaign in the literature.
- Chapter 12 summarises six main organisational and strategic internal challenges faced by NGOs. It advances an explanatory theoretical framework which aims to highlight those causal mechanisms that maximise the overall impact of shareholder activist campaigns.
- Chapter 13 provides a conclusion, summarising the findings and discussing the contribution of the study, its implications and future avenues for research.

Conclusion

This introductory chapter has briefly explored a variety of traditional NGO strategies for influencing firms and their effectiveness. Given the scepticism emanating from the literature in relation to NGOs' ability to trigger lasting changes in corporate behaviour, the

rapidly growing in prominence and use tactic of shareholder activism is proposed as a strategy that could potentially yield better results. The chapter has defined the concept of shareholder activism, arguing that it transfers influence through ownership rights into the hands of the real owners of corporations, namely shareholders, who can, through shareholder activism, hold companies accountable for their actions and incite change in their behaviour and policies. The different tactics for expressing dissatisfaction with the state of company's affairs have been briefly outlined and an important distinction between instrumental (focused on corporate governance issues) and socio-ethical shareholder activism (focused on social, ethical or environmental issues) has been made. It was established that the focus of the present study will be on the latter form of activism.

Furthermore, the history of the phenomenon was discussed in brief, discussing its rise in the U.S. with the adoption in 1942 of the rule (see Section 1.3., p.10) that first allowed shareholders to submit proposals on corporate ballots. The emergence of socio-ethical activism can be traced back to the first submitted proposals on social and environmental issues during the 1970s in the U.S. and a decade later in the UK and can be attributed to a series of environmental disasters and corporate scandals. The chapter also highlighted a trend of rising shareholder action in recent years, reflected in the increased number of investors taking an active ownership role, the proliferation of SEE proposals filed at companies in the U.S. and the recent high-profile examples of socio-ethical activism in the UK. A discussion of the identities of shareholder activists throughout the years has revealed a shift from individual investors (active in the field between the 1940s and 1970s) to institutional investors such as pension funds (played a prominent role in the 1980s) and to, more recently, hedge funds and foreign institutions.

The emergence of a new prominent actor in the shareholder activist arena, namely the NGO, who has increasingly used the financial market to advance its value driven goals has been emphasised. It has been established that companies have significant economic and political influence, as well as the ability to impact on the environment and on society as a whole – these factors render businesses relevant to NGOs. In addition, the growing trends towards financialisation and privatisation, which are a feature of modern life in the current neoliberal era, make firms more vulnerable to shareholder influence and therefore activism. Following Waygood and Wehrmeyer (2003), it has been demonstrated that NGOs can have influence over companies using the power of share activism via two mechanisms:

1. A direct micro approach – the NGO uses its own influence to change corporate policy through buying shares and becoming a shareholder. This action entitles it to certain shareholder rights such as attendance at the AGM of a company and filing of a resolution.
2. An indirect micro approach – the NGOs seeks to use the power and influence of large institutional investors and other shareholders in order to change corporate policy indirectly via their shareholdings.

This chapter thus outlined the missing perspectives in the literature and identified the main objectives of the thesis. It has been suggested that while finding gaps in the literature is a legitimate and worthwhile activity (see Eco, 2015), it is not enough in itself and, as a result, the problematisation approach described by Alvesson and Sandberg (2011) has been adopted. The under-researched nature of socio-ethical activism in general and NGOs' interventions in the area in particular, the proliferation of shareholder activist campaigns in the UK (highest number of campaigns outside North America), coupled with a conducive regulatory and corporate governance environment, make the analysis of UK based NGO socio-ethical activism a worthwhile endeavour. The main research questions of the study are as follows:

1. What shareholder activist strategies do NGOs use to advance their goals?
2. What impact do NGOs achieve among the investor community and the targeted companies?
3. What are the main challenges faced by NGOs?

The findings are said to have implications for both NGOs considering to initiate shareholder campaigns in the future and for practitioners and investors, as the conclusions highlight some of the main challenges to activism and propose solutions for tackling them. Finally, this chapter defined the meaning of the term NGO as used in the thesis and briefly outlined the structure of the study.

2. Surveying the Literature

Given the weight of their votes, the way in which institutional shareholders use their power to influence the standards of corporate governance is of fundamental importance. Their readiness to do this turns on the degree to which they see it as their responsibility as owners, and in the interest of those whose money they are investing, to bring about changes in companies when necessary, rather than selling their shares.

(The Cadbury Report, 1992, p. 50)

The purpose of this chapter is to synthesise, critically analyse and discuss the academic literature on socio-ethical shareholder activism. The literature evaluation adopts both a thematic and a chronological approach – different papers are grouped in key themes and presented in a chronological order within each theme, starting with the earliest studies and progressing towards the most recent ones. In order to identify relevant academic articles, the research has relied on a number of databases: SSRN, Wiley Interscience, JSTOR, Science Direct, Emerald Insight and Google Scholar. Searches in these databases were based on the following key terms: shareholder activism, shareholder engagement, investor activism, investor engagement, active ownership, and shareholder pressure. A detailed content analysis was conducted with the aim of discerning those papers that covered activism on social, ethical and environmental (SEE) issues – articles on traditional, instrumental activism were excluded from the review since the thesis has a specific focus on environmental, social and ethical dimensions. Furthermore, the reference lists of the articles were examined in order to identify additional papers that might be of relevance. The chapter presents a comprehensive review of the key pieces of literature which, though by no means exhaustive, focuses on those articles that are most prominent and most relevant to the scope of the study.

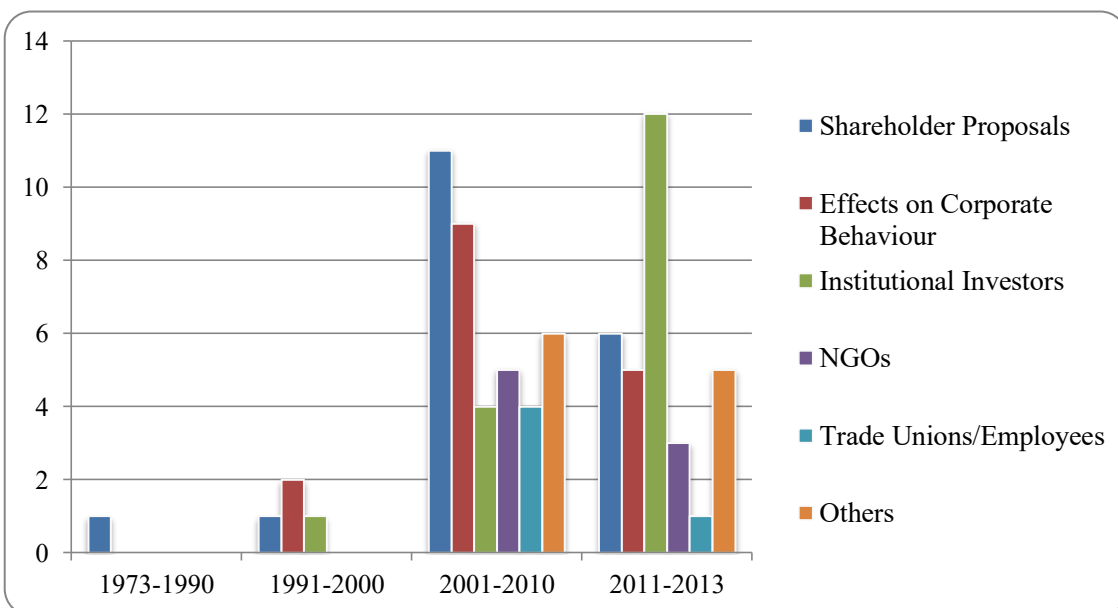
The review begins with a historical overview of the main trends within the literature and also explores the developments that have led to the increased academic interest in socio-ethical shareholder activism over the past decade. What follows is a brief outline of the broader literature on ethical or socially responsible investment to position shareholder activism with respect to it. The comprehensive literature search conducted in the area of socio-ethical activism revealed that academic interest can be grouped in four main themes and this chapter provides a detailed discussion of each. The first incorporates a number of

studies which examine the topics and voting results of SEE shareholder proposals filed by investors at AGMs in the US. These studies also try to identify which companies are among the most targeted by activists. Second, a number of papers evaluate the effectiveness of shareholder activism for influencing corporate policy and behaviour, as well as its impact on financial returns. A third tranche of academic articles explore institutional investors' propensity to engage in activism more broadly and focus on the role of one very powerful and prominent type of investor as a shareholder activist – namely – the pension fund. Fourth, there are a few important studies which outline the role of NGOs in mobilising and organising shareholder activism. Finally, the chapter discusses the missing perspectives in the literature and the methodological approaches which would contribute most to the currently accumulated body of knowledge in the area. These insights help to determine and clearly articulate the contribution of the current research project.

2.1. Historical Overview of the Literature

Prior to embarking upon the detailed discussion of the literature, the following figure provides: 1.) a visual representation of the key themes and the extent to which they have been researched and 2.) a historical overview of how the academic interest in the field has developed over the years (the number of articles per theme per year is shown).

Figure 4: Number of Articles per Decade and Theme



Source: Compiled by the author on the basis of the literature review search.

The emergence of socio-ethical activism was marked by a legal ruling in a lawsuit in the US regarding a social issue proposal in 1970⁹. A shareholder resolution or proposal is a written demand by shareholders which is voted upon in the annual general meeting and requires from the company, or its board of directors, to take action with regard to a certain issue. Low academic interest in the first two decades can be explained by the fact that the Securities and Exchange Commission sought to limit meaningful shareholder access to this mechanism by adding layers of conditions to rule 14a-8 during the 1980s when neo-liberal governments in the West came to prominence. In 1984, the SEC granted no action letters to 78 per cent of those corporations that requested them – this meant that company executives were allowed to exclude socio-ethical proposals from their AGMs. The SEC was granting no-action letters when it came to all proposals but those related to selection, compensation and accountability of managers. This trend towards restricting the rights of shareholders continued into the next decade (see Telman, 2011).

The sharp increase in the number of papers published between 2001 and 2010 can be attributed to a number of factors. To begin with, towards the end of the 20th century, active ownership by institutional investors began to rise as a result of, perhaps most importantly, a number of corporate scandals involving reputable companies such as Enron, WorldCom and Parmalat and, more recently, the global financial crisis. These factors have led to a greater recognition of shareholders' responsibilities as owners and have resulted in examples of attempts on their part to enhance corporate performance through corporate governance and monitoring activities. Coupled with that, shareholders now have larger stakes in companies than ever before and this makes exit (divestment) less attractive than voice (active ownership). Divestment, or the traditional 'Wall Street Walk', became less attractive for large shareholders since it cannot be done without depressing the share price and incurring losses (David and Thompson, 1994; Gillan and Starks, 2000). Furthermore, because the market for corporate control was in decline in the early 1990s, shareholders

⁹ The ruling mentioned in section 1.3. The Medical Committee for Human Rights proposed a shareholder resolution expressing opposition to the selling of napalm by Dow Chemical – a substance which, when combined with gasoline, can be used for chemical warfare. The company excluded the resolution from its proxy statement on the basis that its concerns were political rather than economic and that it related to ordinary business operations. The Medical Committee appealed in the Court of Appeals, which acknowledged that these two arguments can be applied to exclude almost any shareholder proposal on the grounds that it is either too general or too specific. The court stressed that Dow's exclusion of the proposal contradicted the purpose of rule 14(a)-8 which was 'to assure to corporate shareholders their right – some would say their duty – to control the important decisions which affect them in their capacity as stockholders and owners of the corporation' and ruled that management should not be permitted to 'place obstacles in the path of shareholders' (Medical Committee for Human Rights v. SEC, 1970).

could no longer rely on a takeover, thus activism became the only way of addressing inefficiencies in corporate performance (Admati *et al.*, 1994). The SEC's decision to change the rules in 1992 also facilitated shareholders' ability to collaborate and work together on voting, allowing them to share resources and seek support for their actions from others¹⁰.

When it comes to the UK context, in recent years, the UK government has been very supportive of the use of investor influence, both for the more traditional instrumental shareholder activism and for socio-ethical engagement. For example, section 172 of the Companies Act 2006, which sets out directors' duties, was designed to promote more long-termist, responsible behaviour at company level and requires directors to have regard to wider factors such as employees, effects on the environment, suppliers and customers. Furthermore, in July 2000, the UK Pensions Act was amended to make it compulsory for pension funds to disclose in their statements of investment principles (SIPs) the extent to which they use social, environmental and ethical criteria in their investments (United Kingdom, 1999). According to the UK Combined Code of Corporate Governance, 'institutional investors have a responsibility to make considered use of their votes' and 'they should be ready, where practicable, to enter in dialogue with companies' (Committee on Corporate Governance, 2000, p. 4). A series of reviews and reports commissioned by the government have aimed to incite active ownership behaviour and to reform the financial market so as to make it more conducive to activism:

- Cadbury Report (Cadbury, 1992) – suggested institutional investors should encourage regular one-to-one meetings with directors of their investee companies and should use their voting rights.
- Myners Review of Institutional Investment (2001) – recommends that 'the government should legislate for shareholder activism' (Higgs, 2005, p.15), making intervention in companies a duty for fund managers, as long as it is in shareholders' and beneficiaries' interests.
- Institutional Shareholders' Committee (ISC, 2002) – in response to the findings of the Myners Review (2001), the ISC issued a statement of the responsibilities of

¹⁰ For example, until 1992, a group of shareholders, engaging with management collaboratively, would become subject to elaborate filing requirements, if they owned more than five per cent of the company's shares.

institutional investors. It argued that shareholders should have a clear statement of their policy on activism; they should monitor performance, intervene when necessary, and evaluate and report on their activities.

- The Kay Review of UK Equity Markets and Long-Term Decision Making (Kay, 2012a) – the review aims to improve the quality of investor engagement with companies. It concludes that short-termism is a problem in UK equity markets and that the principal causes are twofold: decline of trust and misalignment of incentives throughout the investment chain.
- The UK Stewardship Code (Financial Reporting Council (FRC), 2010) – revised in September 2012 (FRC, 2012). Aims to improve the quality of engagement between institutional investors and investee companies. Serves as a best practice guide and operates on a ‘comply or explain’ basis. The revised edition of the code has improved the disclosure of investors’ use of proxy voting services¹¹ and has sought to clarify the roles of asset managers and asset owners¹².

In summary, the rise of active ownership by institutional investors at the end of the 20th century; a number of corporate scandals involving reputable companies, as well as serious environmental disasters, have alerted shareholders to the potential liabilities they could accrue as a result of unethical corporate behaviour, at the same time that legislative changes in the US and the UK have aimed to facilitate engagement. All these developments taking place at the end of the 20th and the beginning of the 21st century have sparked an academic interest in the subject, manifested in the sharp increase of articles on shareholder activism since 2001 (see Figure 4). The following section introduces the broader literature on ethical and socially responsible investment – an umbrella term that encompasses a variety of investor strategies, one of which (shareholder activism) is considered to be the most effective for securing change.

2.2. From Socially Responsible Investment to Shareholder Activism

The terms ethical and socially responsible investment (SRI, hereafter) are often used interchangeably since the various definitions advanced are broadly similar. Cowton (1994) defines ethical investment as ‘the exercise of ethical and social criteria in the selection and

¹¹ Investors now need to disclose the providers of proxy voting or other advisory services, the type of services provided and the extent to which they rely upon recommendations provided by those services.

¹² The revisions specifically state that asset owners have a stewardship obligation to their beneficiaries.

management of investment portfolios’. The origins of the SRI movement can be traced back to religious organisations – the earliest evidence of investment allocation based on non-financial principles dates back to the 17th century and the Quaker movement’s avoidance of investments in slavery. In recent years, ethical investment has become an increasingly popular investment approach among industrialised countries. The 2012 European Sustainable Investment Forum’s (Eurosif, hereafter) SRI survey distinguishes between a number of different SRI strategies (Eurosif, 2012) and the latest survey concludes that all of them have continued to grow since 2011 with growth rates ranging from 22.6 per cent to 91 per cent (Eurosif, 2014). Table 3 below summarises briefly the strategies described in the 2012 survey:

Table 3: Different Approaches to SRI

TYPE	DESCRIPTION	EXAMPLE
Sustainability Themed Investment	Investment in themes or assets linked to the advancement of sustainability.	Thematic funds which focus on addressing social and/or environmental challenges such as climate change, eco-efficiency and others.
Best-in-Class Investment Selection	Approach where leading investments in a class, universe or category are selected based on environmental, social and governance (ESG, hereafter) criteria.	Investing in the best performing or best improved companies as identified by ESG analysis.
Norms-based Screening	Investment in companies which comply with international standards and norms.	Investment in companies which do not violate, for example, the OECD Guidelines for Multinational Enterprises, or the International Labour Organisation’s (ILO) conventions.
Exclusion of Holdings from Investment Universe	An approach of excluding shareholdings in companies that are thought to be unethical (also known as negative screening).	Common criteria for unethical activities include weapons, pornography, tobacco and animal testing.
Integration of ESG	The explicit inclusion by	The integration process

Factors in Financial Analysis	asset managers of ESG risks and opportunities into traditional financial analysis and investment decisions.	focuses on the potential impact of ESG issues on company financials, which in turn can have an impact on the investment decision.
Impact Investment	Investments made into companies, funds and organisations with the aim of generating social and environmental impact alongside a financial return.	Impact investment includes microfinance, social business/entrepreneurship funds, community investing, and French fonds solidaires.
Engagement and Voting on Sustainability Matters	Active ownership approach which entails engagement with companies and voting of shares with the intent of influencing behavior.	Dialogue with management, filing a proposal, letter writing and others.

Source: Eurosif (2012)

Traditionally, the notion of ethical investment has been most commonly associated with the first four strategies outlined above, which essentially entail a redistribution of capital – on the one hand away from unethical companies and, on the other, into responsible businesses that are norm-setters. Bowman (1973) suggests that many institutional shareholders tend to prefer investing in ethical companies because they view firms that are not socially responsible as riskier investments. The recent BP Deepwater Horizon oil spill, after which city investors lost \$30 billion, proves that, as suggested by Bowman, socially responsible investments can be safer in terms of long-term profitability, but the question remains as to what extent shareholders really prefer to invest their money in them.

One central question that has generated much heated debates in the literature relates to the ability of such traditional SRI approaches to serve as an effective mechanism for the social control of business. According to the American social theorist Severyn T. Bruyn (1987), the phenomenon can be a major force for change as it advances the well-being of society with regard to employment policies, the urban community and Third World development; it generates higher returns for investors, improves corporate social reporting and questions the necessity of competitive markets and state regulation for maintaining free enterprise. Bruyn (1987) believes in the ‘cost of capital argument’ – SRI fund managers increase the cost of

capital of unethical companies relative to ethical ones by abstaining from investing in the former. The intent is that such action discourages ‘bad’ companies from pursuing further detrimental activities.

However, many express scepticism when it comes to the potential of SRI to effectuate real changes in company behaviour. For example, Haigh and Hazelton (2004) are critical of the above mentioned cost of capital argument put forward by Bruyn (1987). They argue that, despite the recent growth of SRI funds, they still occupy only a fraction of the market and, as such, cannot have any real economic impact on companies. Furthermore, according to Boatright (1999), traditional SRI or passive investment, which involves avoiding certain companies and investing in others, is unlikely to have an impact on larger, heavily-traded companies as long as it is on a small scale.

All these criticisms have led many to believe that a more active approach, whereby investors engage directly with companies and use their shareholder rights to put pressure on them, would have the potential to considerably intensify the intended impact. Such an active approach can also be described as shareholder activism and is expressed in the last strategy from the table above – ‘engagement and voting on ESG issues’. Sparkes and Cowton (2004) talk about the ‘mainstreaming’ of SRI or, in other words, its adoption by an increasing proportion of institutional investors as opposed to only charities and other value-based organisations. The authors suggest that this trend has been accompanied by a process of maturation characterised by a growing incidence of shareholders using the power of activism. Such an upsurge in the occurrence of shareholder engagement has generated growing academic interest and analysis of the phenomenon. Having clarified the fact that shareholder activism is an SRI strategy that has recently grown in popularity and is considered by many to have greater potential of affecting companies’ adoption of responsible practices, the following sections will discuss the literature on socio-ethical activism by grouping the main papers in four themes.

2.3. Shareholder Proposals

To begin with, the first theme identified in the literature groups together a number of studies which examine the topics, filers, voting results and targets of shareholder proposals filed at AGMs. All studies are set in the US. This shareholder tactic is comparatively rare in

the UK and especially common in the US, where proposals have been used as a way to advance corporate responsibility since the 1970s.

In what can be argued to be the oldest paper on socio-ethical activism, Vogel (1983) examines trends in US shareholder proposals throughout a thirteen years period between 1970 and 1982. He argues that, rather than being a passing fad of the first half of the seventies, shareholder activism will become a firm characteristic of corporate governance. Vogel (1983) relates much of the increasingly common use of the proposal mechanism to political and ideological processes, as well as to legal developments (i.e. rulings by the SEC). He comments on the degree of support for resolutions, stating that in the early years the majority of proposals did not receive the 3 per cent support necessary (according to US law) in order to be allowed to file again next year. However, since 1975, the average number of resolutions achieving this margin rose up to over 60 per cent. A study by Tkac (2006) conducted more than two decades later also discusses the average support for social resolutions in the US between 1992 and 2002 and asserts that this has risen to 8.2 per cent – a significant shift compared to proposal support throughout the 70s and 80s. However, when compared to proposals on corporate governance issues, SEE proposals receive much lower support – an average of 6.6 per cent of votes in favour compared to 23.6 per cent during the 1997 proxy season results analysed by Campbell *et al.* (1999) using data from the IRRC¹³.

Since Vogel's publication in 1983, the literature has relied on a combination of longitudinal research of social shareholder proposals encompassing anything from three to thirty five years and on secondary data obtained from the IRRC. In what is the most comprehensive study of shareholder resolutions covering the lengthy period between 1969 and 2003, Proffitt and Spicer (2006) focus on resolutions regarding human rights and labour standards. The authors contend that, throughout this 35 years period, religious groups have been the most active filers of proposals, followed by public pension funds and individuals. Using a social movement perspective, the authors emphasise the crucial role that religious groups have played for the advancement of the global social issues agenda. When it comes to the identity of the filers of resolutions, there has been a stable, continuous trend throughout the entire period covered by the various papers. Similarly to Proffitt and

¹³ The Investor Responsibility Research Centre – a not-for-profit organisation established by institutional investors in 1972. It provides a systematic database of all social policy shareholder proposals in the US.

Spicer's findings, Tkac (2006), Campbell *et al.* (1999) and Monks *et al.* (2004) also contend that the most active filers within their studies' timeframe were religious groups and individuals.

Graves *et al.*'s (2001) descriptive study which uses data collected from the IRRC analyses shareholder resolutions throughout an eleven year period between 1988 and 1998 and aims to identify the main topics addressed by shareholders. The authors group resolutions in twenty-seven categories related to specific issues raised and suggest that these issues can follow different patterns over time – some are just fads (come and go unexpectedly – for example, diversity), while others remain important and stable factors in shareholders' agenda for change (for example, human rights). Graves *et al.* (2001) name South Africa and the environment, followed by human rights and diversity, as the most popular issues addressed over the studied period. In a similar study which examines all social shareholder proposals recorded by the IRRC over the 1992-2002 period, Tkac (2006) also comes to the conclusion that environmental issues are among the three most common topics, alongside with international conduct and antidiscrimination. Considering the period 1997-2004, Rojas *et al.* (2009) examine the role of the type of issue and identity of the filer in the ability of activism to trigger corporate change. The paper reveals that the capacity to exert pressure can be higher for some types of filers (such as pension funds and mutual funds) and for some types of resolution topics such as energy and the environment, diversity, international labour and human rights.

Telman (2011) discusses the topic of SEE shareholder proposals from a legal perspective. The author provides a comprehensive overview of the law on shareholder proposals, tracing back the rules and regulations that SEC has introduced throughout the years with respect to the submission of resolutions. The study portrays in detail the legal case of *Lovenheim v. Iroquois Brands* (1985) which is to date routinely cited by the SEC in response to corporations who seek to exclude proposals from the distribution of their proxy materials¹⁴ on the grounds that they are not related to the corporations' business. The article's main argument is that the proposal mechanism stimulates shareholder involvement in corporate governance, facilitates open, clear and specific communication between firms' management and shareholders, and has the potential to influence corporate decision making.

¹⁴ Documents regulated by the SEC and used by companies to inform shareholders and to solicit votes.

Furthermore, the implementation of activists' ideas via the shareholder proposal tool can ultimately be of benefit to the corporation.

Research has also focused on identifying which corporations are targeted by shareholders' proposals. So far the most influential account that attempts to answer this question is presented by Rehbein *et al.* (2004) who argue that large companies, as well as companies who are more dependent on end-user consumers, are more likely to be targeted due to their visibility and exposure to social actions such as consumer boycotts and others. This assertion seems to continuously reappear in the findings of most authors (see Tkac, 2006; Clark *et al.*, 2008; Rojas *et al.*, 2009). According to Rojas *et al.* (2009) this trend can be explained by the possible spillover effects across the industry that big corporations can generate.

In summary, the literature throughout the years expresses a uniform vision with respect to the following conclusions: the most active filers of SEE resolutions are consistently the same – namely, religious groups and, to a lesser extent, individuals and public pension funds; shareholder demands tend to concentrate on a few big issues such as the environment, labour and human rights; large and well-known corporations are the main targets of shareholder activists. However, despite these similarities, there is no consensus in the literature on the question of what constitutes a successful campaign when it comes to shareholder resolutions. Tkac (2006), Proffitt and Spicer (2006) and Graves *et al.* (2001) argue that the withdrawal of a resolution should be regarded as a success for shareholders since this move usually comes as a result of some form of action on the part of the organisation – a dialogue, a promise for change, or a compromise as a result of negotiations. According to Tkac's (2006) results, in the majority of cases of withdrawn proposals, the shareholders' request was granted by the corporation. By contrast, Rojas *et al.* (2009) are highly critical of this view and argue that resolutions have a much more limited capacity to exert pressure. The authors suggest that the higher rate of withdrawal of social policy proposals in comparison to corporate governance ones (Chidambaran and Woidtke, 1999) can be attributed to the fact that, in anticipation of low support, filers often prefer to avoid failure rather than to persist with their demands.

Academic opinion differs as well with respect to how a low level of support for a certain proposal is interpreted. While High and Hazelton (2004) purport that a proposal that

receives a minority vote is unsuccessful, Monks *et al.* (2004) and Graves *et al.* (2001) suggest that a low vote need not be necessarily a failure – if management feels a growing pressure from shareholders and consumers when a proposal has been kept on the proxy statement¹⁵ for several years, even a minority vote in favour is enough to initiate change. A good example are the numerous proposals filed at US companies in the 1980s which ensured the disinvestment of business from South Africa during the apartheid era. Tkac (2006) mentions an interesting point which the authors studying the use of proposals fail to consider. He points out that often, prior to filing a proposal, institutional shareholders attempt a dialogue with the targeted company. Only if such initial attempt at negotiation fails, do they employ other strategies. This suggests that the analysis of proposal data may present an overcritical picture which understates the success of shareholders' efforts. The difficulty of accurately assessing the impact of shareholder activism on corporate behaviour is evident when the next category of papers is considered.

2.4. Is Shareholder Activism An Effective Mechanism for Change?

The second major theme in the literature incorporates a number of papers evaluating the effectiveness of shareholder activism for influencing corporate policy and action. Although we have witnessed the dramatic surge of social, ethical and environmental shareholder engagement in recent years, our understanding of whether it produces the intended outcomes still remains limited. Despite the proliferation of research in this area, scholars have found support for arguments from both ends of the spectrum. This section starts with the earliest written article on the topic and then groups papers into two categories – studies that argue that shareholder activism can be a successful tool for change and studies that question its ability to influence corporate policy.

In this review's earliest study on the effectiveness of active ownership, Hoffman (1996) highlights the complex and dynamic nature of shareholder-firm relationships. He draws on a case of a coalition of shareholders who campaigned for Amoco Corporation to adopt a number of environmental principles. The author presents a mixed account of the effectiveness of shareholder activism, giving credence to the importance of specific factors such as shareholders' influence and power, the corporate culture and the political

¹⁵ A proxy statement is a document which companies are legally required to produce when they seek shareholder votes. It provides shareholders with all the necessary information so that they can make informed decisions regarding matters which will be discussed at an AGM.

environment in which the campaigning takes place. The findings reveal that the outcome of the campaign is a result of a negotiation process during which both parties make compromises as a way of reaching an agreement.

Since Hoffman's article published in 1996, subsequent studies have expressed more polar views, being either optimistic or sceptical when it comes to shareholder activism. 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 other passive SRI strategies outlined above (see Table 3), activism can prove to be a more powerful tool for influencing companies. However, these arguments are somewhat speculative as Sparkes and Cowton (2004) acknowledge the need for more empirical research on the topic and only provide an overview of recent developments in SRI without seeking to test their claims.

In a more research-oriented, quantitative study which uses secondary data and a mail survey as sources of information, Neubaum and Zahra (2006) test various hypotheses to establish the investment horizons of institutional shareholders, as well as how the frequency and coordination with which they undertake activism affect corporate social performance. They conclude that long-term investment horizons of institutional owners are positively correlated with CSP and that this effect is exacerbated when the frequency of activism is higher.

Using data from the Toxic Release Inventory (TRI)¹⁶, and focusing geographically on the US states of Texas and Louisiana, Lee and Lounsbury (2011) examine the effect of environmental resolutions on chemical and petroleum firms' environmental performance. With a sample of thirty eight public corporations tracked for thirteen years, the authors conclude that the resolutions have a significant and positive effect on the targeted firms' environmental performance. The success of the resolutions is attributed to the ability of campaigners to: impose potential costs on firms through disruption of routines, reframe the issues using institutional logics, mobilise powerful third parties to support their cause. Furthermore, it is discovered that large firms and firms in industries that are closer to end user consumers respond more positively to shareholder pressures.

¹⁶ One of the rare non-economic quantitative datasets which gives information on corporate pollution management practices. It has information on over 650 different toxic chemical releases.

On a more sceptical note, although acknowledging some of the merits of the phenomenon, O'Rourke (2003) criticises shareholder activism on the grounds that it is costly, resource-intensive, only achieves small, corporate-specific and voluntary change, and is limited to those who already possess ownership rights. Her research is based on interviews, secondary data, detailed literature review and various case studies. O'Rourke (2003) questions the ability of a model of shareholder democracy for advancing sustainability and replacing other democratic forms of controlling firms.

Similarly, Haigh and Hazelton (2004) argue that activism 'lacks the power to create significant corporate change' (p.59). However, as discussed above, the authors equate a low level of support for a proposal with an unsuccessful campaign – something which is not necessarily true according to other authors (see Graves *et al.*, 2001). They contend that shareholder activism creates corporate-specific changes which are limited in their ability to trigger a more general and long-term industrial shift. Haigh and Hazelton (2004) believe that achieving change on a broader scale can be realised by large institutional investors if they undertake concerted action directed not only towards targeting companies, but also towards lobbying governments.

Engle (2006) and David *et al.* (2007) are also among those who express scepticism when it comes to the potential of shareholder activism. Looking at the issue from a legal perspective, and with a focus on human rights, Engle (2006) is hesitant about the ability of shareholder proposals to shape corporate policy due to process constraints and the non-binding nature of resolutions. The article emphasises the importance of social and environmental reporting by companies as this information is material to investment decisions and investors have a right to know the risks associated with any labour, human rights and environmental abuses.

Using a quantitative methodology similar to the one developed by Neubaum and Zahra (2006), David *et al.* (2007) test the relationship between activism and CSP (using Kinder, Lydenberg, Domini's (KLD, hereafter)¹⁷ 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. By

¹⁷ KLD is an independent rating service which assesses the corporate social performance of companies in the Standard and Poor's 500 index across a range of dimensions related to investor concerns.

drawing on the work of Mitchell *et al.* (1997), David *et al.* (2007) conclude that managers try to negotiate more with salient shareholders but their actions are ‘symbolic rather than substantive’ (p.98).

There is also disagreement in the literature when it comes to the link between socio-ethical shareholder activism and shareholder value and profits. In his review of the engagement practices of the American fund CalPERS, Barber (2007) observes that shareholder activism on social issues should be used with prudence since there is a lack of empirical and theoretical evidence suggesting that it leads to increased shareholder value. However, this assertion is not supported by Dimson *et al.* (2014) who examine different CSR engagements with US firms over 1999-2009 undertaken by one asset manager. The results reveal that the target firms’ operating performance, profitability, efficiency and governance indices improve as a result of successful engagements. Reputational concerns and higher capacity to implement changes are the two factors which increase the likelihood of a firm responding to shareholder demands.

In summary, disagreement appears to exist as to the ability of shareholder activism to serve as an effective ‘mechanism for the social control of business’ (Smith, 1990), with the majority of papers adopting a sceptical stance. However, in spite of this general perception, there are some notable cases of success. For example, Home Depot decided to stop selling wood products from endangered forests after pressure from investors, while The Disney Corporation made a commitment to audit its subcontractors around the world so that they are not in breach of labour laws. In addition, the 2012 AGM season in the UK has been characterised by what has been labelled by the UK media as a ‘Shareholder Spring’ – an unprecedented revolt against excessive executive pay backed up not only by small shareholders, but by large City institutions as well. Most recently, the ‘Aiming for A’ investor coalition (backed by pension funds which together hold \$245bn of assets) and NGOs ShareAction and ClientEarth tabled climate change shareholder resolutions at BP and Shell’s 2015 AGMs, which received an unprecedented support with 98 per cent of all BP shareholders and 98.9 per cent of all Shell shareholders voting in favour (Farrell, 2015). The resolutions urged the companies to reduce their carbon emissions, invest in renewables and reform their executive remuneration systems so that directors are not rewarded for actions that harm the climate (Clark, 2015). However, one of this study’s main arguments is that the effectiveness of a shareholder activist campaign should not be judged in terms of

immediate goals, but rather the concept of delayed gratification should be applied to explain the fact that more often than not campaigns find fruition in the future. This idea will be discussed in greater detail in Section 11.3.

2.5. The Growing Role of Institutional Investors

Historically, ownership and control of corporations rested in the same hands since firms were run by their founders-owners. The growth of the modern corporation in size led to a shift towards ‘managerial capitalism’ – ownership and control were no longer in the hands of a few wealthy individuals. Control of the firm shifted from entrepreneurs to professional managers, while ownership became dispersed among a large number of unorganised shareholders who knew little of the day-to-day operations of their firms (Berle and Means, 1932). This, according to Berle and Means (1932), would undermine the power and influence of shareholders vis-à-vis management and would encourage managers to act in their own interests.

However, in recent years, ownership of the corporation has become concentrated in the hands of a relatively small group of institutional shareholders (Goergen, 2007), rather than individual stockholders, who, as Clark and Knight (2006) reveal, own seventy per cent of all listed equities in the UK. Taking into account these figures, it could be argued that large institutional investors’ role for encouraging responsible corporate behaviour and for contributing to the success of shareholder activism is essential. Pension funds are among the most powerful of all institutional shareholders – their influence is being felt in every capital market in the world. According to estimates from TheCityUK (2014), the global conventional fund management industry had \$97.2 trillion in assets under management at the end of 2013, with pension assets accounting for \$38.1 trillion of the total (Ivanova, 2014). UK pension funds and insurance companies hold about 11 per cent of the value of the UK stock market (see ONS, 2012 and Table 2).

As early as the 1970s Peter Drucker (1976) acknowledged the importance of the growth of private pension provision and of pension funds who have become the controlling owners of America’s largest companies. He envisaged the future development of an ever more influential pension fund movement which will serve as an alternative to free market economics and whose focus will be placed on ‘the formulation and achievement of social goals’ (p.12). As British sociologist Blackburn (2002) suggests, much of the investment

that shapes the world we live in is undertaken by pension funds, and the growth of workers' capital through pension funds has occurred not only in America, but on a global scale as well. However, contrary to the utopian world envisioned by Drucker, such investment 'fuels the glamorous world of high finance, property speculation, media and technology mergers, and stock exchange bubbles' (p.5) and dictates that, in Blackburn's words:

...shopping malls and shiny offices will proliferate while parks, swimming pools, libraries and theatres open to all will not, (...) that the poorest will have to tighten their belts if economic adjustment is required, that natural resources accumulated over millennia will be consumed in a few short years... (Blackburn, 2002, p.5)

Not only can pension funds yield a significant influence over companies due to their large shareholdings, but it is also often in their best interest to pressure companies for better governance. As Clark and Hebb (2004) argue, pension funds across the Anglo-American world are increasingly using passive indexes. This prevents them from selling their shares when they are dissatisfied, leaving the option of engagement with the company. Furthermore, as pension funds have long-term liabilities towards their clients (the pension savers), they have to adopt a long-term investment horizon and be sensitive to both short-term and long-term performance.

Hess (2007) expresses optimism about the ability of public pension funds to act as a powerful catalyst for change in the social and environmental practices of companies. Pension fund engagement is considered to be a good way of ensuring long-term shareholder value for future beneficiaries since environmental and social risks have consequences for long-term value creation and since traditional legal mechanisms have limits. Hess (2007) believes that public pension funds can serve as surrogate regulators should they begin to consider social and environmental issues. However, he argues that they are not such active owners as other sources suggest.

Indeed, in recent years, despite institutional investors' potential derived from their increase in size and the concentration of their stakes (see Fig. 1 in Section 1.4.), Davis (2008) and Jackson (2008) observe an ownership paradox related to shareholders. Traditionally large institutions have adopted a passive approach and have refrained from challenging management's decisions. There is contradictory evidence when it comes to the effect that the regulatory changes in the UK (see Section 2.1.) have had on actual shareholder

practices. A study conducted by ShareAction (formerly FairPensions¹⁸), examining the practices at the twenty largest UK pension funds, reveals that only twelve of them disclose whether or not they consider environmental, social and governance issues. What is more, most pension funds express a general positive attitude towards SRI and activism without taking steps to actually start practicing such approaches (ShareAction, 2006). This trend of passive ownership has been attributed to legal rules and restrictions which have prevented action by shareholders: ‘institutional shareholders are hobbled by a complex web of legal rules that make it difficult, expensive, and legally risky to own large percentage stakes or undertake joint efforts’ (Black, 1990, p.523).

In view of this context of passivity, the role of non-governmental organisations for encouraging active engagement with companies by large and powerful institutional investors is crucial. According to Sjostrom (2007) their importance lies precisely in their ability to incentivise action by investors who have more power to push for change. Similarly, Perks *et al.* (1992, p.56) argue that large institutional shareholders could become the focal point of social movements and campaigners: ‘... environmentalists and political activists may wish to influence such institutions and encourage them to press for change in corporate reporting and in companies’ activities’.

Inciting active ownership behaviour by institutional investors can be achieved through the use of what Waygood and Wehrmeyer (2003) call ‘membership rights’ – making use of the influence that an individual possesses as a client of a financial institution or of a pension fund to encourage the institution to initiate active engagement with a given company. In the UK context, this is usually achieved by setting up an online action tool through which supporters of an NGO send emails to their pension or Individual Savings Account (ISA, hereafter) providers. A case in point, among many others, are the 6,000 people who, during the Tar Sands campaign in 2010, emailed their pension provider and encouraged them to vote in favour of the resolutions put forward at BP and Shell’s AGMs. As a result of such public mobilisation, pension providers asked their fund managers about the issue and tar sands were placed at the top of the AGM agenda. The following section looks at the literature on NGOs and their role in capital markets.

¹⁸ The organisation changed its name from FairPensions to ShareAction in 2013 because the new name gave a more accurate representation of their campaigning activities.

2.6. Non-Governmental Organisations

There are now more than fifty NGOs¹⁹ in the UK that have integrated the use of shareholder activism in some of their campaigns. Most of the papers written on the subject also contend that there is an upsurge in NGO shareholder activism and consider whether civil society organisations' capital market interventions have the potential of changing corporate policy (Waygood and Wehrmeyer, 2003; Sjostrom, 2007; Guay *et al.*, 2004).

By drawing on a case study of a campaign by FoE against the operations of Freeport – McMoRan Copper and Gold Inc. in Irian Jaya (West Papua) – Emel (2002) explores the question of how far NGO shareholder activism goes in terms of ameliorating ecological destruction and human rights violations. Freeport – McMoRan is a large North American mining company which signed a concession agreement allowing it to operate in the lands of indigenous communities in Irian Jaya. The paper concludes that, although shareholder activism does elicit some corporate policy change, it is often small and incremental. Fundamental decisions about technology choice and the timing and location of investment are unlikely to change. It was discovered that the campaign did not affect negatively the profits of the corporation which were up by 7 per cent in 1999 compared to 1998. Although the publicity garnered by the shareholder resolution increased public scrutiny and led to a demand for more accountability, Emel (2002) questions the extent to which these improvements are enough to achieve truly sustainable development and to compensate for the damages done to livelihoods. She concludes: 'While Freeport – McMoRan may be running an ecologically modernised operation in West Papua, the mountain is still coming down' (p.841-842).

¹⁹ Including: The Burma Campaign, Friends of the Earth, Landmine Action, Campaign Against the Arms Trade, Carbon Disclosure Project, Corporate Responsibility Coalition, ChristianAid, Amnesty International, New Economics Foundation, People and Planet, EIRIS, War on Want, ECCR, ShareAction, Oxfam, CAFOD, ActionAid, UKSIF, Labour Behind the Label, WWF, Finance Innovation Lab, London Mining Network, Survival International, Platform London, PARTiZANS, Down to Earth, Indigenous Peoples Links, Colombia Solidarity Campaign, Rainforest Action Network, World Development Movement, Greenpeace, Ekklesia, Church Action on Poverty, UK Tar Sands Network, Palestine Solidarity Campaign, Client Earth, No Tar Sands, Indigenous Environmental Network, Citizens UK, Forum for the Future, The Carbon Tracker Initiative, Green Alliance, Global Witness, Biofuel Watch, Positive Money, Fuel Poverty Action, and others. See chronology in Appendix 3 and 4.

In another example of a study of NGO activism from a US perspective, Guay *et al.* (2004) draw on agency and stakeholder theory, in examining how civil society organisations pressure companies through SRI and shareholder activism. They identify four main roles used to affect CSR – NGOs can serve as: advocates pressing investors to engage in activism and SRI, company shareholders (may engage in NGO shareholder activism), advisors (provide advice and consultation for SRI funds), and SRI fund sponsors. Guay *et al.* (1994) apply Mitchell *et al.*'s (1997, p.131) theory of stakeholder salience and legitimacy and conclude that NGOs can be considered 'viable stakeholders in corporate decision-making' who can influence corporations to a degree disproportionate to their share ownership in the company due to the fact that they possess the attributes of power and urgency. The authors distinguish between indirect strategies whereby NGOs lobby and pressure institutional investors to act upon an issue and direct strategies whereby NGOs have a direct impact on corporate behaviour through their shareholder status. To accomplish their goals, they often employ several of these influencing strategies in the same campaign.

Sjostrom (2007) focuses on NGO shareholder activism for human rights and outlines two case studies in which Amnesty Business Group (ABG, hereafter) in Sweden and FoE in the UK have used share ownership rights to try to influence corporate policy through raising questions at the AGM in the first case and tabling a shareholder resolution in the second. Both of these campaigns were successful with ABG influencing 12 companies to publish a human rights policy and FoE using the power of investors to convince Balfour Beatty to pull out of the Ilisu Dam project. According to one of the main conclusions of the paper, less powerful actors such as NGOs can achieve change because they effectively translate their ideologically based concerns into financial terms and this makes the issue relevant for actors (investors) who have more power to initiate change.

Another study that focuses on the issue of campaign effectiveness and the ability of NGO shareholder activism to generate the desired results adopts a quantitative approach and analyses the extent to which the Carbon Disclosure Project²⁰ (CDP, hereafter) has managed to encourage firms to disclose environmental information (Wegener *et al.*, 2011). The

²⁰ The CDP is an NGO based in the UK, whose mission is to gather and disseminate climate change information. This is achieved through using an indirect micro strategy – each year CDP coordinates a request in the form of a letter written on behalf and signed by 655 institutional investors with \$78 trillion in assets. This letter is sent to companies all around the world who are asked to disclose information on their emissions and to implement cost-effective emission reductions.

results of the study reveal that management's decision to disclose information on climate change indicators is influenced by domestic rather than foreign signatory investors. Moreover, the majority of firms that tend to disclose information are from lower polluting industries with less exposure to litigation risk. This puts into question the effectiveness of the shareholder activist strategy used (an investor letter sent to companies), as the success is most visible in firms that are less likely to be negatively impacted by stricter environmental regulations (Wegener *et al.*, 2011).

Waygood and Wehrmeyer's (2003) journal article and Waygood's (2006) book represent a more recent and possibly more interesting work on NGOs and their use of capital markets in the UK. Given the fact that insights from Waygood and Wehrmeyer (2003) and Waygood (2006) are used extensively in the current study, their work will be discussed in more detail here. Waygood and Wehrmeyer (2003) propose a taxonomy for NGO capital market intervention (also discussed in Waygood (2006)) based on two different strategies: a macro capital redistribution strategy and a micro investor influence strategy, both of which can be undertaken either directly or indirectly. The macro capital redistribution strategy is closer in principle to SRI and therefore will not be discussed here, whereas the micro investor influence strategy is essentially shareholder activism.

The latter strategy occurs when the NGO uses the rights associated with share ownership to express its concerns. The authors classify a micro approach as indirect when the activists co-opt the support of investors and leverage their power in an attempt to influence specific companies via investors' shareholdings (for example, securing shareholder support for a resolution). By contrast, a direct strategy entails the civil society organisation lobbying the company without the help of large institutional shareholders. Instead, the NGO becomes a shareholder itself and uses its own influence to change corporate policy through its own shareholdings (for example, by acquiring shares in order to attend an AGM). Thus, under the micro strategy, NGOs can engage in shareholder activism either directly by becoming shareholders themselves, or indirectly by leveraging the power of institutional investors. A micro strategy also entails an attempt to influence the regulatory environment so as to make

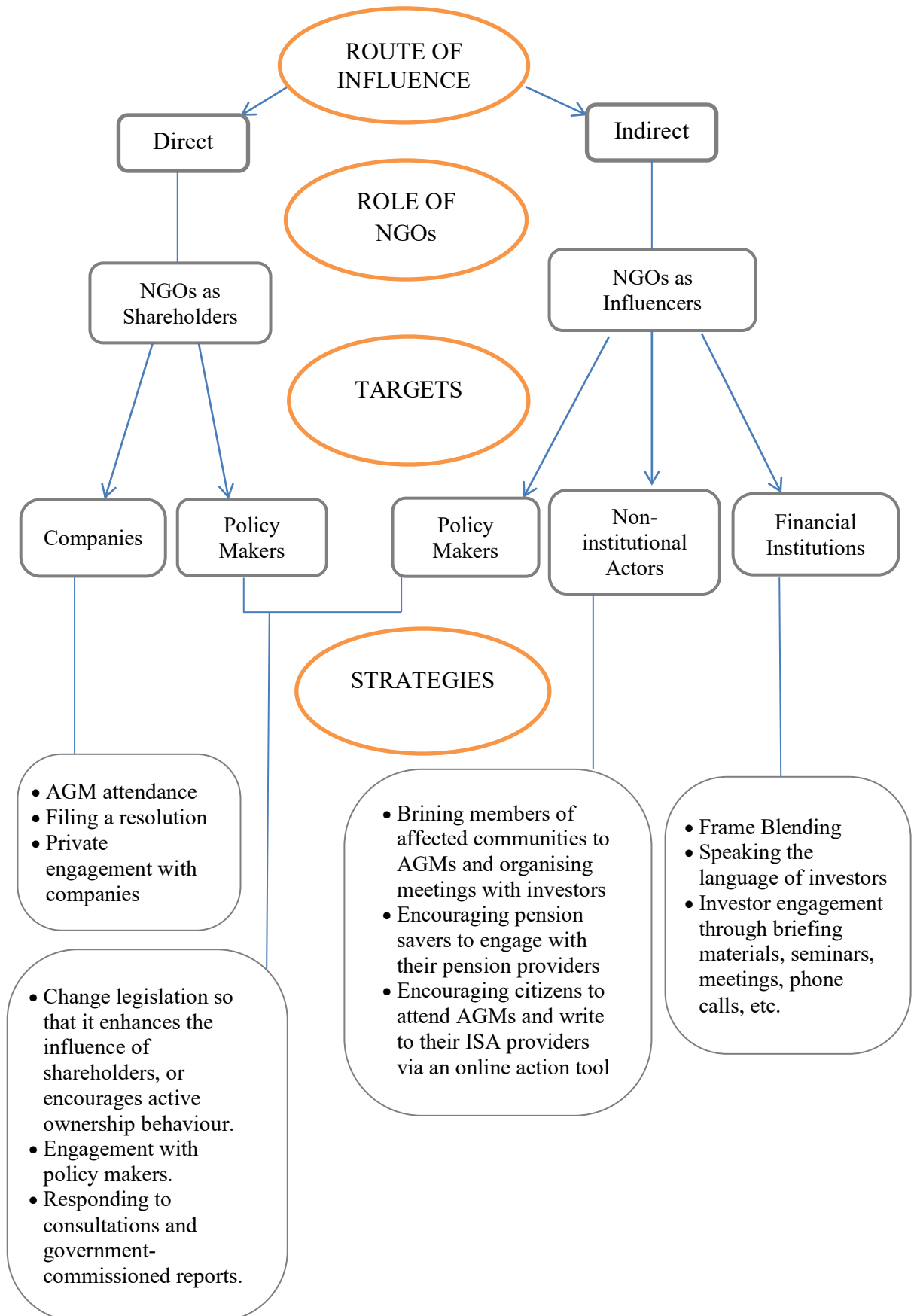
it more conducive to shareholder activism or to encourage investors to become active owners²¹ (Waygood and Wehrmeyer, 2003).

The current study makes a further distinction between indirectly targeting financial institutions and non-institutional actors (see Figure 5 below). In the figure, financial institutions are defined as companies that hold shares as investors or trustees, acting on behalf of other investors who are the ultimate beneficiaries and owners. Examples include unit trusts, insurance companies, pension funds (who act on behalf of individual savers and pensioners), investment companies and others.

By contrast, non-institutional actors are those who have no immediate or obvious link to the financial system, such as pension savers, individual citizens (people who do not save for a pension but can nevertheless be involved in shareholder activism), members of affected communities and the media. The following figure presents visually the different relationships and strategies used by campaigning NGOs – these will be discussed in greater detail in the findings chapters:

²¹ For example, in 2002 Forum for the Future published a paper entitled ‘Government’s Business’, which urges the government to require that pension fund trustees report to members on how they implement SRI policies. Also, in 2002 the Corporate Responsibility Coalition (CORE, hereafter) sought the support of ethical investors to help it promote legislation that would oblige UK companies to report on their social, environmental and ethical performance, and on corporate governance issues such as executive pay.

Figure 5: NGO Shareholder Activist Engagement Model



Waygood and Wehrmeyer (2003) identify three main challenges in the use of shareholder rights: legal (it can be difficult to comply with company law procedures, especially when submitting a resolution); financial (the amount of shares owned is related to the power that can be exercised; therefore, due to their limited financial reserves, NGOs may not be able to yield significant direct ownership influence) and professional (investors can be disinterested in NGOs' concerns). As a result of these challenges, the authors conclude that NGOs have tended to use an indirect rather than a direct approach.

Waygood (2006) draws on empirical evidence to evaluate the success of each strategy through four case studies. He reviews critically the effectiveness and efficiency of UK NGO capital market intervention and concludes that capital market campaigning can be both highly efficient and highly effective mechanism for targeting companies and investors. Furthermore, Waygood (2006) asserts that the likelihood of success of a campaign increases with the adoption by an NGO of: a 'micro investor influence strategy' (shareholder activism) rather than a macro 'capital redistribution strategy' (ethical investment); an indirect route of influence in which the help of large institutional investors is sought rather than a direct one; and a balance of both business and moral arguments.

2.7. Missing Perspectives in the Literature

Empirical literature on shareholder engagement has been primarily preoccupied with analysing the results of shareholder proposals, whereas other activist strategies and tactics such as raising questions at an AGM or writing letters have rarely been accounted for (Monks *et al.*, 2004; Tkac, 2006). What is more, the research area 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 such as profitability, CSR, shareholder value and shareholder activism (see Southwood, 2003; Barber, 2007). 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 (see David *et al.*, 2007; Neubaum and Zahra, 2006). Although such methodology is useful in identifying certain trends, a more in-depth analysis and multifaceted approach, which takes into account the nuances of the phenomenon, is necessary in order to account for the interactions between NGOs, investors and companies, and to answer how and why such trends arise. A qualitative approach based on multiple

case studies, semi-structured interviews and document analysis can be of benefit for achieving this (Mason, 2002).

Conclusion

Throughout this chapter the literature on socio-ethical activism has been discussed chronologically, synthesised in four major themes which cover: the issues and outcomes of shareholder proposals; the effectiveness of activism; the role of institutional investors, and the role of NGOs in the activist arena. Given the under-researched field of socio-ethical shareholder activism in general, especially in the UK context, and NGO intervention in particular, it has been concluded that the academic literature would benefit from more empirical research which examines the role of the not-for-profit sector in the shareholder activist arena. As suggested by Sjostrom (2007, p.158): ‘There is little academic research that explicitly addresses how civil society organisations are connecting themselves to the financial sector’.

3. Methodology

If we knew what we were doing, it wouldn't be called research.

(Albert Einstein)

The main aim of this part of the study is to explore the methods and processes used to address the research questions which have been developed on the basis of the literature evaluation conducted in Chapter 2. Once the research questions are formulated at the beginning of the chapter, the scope, as well as the philosophical and theoretical context of the study are summarised. Furthermore, the research design is outlined, followed by an examination of the reliability, validity, and generalisability of findings, as well as a discussion of the research methods. Other elements of the research process, such as the mechanics of data collection and analysis, as well as the ethical considerations involved, are also explored.

3.1. Research Questions

1. What shareholder activist strategies do NGOs use to advance their goals?
2. What impact do NGOs achieve among the investor community and the targeted companies?
3. What are the main challenges faced by NGOs?

3.2. Scope

The thesis focuses on national and international NGOs operating in the UK. The primary reason for this decision stems from the scarcity of academic research on NGO shareholder activism in the UK, coupled with the growing expansion of the phenomenon in recent years and the regulatory environment which is more conducive to investor activism when compared to the US (see Black and Coffee, 1994). Given the context specific nature of activism, the findings of papers exploring the environment in different countries are not necessarily directly applicable to the UK. Second, limiting the geographical scope enables a more accurate comparison between the three campaign case studies as all NGOs studied here operate within the same political, legal and social environment and are subject to the same external pressures. Finally, the geographical coverage reflects the importance of the

City of London as a major international financial centre. To take an example with climate change, almost twenty per cent of all the fossil fuels in the world are owned and traded in London (Carbon Tracker Initiative, 2011). This suggests that the act of influencing the City can have a potential positive impact with far reaching consequences for global warming.

In terms of the types of companies that are being targeted, as the main focus of this thesis is on NGOs' use of shareholder activism exercised via the financial markets, the form of corporate enterprises that are of interest are public limited companies (or (PLCs) listed on the stock exchange²². Public limited companies are 'public' as they aim to acquire capital by issuing shares that can be bought by the general public. They are 'limited' insofar as the maximum amount for which shareholders are liable is limited to the investment they made originally. The fact that listed PLCs tend to be significantly larger than other types of companies makes them the primary targets of NGO campaigns due to their potential to be trendsetters and because of their impact on society and the environment.

While NGOs normally incorporate an array of different campaign tactics in their corporate engagement strategies, it is their shareholder activist actions (summarised below) that are in focus. The research discusses NGO activities that:

- Target companies and/or their investors using the rights associated with share ownership to initiate change in company policy and behaviour.
- Target either the government directly or via investors to change the public policy framework and structural conditions in which the capital market institutions operate with the aim of facilitating or encouraging responsible ownership.

Unit of Analysis

The campaigns, rather than the NGOs themselves, form the main unit of analysis. Although each NGO has a specific focus (i.e. the environment in the case of Greenpeace and Friends of the Earth; human rights – Amnesty International; poverty – ActionAid; indigenous rights – Survival International, etc.), unethical corporate practices can be interpreted from a variety of perspectives. This is why it is often the case that a number of different NGOs

²² There are also PLCs which are not listed. Private companies can re-register as public companies, but keep the same restrictions on issues and transfers of shares, provided they comply with some additional company law rules. The focus of the thesis, however, is on listed PLCs as it is precisely in these organisations that shareholder influence can be leveraged more effectively.

campaign on the same issue. Focusing on the campaign enables a more in-depth, comprehensive exploration of the problem and of the efforts of all organisations working in the area. This approach widens the pool of available interviewees and facilitates a discussion of the whole repertoire of tactics that are employed.

3.3. Philosophical Context and Theoretical Perspective

Philosophical paradigms that explain the nature of reality and knowledge occupy a central part in a research process as they inform the formulation of research questions and the selection of research designs, encouraging researchers to adopt different methodologies (Hatch and Cunliffe, 2006). Therefore, a consideration of the epistemological and ontological foundations of the study is an essential ‘ingredient’ of a ‘good’ research project.

The field of shareholder activism has been characterised by an abundance of papers that adopt a positivistic stance (for example, David *et al.*, 2007; Vogel, 1983). In seeking to depart from this dominant approach, the current study is based on Derek Layder’s (1993, 1998) adaptive theory, which is predicated upon a realist model of social science. Realism can be regarded as an alternative to both traditional positivistic and interpretative philosophies. It shares resemblance to positivism because it acknowledges the existence of an objective reality, but it overcomes some of its weaknesses as it rejects the idea of a social world constituted of universal laws and one single truth (Ackroyd and Fleetwood, 2000). From an ontological perspective, realism also overcomes some of the weaknesses associated with interpretative and postmodernist approaches as, while not refuting the idea of the socially constructed nature of the world, it does not go so far as to allege that the world is merely socially constructed (Fleetwood and Ackroyd, 2004). As Layder (1993, p.16) explains:

Put very simple, a central feature of realism is its attempt to preserve a ‘scientific’ attitude towards social analysis at the same time as recognizing the importance of actors’ meanings and in some way incorporating them in research.

Adaptive theory attempts to address the problem of the division between agency and structure in social research by offering a multifaceted model of society which incorporates both macro (structural, institutional) phenomena and micro phenomena (interaction, behaviour) (Layder, 1993). The realist perspective helps illuminate the dynamics of social

interaction and at the same time it outlines the structural conditions (economic and regulatory climate) that have an impact on the work of NGOs. The macro and micro levels of analysis form the basis of Layder’s (1993) research map which attempts to convey the complex and interwoven nature of social reality.

Figure 6: Research Map (Adapted from Layder (1993) to Reflect Areas of Interest to The Research)

	Research Element	Research Focus
H I S T O R Y	CONTEXT Refers to macro phenomena which constitute the more remote environment influencing social activity.	Macro social forms, e.g. political climate, legal framework, economic environment
	SETTING Refers to a research focus on the immediate environment which provides an arena for social activity.	Immediate environment of social activity, e.g. organisation, AGM, conference/event
	SITUATED ACTIVITY The research focus shifts away from the individual towards the characteristics and dynamics of social interaction.	Dynamics of “face-to-face” interaction
	SELF The individual’s relation to his or hers social environment.	Biographical experience and social involvements

Source: Layder (1993)

These different elements overlap with each other and should be seen as operating in two dimensions simultaneously – as a series of layers (vertically) and as layers stretched over time (horizontally) (Layder, 1993). The multi-method approach to fieldwork adopted in this study has been viewed in terms of the elements outlined in the research map – the methods

described in the next section correspond to the four levels of analysis (context, setting, situated activity and self). Semi-structured interviews were used to obtain information on the dynamics of situated activity and self, participant observation provided an insight into setting and situated activity, whereas document analysis and secondary sources served to investigate the macro elements of the context. As Layder (1993) suggests:

Investigation of self and situated behaviour is best conducted by the use of classical forms of qualitative research, such as participant and non-participant observation, semi-structured interviewing and so on...(p.114).

(...) for the purposes of fieldwork the main sources of empirical data relevant to these phenomena will be gleaned from documentary and survey analyses (p.117).

From a theoretical perspective, the research draws on insights from the social movement literature to explain, substantiate and position the findings within a broader academic field. Social movement scholars have traditionally focused on how movements interact with the state to influence policy (Giugni *et al.*, 1999; Yaziji and Doh, 2013) and between the 1970s and the early 2000s academics studying corporations and non-profits rarely engaged with social movement theory (de Bakker *et al.*, 2013). However, de Bakker *et al.* (2013) suggest that, as the boundaries between the social movement, civil society and corporate sector fields have become more open and fluid, movement scholars' focus shifted from an exclusive concern with 'public politics' to an inclusion of 'private politics'. The impact that movement activity has on shaping organisational behaviour has recently started receiving increasing attention (Lounsbury, 2001; King, 2008; King and Soule, 2007). According to de Bakker *et al.* (2013) this blurring of boundaries facilitates borrowing from and building upon insights stemming from different fields of study, leading in turn to new opportunities for advancing theoretical and practical understanding. An application of the knowledge on social movement dynamics will be of benefit to the study of socio-ethical shareholder activism because, as Zald and Berger (1978) have suggested more than three decades ago, little attention has been dedicated to those actors who steer away from radical tactics such as boycotts and protests and engage in activism inside corporations through leveraging the power of share ownership – a type of activism which, according to Lee and Lounsbury (2011) “facilitates the creation of legitimate agenda items in corporate decision-making processes” (p.157). At the same time, exploring socio-ethical activism will provide valuable insights into how movements shape corporations and institutional investors.

3.4. Research Design: The Multiple Case Study Approach

The purpose of the study forms part of the research design. Robson (1993) identifies three types of empirical enquiry underpinning social science research: exploratory, explanatory and descriptive. Very little academic attention has been dedicated to the exploration of the role of NGOs as change agents which encourage responsible ownership behaviour and which use the power of shares to advance their ideological objectives. Since exploratory research ‘relates to topics about which very little is known’ (Richey and Klein, 2007, p. 43), this paper adopts an exploratory purpose as it seeks to understand and explore the dynamics of engagement with investors and companies.

The research design of the project is based on the multiple case study method – a method operationalised by Yin (2003) as a scientific enquiry focused on the investigation of a contemporary phenomenon within its real life context. This definition resonates quite well with the objectives of the current study. Rather than the more abstract and speculative theorising which is abundant in the literature on shareholder activism (Ghauri and Grønhaug, 2002; Corley and Gioia, 2011), the case study approach facilitates the formulation of novel, testable and empirically valid theoretical insights which closely mirror reality (Eisenhardt, 1989). In view of the deductive-inductive approach adopted, simple, well-constructed case studies can be very informative because, as suggested by Saunders *et al.* (2003), they can serve to challenge an existing theory and also provide a source of new theoretical insights. The methodological pluralism of case studies creates the potential for development of in-depth, narrative-like description (Marinetto, 2012) which is of particular importance for answering ‘why’ and ‘how’ questions (Yin, 2003). Moreover, within realism, case research is considered as being particularly effective in explaining complex social phenomena by establishing the underlying processes and structures that shape them (Easton, 1998).

Choosing an experimental research design is discarded as an option given its artificial setting and inability to produce reliable data which corresponds with what is going on in the outside world (Alvesson and Deetz, 2000). Given the often prolonged period through which campaigns can span, a longitudinal approach to data collection is beneficial for analysing the intervention in its entirety. To achieve such a longitudinal effect within the limited timespan of the research, strategies such as continual analysis of live and company documents, attendance at AGMs throughout the years, and re-interviewing of some of the

participants were adopted. These added a longitudinal and historical component to the research.

However, the case study research design has often been criticised by proponents of the positivist tradition for being an inadequate method of inquiry. The main question being raised by critics centres on the issues of validity, reliability (producing rigorous data) (Thomas, 2004) and generalisation, or in other words, the inability to generalise results to a wider population (Marinetto, 2012).

This thesis adopts the view that the aim of case studies and qualitative research is to enhance understanding (Stake, 1995) and to provide rich accounts of the social world which, on certain occasions, can lead to the development of theoretical propositions applicable to the wider society (Creswell, 1997). As Silverman (2005) asserts, extrapolation is a better suited word than generalisation as the primary reliance is on analytical, rather than statistical generalisation (Bryman, 1988). Since notions of validity and reliability, in terms of the way we understand them in quantitative research, cannot be used for assessing qualitative research (Lincoln and Guba, 1985), alternative strategies for ascertaining the validity of qualitative studies have been developed. Table 4 below reveals the steps that this study takes to address the five categories of validity described by Maxwell (1992) in his model:

Table 4: Maxwell’s Five Types of Validity

VALIDITY TYPE	CENTRAL ISSUE	STRATEGIES
Descriptive	<i>Factual accuracy</i> – refers to the valid description, credibility, and authenticity of the collected data and of the interpretations made from this data.	<ul style="list-style-type: none"> • Extensive field notes written during the data collection process. • Thick description. • Interviews are tape recorded and a list of interviewees is included in Appendix 1. • On-going coding.
Interpretive	<i>Meaning of events</i> – relates to the meaning or the interpretation of the data. Has the researcher understood and portrayed accurately the participant’s views?	<ul style="list-style-type: none"> • Member checking – respondents commenting on the interview transcripts. • Triangulation – using secondary data and

		document analysis to avoid memory bias (Eisenhardt, 1989) and to obtain an accurate case narrative (Yin, 2003). <ul style="list-style-type: none"> • Use of direct quotes from the interviews.
Theoretical	<i>Concepts and their relationships</i> – Does the derived theoretical model correspond to the gathered data? How consistent is the researcher with the application of concepts and have all concepts been operationalised?	<ul style="list-style-type: none"> • Clear operationalisation of key concepts at the beginning of the study. • Use of an external auditor to check consistency and validity.
External	<i>Generalisability</i> – the extent to which what has been studied can be extended to other persons, times or settings.	<ul style="list-style-type: none"> • Measured conclusion. • Critical realism – the study offers partial insights into what might be encountered in another context.
Evaluative	<i>Application of a framework</i> – a consideration is given to the way the researcher has described, interpreted and constructed the theory. Has the development of a framework been done successfully and has the research accomplished what was intended initially?	<ul style="list-style-type: none"> • Peer debriefing. • Use of an external auditor to provide an assessment of the data collection, interpretation and application of theory.

Source: Maxwell (1992)

The empirical findings are based on an analysis of a total of three case studies representing the following three campaigns:

- *The Vedanta Campaign* – human rights and environmental concerns surrounding mining multinational Vedanta Resources’ alumina refinery in Orissa, India and the company’s proposal to open a bauxite mine on top of the Nyamgiri Hills – a sacred mountain for indigenous communities.
- *The Niger Delta Campaign* – targets Royal Dutch Shell on two grounds – widespread environmental pollution in the Niger Delta region of Nigeria and human rights abuses.

- *The Tax Justice Campaign* – targets FTSE 100 companies. Aims to address aggressive tax planning practices which stall the development of third world countries.

These three interventions cover eight NGOs which have been campaigning on the issues and were chosen for the following reasons:

1. The campaigns differ in a number of significant ways which will make for a fruitful discussion and comparison.

- *Different Strategies*: First, the Niger Delta campaign has relied primarily, though not exclusively, on the indirect route of influence. This is in contrast to the Tax Justice campaign which is primarily based on NGOs buying shares and having a direct engagement with companies. The Vedanta case uses a mixture of both these strategies.

- *Level of Success*: The prima facie level of success of different interventions varied – with some considered as successful (Vedanta) and others as less successful (Niger Delta). Such a contrast provides for an interesting assessment of the factors that influenced the outcome.

- *Focus of Campaign*: Changing one small aspect of a company's behaviour (tax and Vedanta) versus targeting a company with a variety of controversial projects or a company whose whole business model is up for scrutiny (Shell).

2. All campaigns are prominent cases which have generated significant media and NGO attention. Therefore, the amount of available data was sufficient to conduct the analysis.

3. The selected campaigns provide a good contrast between historic, long-lasting interventions (Vedanta and Shell) and the comparatively recent but very topical issue of tax justice.

4. Shareholder activism practiced by NGOs is not a widespread tactic yet and this poses limits on the choice of available campaigns to study. Some of the interventions that were considered for analysis but were discarded include: the Living Wage campaign, the Tar Sands campaign of 2010, the Climate Change campaign and the Arctic drilling campaign. The first two were discarded because they formed part of a previous study the

researcher conducted in 2012. The latter two interventions do not form part of the present analysis as they are considered to be very recent – their origins date back to the beginning of the research in 2013, whereas the Tax Justice campaign, although recent, had already been running for a year prior to the start of the data collection period.

5. Two of the targeted companies (Vedanta and Shell) are from the mining and extractive sector. This selection is not made intentionally and is not designed to provide an insight into shareholder activist campaigns against companies from this sector. Rather, it can be explained by the fact that companies from the mining and extractive sector are known to commit in general a greater number of environmental and human rights abuses and, as a consequence, are a frequent target of NGO campaigns. According to the chronology in Appendix 3, 38 out of the 110 campaigns, or 34.5 per cent overall, targeted companies in the mining and extractive sector.

3.5. Research Methods

Having discussed the research questions, philosophical position, and research design, this section of the study examines and provides a justification for the choice of research methods. Such a choice is informed by the epistemological and ontological assumptions underpinning a particular study and depends on the main research objectives, as well as on the essence of the social processes under investigation. The ontological foundations of realism allow researchers to be selective in their choice of research tools (Fleetwood and Ackroyd, 2004).

When collecting data on shareholder activism the temporal aspect should be considered carefully since campaign outcomes may not be evident in the short-term (Sjostrom, 2008). A major limitation in the literature stems from the fact that papers which use scores by a rating agency as a primary method for data collection do not adequately reflect changes in corporate behaviour as a result of campaigns. Sjostrom (2008, p.152) suggests that ‘Interview-based case studies can therefore play a vital role for such research’. Given the exploratory nature of the present study, the need for a detailed understanding that takes account of temporal aspects, the scarcity of qualitative papers on the subject, and the methodological pluralism characteristic for critical realism, the methodological position of the research is based on a multi-method qualitative research paradigm (see table below).

Table 5: Data Collection Techniques

Semi-Structured Interviews with Retrospective Component	A total of 40 interviews with NGO representatives, investors and ESG professionals. See Appendix 1 for a full list of interviewees.	December 2012 – December 2014
Analysis of Documents	Newsletter archives, investor briefings, press releases, NGOs’ research papers and publications. Live documents have been retrieved by searching for key terms (i.e. ‘Vedanta’, ‘tax’, ‘Niger Delta’) in the major UK newspapers (The Guardian, Financial Times, The Independent, The Telegraph) and a content analysis of the results was conducted. The search command used was Site: Guardian.co.uk “Vedanta” to display all articles with the key word Vedanta published in the Guardian.	September 2012 – December 2014
Participant Observation	Attendance at training events for shareholder activists organised by NGOs and conferences on investor engagement and ESG issues. Participant observation at the AGMs of four FTSE 100 companies.	November 2012 – November 2014

Methodology

Qualitative methods provide the most appropriate way to address the research questions for various reasons which are explained in this section. This decision was influenced by the under-researched and contemporary nature of the phenomenon under study (NGO shareholder activism) which presupposes a more detailed approach focusing not solely on exploring the causal links between variables. As noted above, studies of shareholder activism have predominantly adopted a positivistic stance and quantitative methodology. However, the contradictory nature of the literature highlights the limitations of this approach as papers attempting to answer the same questions often produce very divergent results (ex. David *et al.* 2007; Neubaum and Zahra, 2006; Vandekerckhove *et al.*, 2007).

Although quantitative methods can be employed in measuring the success and impact of individual NGO campaigns, the depth and accuracy of findings may be open to question. This is explained by the fact that the outcomes of shareholder action are often intangible,

slow to be realised and cannot be assessed in isolation as each campaign is a complex interplay between various campaign tactics and external circumstances. In comparison, the merits of using a qualitative approach stems from its ability to provide a rich, holistic and nuanced account of social reality (Mason, 2002) and to explain the complex interaction between NGOs, investors and companies. It adds flexibility to the research process by facilitating the researcher's exploration of unforeseen issues as they arise (Lewis, 2003) and to tailor the methods to the circumstances of each interviewee (Bryman, 2008). This helps create what Mason (2002, p. 65) calls 'situated knowledge'. Moreover, the development of empirically supported new theoretical insights – a central aim of this paper – is facilitated by qualitative research (Denzin and Lincoln, 1994).

Semi-structured interviews, analysis of documents and participant observation have been chosen as the most effective methods to be employed. These are discussed in turn in the following sections.

Situated Activity and Self: Semi-Structured Interviews

The semi-structured interview was chosen as a preferred method of data collection because, by being open to emergent themes and to the wants and needs of interviewees (Alvesson and Deetz, 2000), it offers much more flexibility when compared to 'talking questionnaires' (Potter and Wetherell, 1987). At the same time, the use of a guide makes data collection more systematic than in an unstructured interview and ensures that the conversation is being kept within the bounds of what is important for addressing the research questions (May, 2011).

Due to the nature of the enquiry, which required gaining insight into conditions of great complexity, the researcher needed to be able to adapt the interview questions and follow up issues as they arise. The flexibility afforded by the semi-structured interview facilitated this process. As opposed to relying on a structured interview, the exploration of the case studies is more comprehensive when based on questions asked in a semi-structured format, because they document a richer account of participants' views and enable the exploration of much more complex and varied descriptions (Martin and Turner, 1986; Bryman *et al.*, 1988). The data collected by means of semi-structured interviewing for this study thus represents respondents' views and feelings more accurately in the absence of the categorical imposition typical of questionnaire and survey research, as the method facilitated

interviewees' freedom of expression (Alvesson and Deetz, 2000). Moreover, the opportunity to ask additional emerging questions, which elicit further explanation (Gubrium and Holstein, 2002), as well as the opportunity to negotiate meaning, make the subsequent analysis of data more valid (Mason, 2002).

This said, it could be argued that the relatively novel and under-researched nature of the topic of shareholder activism makes the adoption of an unstructured approach to interviewing plausible. However, as the researcher had previously undertaken some research into the area, she had identified the information that needed to be collected. There is also the issue that unstructured interviewing poses challenges when it comes to the comparability of responses and data analysis since it generates less systemic and comprehensive accounts (Walsh and Wiggins, 2003). This risks making the comparison of collected data between different case studies difficult. The unstructured interview format was therefore discarded as an option for the current study. The combination of clearly defined questions with a semi-structured interview style ensured a clear focus and structure for the enquiry, which allowed room for additional insights to emerge from more fluid interaction with respondents.

However, semi-structured interviewing is not without its limitations. For instance, issues of comparability exist in semi-structured interviews as well, because respondents may not have been asked exactly the same questions and different probes may have been explored. Although less pertinent than in an open-ended, unstructured interview, it was recognised that the problem of variation is a feature of the semi-structured format. In addressing this potential weakness in the research design, the interview schedule was designed prior to the start of the data collection process and all interviews were therefore based around a predefined set of key questions which need to be covered as an absolute minimum and which were asked in all interviews. On occasions where an interviewee spent a long time answering a specific question, it was sometimes difficult to formulate probes and follow up questions immediately, due to the sheer quantity of ideas that presented themselves and could be pursued. To mitigate this problem, brief notes were written by the researcher throughout the interview which served as the basis for questions once the participants had finished expressing their views. All interviews were conducted in the participants' natural work setting in order to elicit further information about their daily activities, to contextualise the research findings, and to enhance ecological validity (Creswell, 2003).

Context: Analysis of Documents

The use of organisational documents serves two important functions – it allows for triangulation of the data gathered through interviewing and helps contextualise the research. Scott (1990) emphasises the historical element that documents can add to research by giving examples of sociological studies which have used documentary sources for historical investigation. In this respect, the analysis of organisational documents forms a central part of the research process as it has allowed the researcher to recreate 'a history' of organisational processes with regard to shareholder activist campaigns. According to Layder (1993), although historical research tends to often be neglected in methods books, it is essential to incorporate a historical component as part of the data collection procedure since it traces institutional and social behavioural changes over time and adds depth to a study.

The use of documents is advantageous because they provide rich and contextually relevant information (Lincoln and Guba, 1985). They also eliminate the problem of observer bias as they are almost always easily available, free to obtain and naturally occurring (Lindlof and Taylor, 2011). The analysis of documents, coupled with retrospective interviewing, adds an additional longitudinal element in case study research (Bryman and Bell, 2007). Rather than considering a single fixed moment in time, organisational documentation allows for an understanding of how processes have unfolded over a longer timescale. This is of particular importance to the current study since all of the campaigns have been running for more than three years. The use of documents was essential in the present study for purposes of fact checking, for developing the chronology and for collecting valuable information in advance of each interview with the view of minimising the time spent on general questions.

Nevertheless, document analysis also has limitations. For example, it may often be time-consuming and laborious to sort through documents, relevant data can be difficult to obtain due to extraneous information, and some documents may be costly to access (Grady, 1998). When it comes to the current study, it was not difficult to obtain information but, due to the sheer quantity of newspaper articles, NGO reports and company documents available, going through everything and synthesising the data involved considerable time and effort. Live documents were retrieved by searching for key terms (i.e. 'Vedanta', 'tax', 'Niger Delta') in the major UK newspapers (see Table 5) and a periodic search through the

webpages of the campaigning NGOs and the targeted companies ensured that the researcher had access to the latest investor briefings, press releases, and NGO research papers.

Setting and Situated Activity: Participant Observation

The study also relies on a unique method of data collection in research on shareholder activism – namely – participant observation in the form of attendance at company AGMs and training events organised by the researched NGOs. Haug (2013) characterises meetings as ‘the nodes of the social movement infrastructure’ (p.728) and advocates for an increased use of meetings as units of analysis because such an approach leads to a better understanding of social movement dynamics, implying new perspectives on leadership, hierarchy, control, democracy, change, and inter-organisational collaboration. Participant observation adds depth to the study, enhances credibility, and provides a close, insider view into the complex interactions between the campaigning organisation and shareholders, companies, individual supporters, and other NGOs (Becker and Geer, 1957). It allows for the context of people’s behaviour to be mapped out fully (Punch, 2005) and facilitates a central aim of the study – namely – the forging of links between micro and macro phenomenon, between behaviour and context. The ethnographic method is considered to be a particularly useful way of collecting data, given the exploratory nature of the study and the under-researched field. It should also be taken into account that this methodological technique has been rarely utilised before in shareholder activist research.

Similarly to interviewing, participant observation can also be time-consuming and can generate a great amount of data (Langley and Tsoukas, 2010). Some question the method’s ability to accurately reconstruct a participant’s social reality (Blaikie, 2000) and suggest that the presence of a researcher may alter the normal rhythm of events, making participants feel the need to perform (Bryman and Bell, 2007).

When conducting ethnographic work, the researcher must decide which role to adopt on the participant-observer continuum. For the purposes of this study, the classification developed by Gans (1968) has been applied. It consists of three roles (the total participant, the researcher-participant and the total researcher) that coexist and are used at different times during the ethnographic process. Gans’ (1968) classification has an advantage as, unlike Gold’s (1958), it deals only with overt observation and acknowledges the fact that researcher’s roles are often subject to negotiation and renegotiation.

Field notes constituted a crucial part of the ethnographic work – they were taken throughout the observation process and immediately after noticing something important. Full field notes were written up in detail at the earliest opportunity. In terms of content, the field notes represented a thorough summary of events and behaviour, as well as the researcher’s analytical ideas and reflections on them. Although the writing of notes was oriented towards the research objectives, interesting and unexpected insights were also recorded in line with the flexible nature of qualitative research (Bryman and Bell, 2007).

3.6. Ethical Considerations

The study is guided by the ESRC Research Ethics Framework (REF). Prior to embarking upon the data collection process, ethical approval was sought and was granted by the university’s ethics committee. Consent forms were given to participants at the beginning of each interview (Appendix 2). These outlined the main aims of the research, as well as the methods of data collection. They assured interviewees that their participation would be entirely voluntary, highlighted their anonymity, and stressed their right to withdraw at any time or to refuse to answer certain questions. Participants were given mine and my supervisor’s contact details should they have any questions related to the study. 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.

3.7. Mechanics of The Research Process

Altogether 40 interviews were collected – 36 of them were face-to-face and 4 were a telephone conversation. Lasting between thirty and ninety minutes, all interviews were digitally recorded and subsequently transcribed. Once the campaign case studies were chosen, the documentary material was reviewed with the aim of identifying key personnel in a position to provide the necessary insight. The data collection process was governed by purposive sampling – individuals were carefully selected based on their time spent in the organisation (and to what extent this coincided with the timespan of the campaign), their role (whether they were involved in investor engagement, AGM attendance and strategy formulation), or their broader knowledge on responsible investment and market reform. As the fieldwork progressed, there was also an element of a ‘snowball’ effect in getting access to interviewees. Appendix 1 provides a list of respondents.

In terms of the interview schedule, there were both campaign-specific questions and standard benchmark questions applied across all participants. Broadly speaking, the standard questions were concerned with the objectives and timeframe of a campaign, the role of the interviewee, the strategies used, the challenges faced, and the investor and company response. Case study specific questions were devised prior to each conversation and were based on two factors: a careful analysis of relevant campaign documents and the circumstances of each participant. Interviews were conducted until reaching data saturation point where no further distinct themes were emerging. One potential problem was that interviewing NGO representatives, who are so closely involved with the campaigns, could result in a bias towards exaggerated claims of success and downplay of failures. To mitigate this risk, extensive use was made of relevant documentary sources and cross-referencing of statements with the opinions of other interviewees.

Table 6 below provides a list of participant observation events throughout the research. These were chosen on the basis of their relevance to the study.

Table 6: Participant Observation Events

Date	Time	Event	Type	Organisation
17 November 2012	10 am – 4.30 pm	Become A Workplace Responsible Investment Champion (1) ²³	Training event	ShareAction
28 January 2013	8 pm – 9 pm	Long-term Vs. Short-term Investing (2)	Webinar	Network for Sustainable Financial Markets
16 February 2013	10 am – 4.30 pm	Become A Shareholder Activist (3)	Training event	ShareAction
18 March 2013	6.30 pm – 7.30 pm	Fighting for Human Rights for People in the Developing World: Standing Up for the Local Davids Against British Goliaths (4)	Lecture	Martin Day (senior partner at Leigh Day & Co and former chairman of Greenpeace UK)
11 April 2013	11.30 am – 3 pm	BP AGM (5)	AGM	BP

²³ Similarly to the interview extracts, each participant observation event has its own number from 1 to 28. This is to ensure that the fieldwork notes discussed in the findings are linked back to the specific event during which they were recorded.

02 May 2013	3 pm – 4.20 pm	Labour and Finance in the USA (6)	Lecture	Sanford Jacoby (Professor at UCLA)
9 May 2013	4 pm – 5 pm	Pushing the Reset Button for Pension Fund Investment (7)	Webinar	Network for Sustainable Financial Markets
21 May 2013	9 am – 1.30 pm	Shell AGM (8)	AGM	Shell
24 May 2013	11 am – 1.30 pm	HSBC AGM (9)	AGM	HSBC
11 – 12 June 2013	8.30 am – 5.30 pm	Responsible Investment Europe 2013: The Investor – Corporate ESG Summit (10)	Conference	Responsible Investor
01 July 2013	1.30 pm – 4.30 pm	Mobilising Ethical Investment to Close the Gap (11)	An event on fair pay and fair taxation for church-based investors	Church Action on Poverty, the Ecumenical Council for Corporate Responsibility (ECCR, hereafter)
01 August 2013	3 pm – 5.30 pm	Vedanta AGM (12)	AGM	Vedanta
15 August 2013	4 pm – 4.45 pm	CEO of ShareAction on Pension Funds and Climate Risk (13)	Webinar	Network for Sustainable Financial Markets
19 September 2013	2 pm – 3 pm	Multinational Corporations and Tax Transparency: Issues for Responsible Investors (14)	Webinar	Sustainalytics (speakers from ChristianAid, and Arisaig Partners)
16 October 2013	6 pm -	Principles and Profits: Investing to Protect People, the Planet and your Savings (15)	Panel Discussion	National Ethical Investment Week (NEIW), the Ethical Investment Research Service (EIRIS, hereafter), ShareAction
17 October 2013	4.30 pm – 6.30 pm	Church Investment – Witness or Whitewash? (16)	Open Debate	NEIW, ECCR
26 October 2013	9.30 am – 2 pm	Finance: What's Faith Got to do with it? (17)	Seminar	ECCR, Shared Interest, Fair Trade Wales, Church in Wales
30 October 2013	6 pm – 8.30 pm	Green Light Campaign Launch (18)	Launch Event	ShareAction
19 November	5 pm – 6.30 pm	Our Money, Our	Report launch	ShareAction

2013		Business: Building A More Accountable Investment System (19)	with a presentation from Christine Berry (author) followed by a panel discussion	
25 January 2014	10.30 am – 4 pm	Become A Shareholder Activist! (20)	Training Event	ChristianAid and ShareAction
09 March 2014	6 pm – 7.30 pm	The UK Gold (21)	Film on Tax	ActionAid
20 May 2014	9 am – 12.30 pm	Shell AGM (22)	AGM	Shell
23 May 2014	11 am – 1 pm	HSBC AGM (23)	AGM	HSBC
04 June 2014	6 pm – 7 pm	Paying Up – Is Tax A Question of Ethics? (24)	A panel discussion convened by ChristianAid and JustShare	ChristianAid and JustShare
01 August 2014	3 pm – 5.30 pm	Vedanta AGM (25)	AGM	Vedanta
14 October 2014	4.30 pm – 6.30 pm	Shareholder Voting Rights (26)	Seminar	Shareholders Society
22 October 2014	4 pm – 6 pm	‘Investing in Equality’ (27)	Panel Debate	Organised by ECCR with participants from ShareAction and ChristianAid
17 November 2014	6.30 pm – 8 pm	‘How Finance is Tackling Sustainability: A Roadmap to the Future’ (28)	Public Lecture	London School of Economics

Apart from various subject-related conferences, NGO talks, seminars and training days, the researcher purchased shares and observed the AGMs of Vedanta Resources and Shell for two consecutive years (2013 and 2014), as well as the 2013 AGM of BP²⁴, at which the researcher asked a question. The first two were chosen because two of the case studies are based on campaigns launched against Vedanta Resources and Shell. BP’s AGM was attended because a question on tax was asked by a representative of ChristianAid during the event. Thus, those five AGMs are directly relevant to all three case studies. I observed Shell’s AGMs via an audio visual link established online – the AGMs took place in The Hague and UK shareholders not travelling to the Netherlands to attend personally were not permitted to ask questions. I attended BP’s AGM in 2013, as well as Vedanta’s AGMs, in

²⁴ HSBC’s AGMs in 2013 and 2014 were also observed but they are not mentioned here as they do not form part of the subsequent analysis in Chapter 8.

person. I was assigned as a proxy by ShareAction for the BP AGM during which I also asked a question on high executive pay.

In order to gain access to Vedanta's AGMs, I became a shareholder in the company by buying a share through Equiniti's Shareview online certificated dealing service. Equiniti acts as the registrar for sixty per cent of the FTSE 100 companies. Once registered online, I chose the certificated share I wanted to buy and paid with a debit card. The price of the share was £11.48, while the dealing fee was £40, making a total of £51.55. A few days later, all the documents were received through the post, including the unique shareholder reference number which can be used to create an online account for managing your shares and the share certificate which confirms the possession of one share in Vedanta Resources. Being a shareholder means that I receive an AGM attendance card every year which grants access to the AGM. The attendance at AGMs was invaluable for gaining an in-depth insight of how NGOs operate in the context of direct shareholder activism. It also served to reaffirm and experience in person some of the claims made by interviewees with regards to the AGM forum.

3.8. Data Analysis and Theory Development

To analyse the data, the interviews were firstly transcribed and, together with the field notes, were transformed into a coherent 'text' (Silverman, 1993; Latimer, 1998). Following adaptive theory (Layder, 1998), pre-existing secondary research sources were used to support and develop the empirical findings.

Thematic analysis helped to categorise and organise the data in analytically relevant subsets. 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 by creating categories or themes from the data (Coffey and Atkinson, 1996). The data analysis process relied on a mixture of both a predefined and data-driven approach to coding. First, a number of predefined broad codes which related directly to the research questions were devised. The researcher was interested in examining: strategies, impact, campaign-specific challenges and finally, broader external challenges. Second, the data was content analysed to identify representative inductive themes within these categories obtained directly from the raw data. Reoccurring trends emerged after a careful reading and re-reading of the interviews and the participant observation notes.

Coding was an on-going process that became more refined over time – each interview was coded shortly after it was conducted and before any further data was collected. Such an approach was adopted because, as Miles and Huberman (1994, p.65) suggest: ‘Coding is a form of early (and continuing analysis)... on-going coding discovers real or potential sources of bias, and surfaces incomplete or equivocal data that can be clarified next time out’.

The choice of research approach is considered by some to be closely linked to a particular research philosophy such that inductive reasoning is seen to owe more to interpretivism, whereas deductive reasoning to positivism. However, as Saunders *et al.* (2003) suggest, such strict categorisation is rather misleading and of no practical value. Therefore, the theory development approach of the current study is informed by Layder’s (1998) adaptive theory. The thesis occupies a middle ground between the deductive or theory-testing and the inductive or theory generating approach. This approach ‘attempts to combine an emphasis on prior theoretical ideas and models which feed into and guide research, while at the same time attending to the generation of theory from the on-going analysis of data’ (Layder, 1998, p.19). Chapter 4, which uses Waygood’s model to expand and develop a new chronology, leading to the refinement of the model towards the end of the chapter, is an example of the deductive approach. Another example is the use of secondary sources as a way of supplementing and informing the case study analysis. The inductive approach relates to the identification of representative themes obtained from the raw data, to the provision of in-depth, contextualised understanding and to the development of new theoretical models such as the one in Section 8.4.

Conclusion

This chapter has outlined the research questions and has explored the philosophical and theoretical underpinnings of the study; positioning itself within the realist paradigm and adaptive theory. Having discussed the research design and methods, it was determined that the thesis is to adopt a multiple case study, qualitative methodology based on semi-structured interviews, document analysis and participant observation. The data collected is used in two ways:

1. To provide the empirical record necessary to compile the chronology of NGO shareholder activist intervention between 2003 and 2013.

2. To provide the necessary information for building and presenting the campaign case studies.

In addition, the chapter has examined the reliability, validity, and generalisability of research findings, the ethical considerations of the study, as well as the data collection and analysis process. The following chapters mark the beginning of the findings section of the thesis. Chapters 4 and 5 form the context and history levels of analysis represented in Layder's (1993) research map (Section 3.3., Figure 6). Drawing on interview data, live document searches and document analysis, Chapter 4 presents a chronology of NGO shareholder activist intervention in the UK throughout the period 1990 – 2013 and analyses trends in NGO strategies.

**PART TWO: HISTORICAL AND STRATEGIC
CONTEXT OF NGO-LED SHARE ACTIVISM**

4. Trends in UK NGOs' Use of Shareholder Activism (1990 – 2013)

If you want to understand today, you have to search yesterday.
(Pearl S. Buck)

The aim of this chapter is to trace the development of NGO shareholder activism throughout a 24-year period between 1990 and 2013 and to conduct a unique longitudinal analysis of activist strategies adopted by campaigning organisations. To achieve this, a chronology of NGO shareholder activist interventions, spanning 11 years (2003 – 2013) and encompassing 110 campaigns, is created based on empirical data (see Appendix 3). The interventions are classified according to Waygood's model (2006) explained later in the chapter. Second, the study compares the current chronology with the findings from Waygood's (2006) chronology encompassing the years 1990 – 2002 (13 years and 46 cases) and discusses the development of NGO shareholder activist strategies over time.

The purpose and reasons for the creation of the most recent chronology can be summarised in six main points. To begin with, it constitutes the first ever record that focuses specifically on the actions of UK NGOs in the shareholder activist arena (a central contribution of the thesis as discussed in the Conclusion chapter). Second, it systematically compiles and categorises the data using Waygood's model with the aim of analysing the nature of NGO shareholder activist intervention. Third, it adds a longitudinal element to the research by tracing the scale and nature of NGO interventions between 1990 and 2013, facilitating a more holistic understanding of the phenomenon. Fourth, it positions the campaign case studies discussed throughout the chapters that follow in the broader context of NGO shareholder activism. Moreover, as Layder (1993) argues, historical analysis traces institutional and social behavioural changes over time and adds depth to a study. Finally, the chronology serves to refine Waygood's model, tailoring it specifically to the circumstances of shareholder activist interventions.

4.1. Chronology Development and Analysis

Apart from drawing on empirical data to answer the research questions, the study also aims to understand how NGO shareholder activism has evolved between 2003 and 2013. This is

achieved by developing a chronology detailing all instances of the phenomenon throughout the period. The chronology builds upon the work of Waygood (2006) who records instances of UK NGO capital market intervention since the time this approach first began to develop into a relatively widespread NGO strategy, namely, between 1990 and 2002. Mapping the interventions between 2003 – 2013 enables the analysis of trends that emerge over time and facilitates the making of comparisons with what has already been discovered by Waygood (2006). This results in the provision of a continuous and up-to-date record of the activities of third sector organisations in the area of responsible investment since the very inclusion of the tactic in their repertoires. However, it should be noted that this thesis, alongside the chronology, has a narrower focus on shareholder activism, in comparison to Waygood's discussion of capital market (CM) intervention in general, which also includes the macro capital redistribution strategy, or ethical investment.

The data for the development of the chronology was sourced from live documents analysis (based on a NEXUS database search), semi-structured interviews with campaigners who have worked in the campaigning organisations during the researched period, secondary literature, web searches, company documents (press releases, briefings, newsletters), and a search through the back issues of two periodicals featuring news on responsible investment and NGO campaigns – EIRIS's *The Ethical Investor* and ECCR's *e-newsletter*. Based on Waygood's (2006) analysis, cataloguing the data involved organising it into the categories outlined below for each intervention:

- Number – the chronological position of the intervention compared to the rest of the cases in the table. Used for subsequent reference in the text.
- Date – the year (and month, if known) during which the intervention was launched and when it was discontinued.
- NGO(s) – the name of the NGO(s) involved in the intervention.
- Campaign Issue – a summary of the main topic of the campaign.
- Aim – the aim of the intervention. When no articulation of the aim is provided by the NGO, a prima facie aim is developed based on the information available.
- Nature of intervention – a brief description of the action that was initiated by the NGO(s).

- Classification – the strategy adopted by the NGO(s), classified using an adapted version of Waygood’s model (see below).

The components of Waygood’s (2006) model discussed in Section 2.6. provide the means of classification. The model is used to classify each intervention rather than the NGO’s overall approach to shareholder activism according to the following:

1. Route of Influence

- Direct – as an owner of shares, the NGO uses the influence it has in listed companies.
- Indirect – the NGO co-opts the influence of other CM actors who own, buy and sell shares in listed companies.
- Both

2. Primary Audience

- ‘Capital Markets (CM) institutions’ – companies and their investors.
- ‘Public policy’ – government ‘policy makers’ are the audience. NGOs target the public policy framework within which CM institutions operate with the aim of facilitating or encouraging shareholder engagement.
- Both

3. Nature of Argument

- Moral case – NGOs use ethical principles such as concerns for the environment and human rights to advocate their cause.
- Business case – NGOs use quantitative or qualitative financial analysis in support of a particular course of action.
- Both

The following three scenarios outlined in Table 7 demonstrate how the model is applied in practice.

Table 7: Waygood’s Model in Practice

Example Scenario		Classification According to Waygood’s Model
1.	An NGO attempts to change company behaviour by lobbying institutional investors to engage with that company – perhaps because its human rights track record poses significant threats to reputation and share price – and the NGO gathers investor support via targeted correspondence and briefing of main shareowners.	<ul style="list-style-type: none"> • Indirect – ‘via targeted correspondence and briefing of main investors’. • CM institutions – ‘institutional investors’. • Business case – ‘significant threats to reputation and share price’.
2.	An NGO attempts to influence a specific company via buying shares with the objective of attending the AGM and asking a question which highlights the environmental consequences of the company’s operations.	<ul style="list-style-type: none"> • Direct – ‘buying shares with the objective of attending its AGM’. • CM institutions – ‘attending the AGM’. • Moral case – ‘highlights the environmental consequences of the company’s operations’.
3.	An NGO writes a report on the barriers to long-term thinking or on the narrow interpretation of fiduciary duties (two of the main issues that impede responsible ownership) and presents the findings to policy makers, citing advantages such as improved financial performance and reduced risk over the long-term.	<ul style="list-style-type: none"> • Direct – ‘presents the findings to policy makers’. • Public policy – ‘policy makers’. • Business case – ‘citing advantages such as improved financial performance and reduced risk over the long-term’.

The mechanism of company influence (i.e. investor advocacy versus economic) present in Waygood’s chronology is not mentioned here as every intervention is based on investor advocacy influence (i.e. shareholder activism) rather than economic influence (SRI) because the focus is only on shareholder activism. Another component present in the original categorisation and excluded in this analysis is an initial indication of the success of the NGO intervention based on a prima facie analysis of outcomes. The reason for this omission is that the conclusion derived from an initial superficial examination of the facts is not considered as sufficient evidence for reaching a conclusive decision about the effectiveness of a campaign. Given the complex nature of activism, the sometimes long time frame necessary for the outcomes of a campaign to become evident, the difficulty of establishing a causal link between NGO efforts and intervention results, it is concluded that

any categorisation of success on the basis of prima facie analysis hinders the development of reliable findings based on this categorisation.

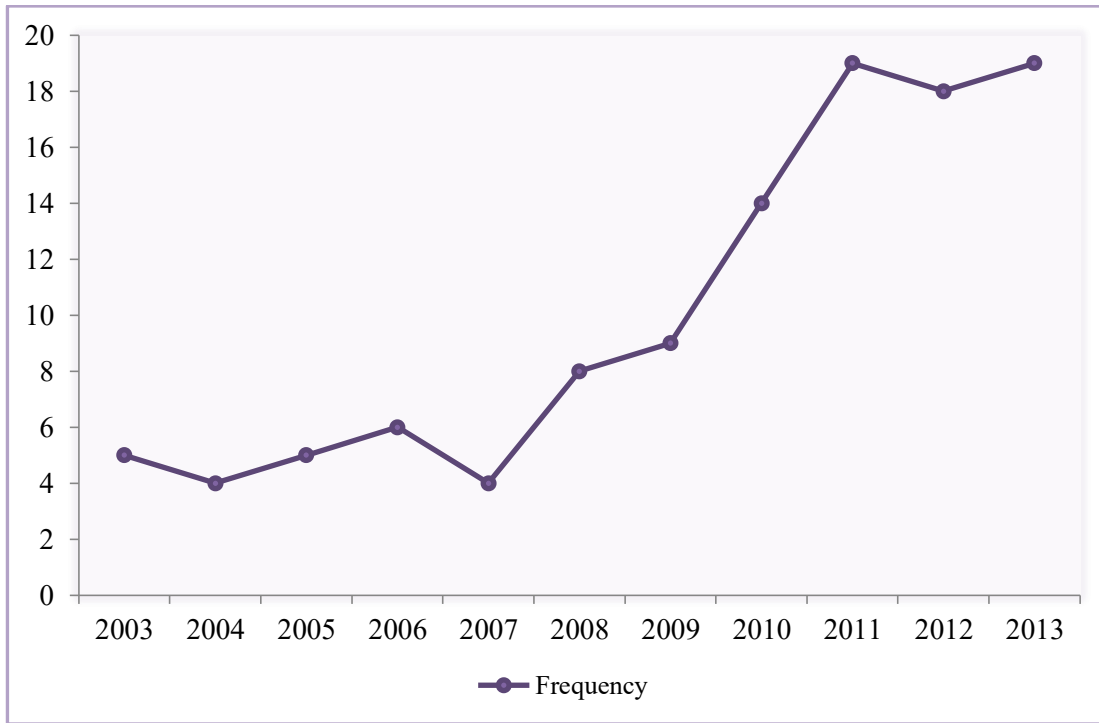
The findings from the chronology (Appendix 3) are presented throughout the following sections of this chapter and are based on content analysis of the chronology. Once the current trends are analysed, they are compared to the results exhibited between 1990 and 2002 and described in Waygood's (2006) work. A detailed content analysis of Waygood's chronology was performed with the aim of differentiating between the cases of shareholder activism (investor advocacy influence) and ethical investment (economic influence). Having compiled all the instances of NGO shareholder activist campaigns (presented in Appendix 4), the NGO strategies used throughout 1990-2002 are compared with those employed in the last decade with the aim of producing a more detailed analysis. This way the research presents a longitudinal picture of the nature of NGO shareholder activist intervention in the UK, encompassing a period of 24 years. The findings also represent the first ever attempt to collect comprehensive data that focuses specifically on the third sector's efforts in the arena of shareholder activism.

It should be taken into account that NGO campaigns can sometimes be confidential and lacking in media publicity. Therefore, while every effort has been made to ensure that the chronology is as comprehensive as possible, some campaigns might still be omitted from the collected data, and this is particularly true when it comes to direct action. See Section 4.4. for a detailed explanation of why this might be the case. However, in view of the exhaustive analysis of live documents, organisational documents and secondary literature, coupled with the insights of interviewees who have worked for the NGOs throughout the timeframe of the chronology, it can be assumed with sufficient confidence that all NGO interventions that are of relevance and significance have been included. The encompassing approach to data collection has at least minimised the possibility for omission of important cases.

4.2. NGO Shareholder Activist Interventions Over the Years – Is There A Change in Scale?

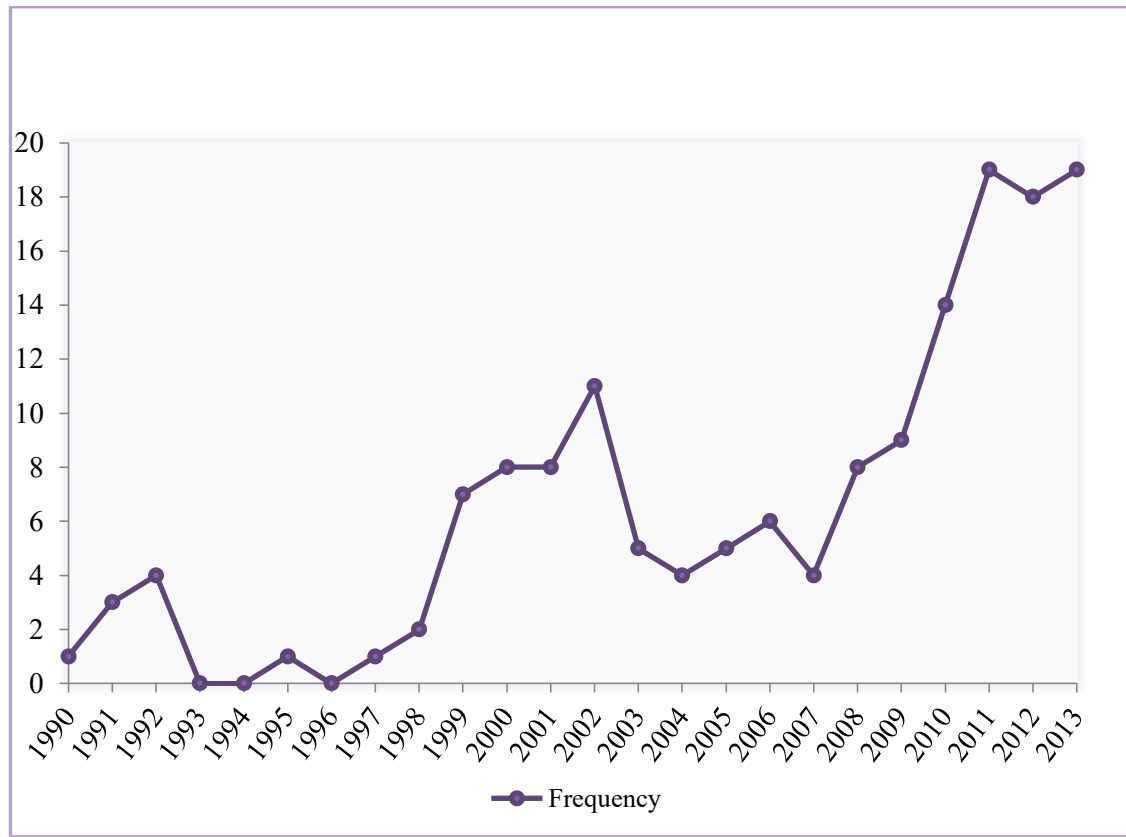
Based on the empirical data in the chronology, Figure 7 below plots the number of UK NGO shareholder activist interventions taking place between 2003 and 2013.

Figure 7: Frequency of NGO Shareholder Activist Interventions (2003 to 2013)



The figure reveals a significant increase in NGO activity in the sphere of shareholder activism from average levels of 4.8 interventions per annum during the first five years to 15.6 interventions per annum in the last five years. To gain a more holistic understanding of NGO interventions, it would be beneficial to trace the changes in scale since the time when shareholder activism became a relatively widespread NGO strategy – namely, since the early 1990s. Based on a content analysis of Waygood’s (2006) chronology and the findings of this paper, Figure 8 below plots the overall number of UK NGO shareholder activist interventions that took place between 1990 and 2013.

Figure 8: Frequency of NGO Shareholder Activist Interventions (1990 to 2013)



The scale of NGO activity between 2003 and 2013 is far greater than that between 1990 and 2002. On average, the number of NGO campaigns per year during the first period was 3.5, compared to an average of 10 per year during 2003-2013. Such findings suggests that, rather than being just a passing phenomenon, more and more NGOs have begun to incorporate the practice of shareholder activism into their campaigning tactics and have regarded the world of financial markets as a legitimate way of pursuing their objectives to the point where the use of shareholder activism by the third sector is more popular than ever before.

However, as can be seen from the figure, there is no discernible strong positive linear trend throughout the time period. The first half of the 90s can be characterised by a low level of NGO intervention, followed by a sharp increase from 1996 onwards with a particular peak in the year 2002. Waygood (2006) puts forward a suggestion as to what might have triggered such a sharp increase in NGO activity from 1996-1997 onwards. He singles out two interventions as a turning point – first, the coalition of NGOs including Friends of the Earth, The Ecologist, Global Witness and others (intervention 9 in Appendix 4) who

campaigned against the construction of the Bakun hydroelectric dam in Malaysia in 1995-1997 and second, the intervention by Pensions and Investment Research Consultants (PIRC, hereafter) Greenpeace, Amnesty and WWF-UK (in 1997) surrounding Shell's human rights record in Nigeria (intervention 10, Appendix 4). These cases of NGO shareholder activism were significant in scale and highly successful in achieving their objectives. There was a strong perception that the use of the CM had been an important contributing factor to this success. Waygood (2006) argues that these two campaigns have incentivised other NGOs to adopt a shareholder activist strategy.

One possible explanation for the peak in interventions during 2002 can stem from the reform of the UK Pensions Act which came into effect in 2000. As mentioned earlier, the Act requires from occupational pension funds to disclose in their SIPs the extent to which SEE issues are considered in the investment process. A closer inspection of the chronology in Appendix 4 reveals just how influential the reform was for driving NGO activity during 2002. To begin with, two of the campaigns were directly related to the reform (interventions 39 and 45, see Appendix 4) – they were aimed at ascertaining the effect the reform has had on individual pension funds' way of conducting their affairs and at strengthening the SRI SIP policy requirement by calling for an annual report in support of the SIP.

Second, NGOs may have seen this legislative change as a facilitating factor that leaves room for discussion and lobbying of the pension fund sector which is now expected to take into account SEE issues at least to some extent. Another campaign by Forum for the Future (intervention 42, Appendix 4) was aimed at promoting engagement and raising awareness of the importance of SEE issues within the pensions and investment industry. Third, it is highly probable that the reform was seen as a signal for NGOs that change can also be accomplished via long-term legislative campaigns which target public policy actors. Indeed, three of the campaigns during 2002 (interventions 41, 45 and 46) are all aimed at changing the legislative environment underlying capital markets. This is also the year with the highest concentration of public policy campaigns (or campaigns aimed at changing legislation) during the period 1990 – 2002 (see Table 4.3.: 'Chronological Analysis of Primary Audience' in Waygood (2004, p.148)).

If we look at Figure 8 above, the scale of NGO interventions between 2002 and 2004 appears to be declining but in fact it should be taken into account that the year 2002 is an outlier with a disproportionate number of campaigns compared to previous years – a phenomenon driven by the reform of the Pensions Act two years earlier. Taking this into account, the incidence of interventions throughout the period 2003-2007 (encompassing 5 years) is not dissimilar to the one between 1996 and 2001 (encompassing 6 years) – altogether 24 interventions have occurred in the first instance and 26 in the second. What is noticeable is the great increase in NGO shareholder activist action from 2007 onwards. What could have triggered such a sudden change – far greater than the rise observable from the mid-1990s onwards?

It could be argued that the uptake and emphasis on shareholder activism has been triggered by one specific and very noteworthy event – the global financial crisis of 2007-2008. Nowadays, it is widely accepted that large institutional shareholders who failed to scrutinise the activities of the companies in which they held shares were one of the causes of the downturn. Risky business models went unchallenged in the pursuit of short-term gains to the detriment of the economy:

With hindsight it seems clear that the board and director shortcomings discussed in the previous chapter would have been tackled more effectively had there been more vigorous scrutiny and engagement by major investors acting as owners (Walker 2009, p.72).

During the aftermath of the financial crisis, and following recent controversies around executive pay and climate change, the idea of active ownership began to enter the mainstream. Also numerous government reviews (for example, Myners, 2001; Kay, 2012) emphasised the role of institutional investors as ‘stewards’ of their investee companies who are to promote sustainability and long-term value creation through engagement. All this emphasis on investors and their role in promoting good corporate governance has directed the attention of NGOs to shareholder activism and capital market campaigning, and their uptake of this practice has more than doubled compared to twenty years ago. As Waygood suggest in an interview conducted as part of this study:

At least up until the financial crisis, shareholder activism wasn’t a very popular issue to work on – that has changed [*Fieldwork Interview*, Waygood, 2013].

4.3. Have NGOs Explored A Variety of Different Strategies?

The tables that follow explore the frequency with which NGOs have employed each of the components of the model, namely, ‘*route of influence*’, ‘*primary audience*’ and ‘*nature of argument*’. The findings for each component are compared to data on shareholder activist campaigns gathered from Waygood’s chronology in order to determine how NGO strategies have developed over a longer period of time – between 1990 and 2013.

Table 8.1.: Frequency of Route of Influence (2003 – 2013)

2003 - 2013	Frequency	Per cent
Direct	54	49.1
Indirect	35	31.8
Both	21	19.1
Total	110	100

Table 8.2.: Frequency of Route of Influence (1990 – 2002)

1990 - 2002	Frequency	Per cent
Direct	8	17.4
Indirect	38	82.6
-		
Total	46	100

Table 8.1. above demonstrates that the *direct* route of influence was the most commonly used by NGOs – in 49.1% of the cases in comparison to the use of *both routes* (direct and indirect) which was the least common of all three alternatives – used in only 19.1% of the cases. When these results are compared to what the nature of NGO interventions was a decade earlier (Table 8.2.) two things become evident. First, probably the most important trend is the significant increase in the use of a direct route of influence – from only 8 cases between 1990-2002 (17.4% of the total) to 54 cases between 2003-2013 (49.1% of the total between 2003-2013). Second, Waygood’s analysis shows that while NGOs used direct CM intervention during the first few years of observation, there was a significant shift towards the *indirect* method in subsequent years. The current chronology suggests that this upward trend has not continued – instead, the number of Indirect campaigns overall has decreased slightly (35 compared to 38). The way in which NGOs use the direct route of influence will be discussed in more detail in Chapter 8 which draws on the participant observation experience of the author’s attendance at a number of AGMs.

**Table 9.1: Primary Audience
(2003 – 2013)**

2003 - 2013	<u>Frequency</u>	<u>Per cent</u>
CM Institutions	77	70
Public Policy	21	19
Both	12	11
Total	110	100

**Table 9.2.: Primary Audience
(1990 – 2002)**

1990 - 2002	<u>Frequency</u>	<u>Per cent</u>
CM Institutions	39	84.8
Public Policy	6	13
Both	1	2.2
Total	46	100

Table 9.1. above reveals that *CM institutions* were the main audience of NGOs’ shareholder activist interventions (70% of all cases). This result substantiates and continues the trend from a decade earlier when CM institutions, such as pension funds, asset management firms and banks, were also the most common audience (see Table 9.2.). However, it is interesting to observe that, while between 1990 and 2002 NGOs have made a very limited effort to influence the public policy arena underlying the capital market, their efforts in the sphere have been more substantial in recent years – those interventions targeting a *public policy* audience are more than three times higher – from only six between 1990 – 2002 to twenty one between 2003 – 2013. The mixed strategy targeting *both* public policy and CM institutions has also been employed with much higher frequency than before – one case compared to twelve between 2003 and 2013. Waygood (2006) argues that public policy interventions have increased over time, with a higher concentration towards the end of the studied period but concludes that it is too early to say whether this is a broader trend towards NGO public policy intervention. The findings from Table 9.1. firmly support the idea that NGOs’ activity in this sphere has been growing slowly but steadily over the years and will most likely continue to grow in the future. These results will be further discussed in Section 4.5. below. The following tables consider the frequency with which NGOs have relied upon different types of arguments over the years.

**Table 10.1.: Nature of Argument
(2003 – 2013)**

2003 - 2013	<u>Frequency</u>	<u>Per cent</u>
Business	49	44.5
Moral	33	30
Both	28	25.5
Total	110	100.0

**Table 10.2.: Nature of Argument
(1990 – 2002)**

1990 - 2002	<u>Frequency</u>	<u>Per cent</u>
Business	13	28.3
Moral	11	23.9
Both	22	47.8
Total	46	100.0

Table 10.1. shows that NGOs in the UK have tended to use mostly *business case* arguments as a way of gaining support for their campaigns. Although Waygood (2006) argues that interventions that use both business case and *moral case* arguments have the potential of being more successful, there is no move towards using this approach as the number of cases classified as ‘*both*’ is only slightly higher than it was between 1990 and 2002 – 28 compared to 22 and has in fact decreased as a percentage of the total interventions – 47.8 per cent during the first decade of the chronology in comparison to 25.5 per cent more recently. What is noticeable is the considerable increase in the use of business case arguments – from 13 instances representing 28.3 per cent of the total, to 49 instances representing 44.5 per cent of the total in recent years.

Overall, the tables above demonstrate that the variability of NGOs’ use of strategies has remained a constant. In common with the period studied by Waygood (2006), NGOs have relied on the full range of alternative strategies within each component of the model. However, the frequency tables also reveal some discernible trends in NGOs’ inclination towards choosing certain strategies over others. In particular, there has been a higher proportion of:

- Direct over indirect as a route of influence.
- CM institutions as the primary audience.
- Business case arguments over moral and a mixture of both.

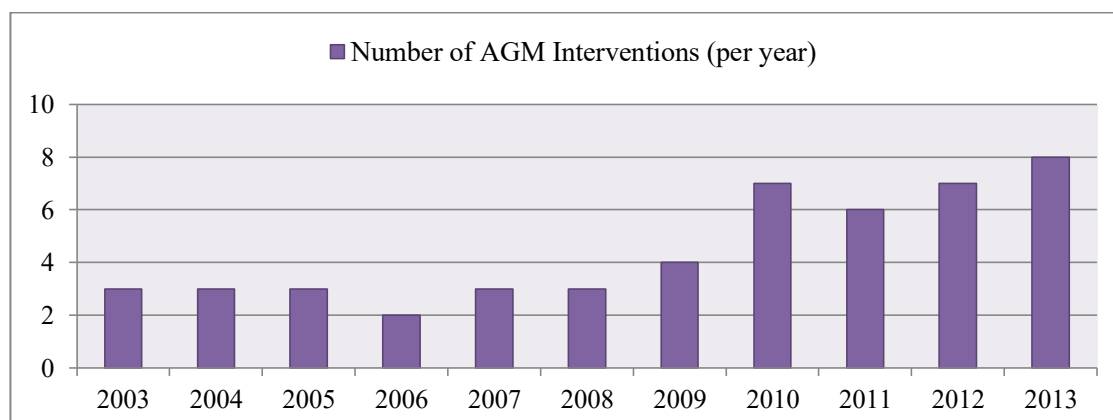
The comparative analysis of the two chronologies suggests some important changes have taken place throughout the years. The three main differences that deserve mentioning are:

- The direct route of influence has become much more common, to the extent that it is nowadays more prevalent than the Indirect one. The increasing popularity of the indirect route observed previously has not continued throughout the last decade.
- Although CM institutions are still the primary audience, there has been further significant growth in the interventions that fall in the category ‘public policy’ and ‘both’. Therefore, we can talk about a steady increasing focus on policy issues over the last 24 years.
- The marginal preference for the use of ‘both business and moral case arguments’ has shifted towards a preference for business case arguments, followed by moral case arguments.

4.4. Has There Been A Change in the Nature of NGO Interventions?

To examine whether there has been a change in the nature of NGO interventions towards direct engagement with investors and companies throughout the studied period, the following graph plots the number of cases per year in which NGOs have relied on media-focused AGM disruption attempts (these include asking questions at an AGM and submitting a shareholder resolution).

Figure 9: The Changing Nature of NGO Interventions (2003 – 2013)



Source: Appendix 3.

This approach to the representation of data was chosen because it gives a more accurate idea of the changes taking place. It analyses the chronology as a whole rather than a set number of interventions – for example, the first ten campaigns compared to the last thirty. As AGMs are annual events, any accurate comparison should be based on the number of years rather than the number of interventions. The graph indicates that AGM activity throughout the first six years of the chronology is fairly constant with the exception of 2006 when a slight dip is noticeable. AGM interventions during the first years are fewer in number, but there is continuous and sharp rise during the period 2009-2013 – from an average of 2.75 interventions per year during the first four years (2003-2006), to an average of 7 per year during the last four (2010-2013). How can these findings be compared to the scale and distribution over time of NGO AGM interventions throughout the 90s and early 2000s?

Waygood (2006) conducts a qualitative analysis of the nature of the first 10 NGO interventions in his chronology and concludes that four of them (or 40 per cent) involve some type of AGM disruption attempt. The same analysis of the last 30 interventions in his chronology reveals that only 3 of them (or 10 per cent) represent an attempt to realise campaign goals via the AGM. A prima facie analysis of such a trend indicates that NGO strategy has evolved from more confrontational media focused campaigns to more substantive attempts to engage with the investor community (Waygood, 2006).

Therefore, it can be concluded that two important changes with regard to the nature and scale of NGO interventions have taken place since the early 2000s. First, AGM interventions between 2003 and 2005 have more than doubled compared to the period between 1990 and 1992 as the average has gone up from 1.3 to 3 interventions per year and they have continued to grow in numbers post 2006. It can be concluded that the scale of direct action at AGMs has increased significantly over the past few years. This considerable increase has also been documented in the accounts of some of the interviewees: ‘There are quite a few NGOs that go to AGMs’ [*Fieldwork Interview*, ShareAction, 2013b] and ‘I think going to AGMs is quite common nowadays’ [*Fieldwork Interview*, ECCR, 2013b]. Second, the pattern of NGO actions at AGMs has not followed a uniform trajectory over the 24 years under study (1990 – 2013). The early 1990s saw a good number of AGM disruption attempts, followed by a focus on seeking allies among the investor community throughout the subsequent years. However, this decline in direct activity has proven to be a

transitory phenomenon since the scale of AGM interventions over the past decade has far superseded the initial number of AGM campaigns during the early 90s.

It should be noted that this increase is even greater than documented for a number of reasons:

1.) Many Companies – One Issue (over a number of years). As part of some campaigns, NGOs attend the AGMs of a variety of different companies for two, three, or even more consecutive years. For example, at the time of writing, the Living Wage campaign has been running for three years and members of NGOs have attended the AGMs of numerous FTSE 100 companies over the course of the campaign. However, for the purposes of the chronology, attendance at these AGMs is documented only for the year the campaign was launched and was counted as a single case because all interventions formed part of a single far-reaching campaign. Other examples of such campaigns include interventions 3, 81, and 101.

2.) Single Company – Single Issue (over a number of years). A targeted company's AGM constitutes a date of high importance in an NGO's calendar of events and some NGOs campaigning against a particular company have attended its AGMs annually over a long period of time. Examples include the Niger Delta campaign (intervention 41), the Colombia Solidarity Campaign (intervention 45), and the UK Tar Sands Network (intervention 55) who has gone to BP's AGMs between 2010 and 2013 to raise concerns over their tar sands business in Canada. Although the UK Tar Sands Network has attended BP's AGMs for a number of consecutive years, because the questions concern the same campaign, the intervention was counted only once at the start of the campaign.

3.) Single Company – Multiple Issues (over a number of years). NGOs with different agendas attend one company's AGM and ask various questions during a given year. For example, see intervention 88 where five NGOs have gone to BHP Billiton's AGM to raise their concerns on a variety of topics – this has been counted as one case in the chronology because the target company is the same. The London Mining Network also attend the AGMs of a number of mining companies each year to talk about a diverse range of issues.

In summary, the scale of direct NGO-led share activism at AGMs is inevitably larger than it appears at first glance of the chronology because interventions have been counted only once

in the chronology in cases when: NGOs attend many AGMs under the umbrella of one campaign, NGOs campaign on a single issue and attend the AGMs of targeted companies over a number of years, and different NGOs attend one company's AGM to ask different questions related to the same campaign.

4.5. Short-Term Instrumental Use of the Capital Market versus Change in the Structure of the Capital Market over the Long-Term?

It is the responsibility of the government to set the legislation that underpins the structure of the capital market. This legislation depends on the decisions made by public policy makers. Therefore, an intervention is considered to be long-term in nature when the primary audience is the public policy maker rather than the CM institution. In that sense, the extent to which the public policy audience has been the primary audience can be regarded as an indication of whether the intervention is an attempt to change the structure of the CM with a view of facilitating or encouraging shareholder activism.

Based on an analysis of his chronology, Waygood (2004)²⁵ contends that over the time period studied (1990 – 2002), 84.8 per cent of all interventions targeted primarily CM institutions rather than public policy. Moreover, the few interventions that targeted public policy (altogether 6) were scattered towards the end of the period – the last four years of the chronology. There were as many as three such interventions in 2002 due to the reform of the Pensions Act in 2000 as discussed in Section 4.2. Therefore, the results suggest that NGOs have focused more on short-term instrumental use of the CM for corporate campaigning, rather than on seeking to enact structural changes over the long-term. This can be explained, Waygood (2006) claims, not only by the fact that NGO CM intervention appears immature, but also because the structure of the CM, as well as the legislation that underpins that structure, remain unfamiliar to the third sector. Has this changed and how has it changed over the last decade?

A closer inspection of the 2003 – 2013 chronology reveals that NGOs have actively sought to become much more involved in shaping public policy through submitting evidence to key UK government-commissioned reviews such as the Walker Review and the Kay

²⁵ The discussion of whether NGOs have attempted to change the structure of the CM over the long-term is present in Waygood (2004), but not in Waygood (2006). The latter is a book based on Waygood's thesis from 2004. The information in both sources is absolutely identical, but some small sections such as this one have been omitted from the book.

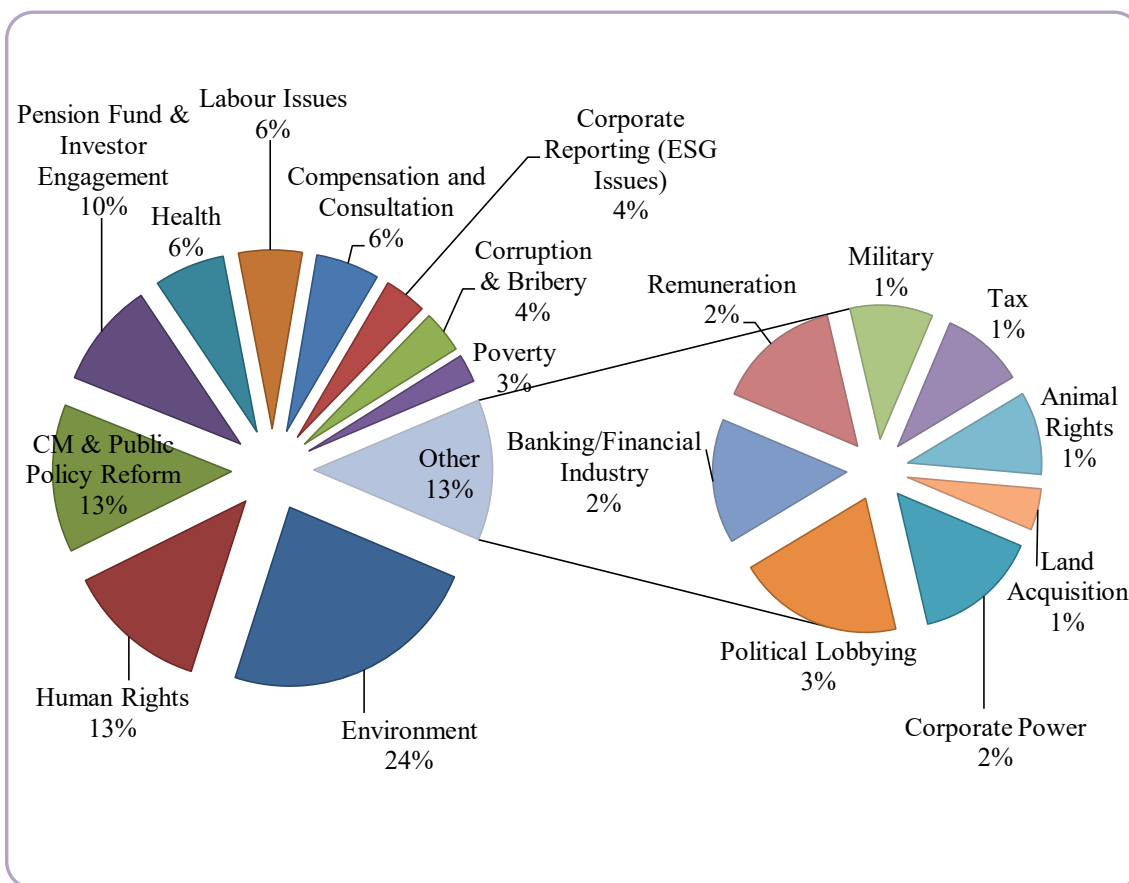
Review, as well as through providing written responses to consultations on both the original and the revised Stewardship code, narrative reporting, effective corporate stewardship, and others. While there are NGOs whose primary focus has been on raising awareness of broader structural issues that need to be addressed (such as Forum for the Future and their ‘Barriers to Long-term Thinking’ report), there are also NGOs who have set their intentions on campaigning for the introduction of a specific reform. Examples of the latter include the Green Alliance and their aim to incentivise long-term thinking through tax reform, ShareAction and their efforts in the area of fiduciary duty, mandatory voting disclosure and pension reform, and also CORE’s focus on corporate reporting. There are also NGOs such as the Finance Innovation Lab and New Economics Foundation who fall under the umbrella of the growing alternative finance movement that seeks broader long-term system change.

Overall, as discussed in Section 4.3. and Table 9.1., NGO interventions that target policy makers have increased substantially over the past decade. If we consider the cases categorised as ‘public policy’ and ‘both public policy and CM institutions’ in terms of their audience, 33 of the 110 interventions involve actions by NGOs in the policy arena. This is compared to 7 of 46 for the previous decade. These figures suggest that NGOs increasingly understand the need for public policy changes and are becoming more familiar with the structure of the CM, as well as with the legislation that governs it.

4.6. Analysing Campaign Topics

NGO interventions for the period 2003 – 2013 were grouped in 18 categories related to specific issues such as the environment, labour, corruption and bribery, among others (see Figure 10 below). All the 110 interventions from the chronology are included in the present analysis. However, there are single interventions which tackle a broad range of different issues and these have been classified under all relevant campaign topics addressed by the interventions. Therefore, one intervention can be classified under more than one of the 18 categories. For example, at the BHP Billiton AGM on 25 October 2012, NGOs asked a variety of different questions about the environment, health, community compensation, and poverty.

Figure 10: Campaign Issues (2003 – 2013)



Source: Compiled by the author from Appendix 3.

Figure 10 reveals that topics addressed by NGOs vary widely. By far the most popular category is the environment (24 per cent), followed closely by human rights (13 per cent), capital markets and public policy reform (13 per cent), and campaigns aimed at facilitating and encouraging pension fund/investor engagement (10 per cent). Historical interest in the environment and human rights can be traced back to the 70s and 80s when a lot of NGOs emerged around these areas. Clustered together in terms of popularity are issues related to health (6 per cent), labour issues (6 per cent), as well as compensation and consultation of affected communities (6 per cent), followed by slightly lower interest in corporate reporting (4 per cent), corruption and bribery (4 per cent), and poverty (3 per cent). There are some issues such as land acquisition (1 per cent), tax (1 per cent) and animal rights (1 per cent) that are comparatively new and are only just beginning to gain popularity. A closer examination of the chronology shows that a significant proportion of the environmental campaigns seek to address climate change. Similarly, decent pay or, in other words, living wages, is the concern most commonly expressed by NGOs under the ‘labour issues’

category. Furthermore, there seems to be a great focus on developing countries in relation to areas such as access to medicines, mining practices of companies, poverty alleviation, land acquisition, and tax.

This analysis substantiates the findings from previous research which also cite the environment and human rights as being among the most popular issues addressed over the studied period (Tkac, 2006; Graves *et al.*, 2001). When analysing shareholder resolutions between 1988 and 1998, Graves *et al.* (2001, p.305) argue that there are ‘old stand-by’ issues which maintain a steady amount of interest over time and identify human rights as a prime example. The current analysis supports this conclusion, placing the ‘human rights’ category as the second most popular topic more than a decade later than Graves *et al.*’s (2001) original research. Using Graves *et al.*’s (2001) classification, issues such as tax, banking/financial industry, and land grabbing can be considered as ‘fad and fashion: emerging issues’ (p.305) as their rise can be attributed to recent macro-environmental events such as the financial crisis (tax) and the increased focus on biofuels as a way of reaching governments’ renewable energy targets (land acquisition).

4.7. Refining Waygood’s Model

Primary Audience

This section of the chapter looks at ways in which Waygood’s model can be refined. The first category that will be addressed is primary audience. According to Waygood (2006), the audience element involves deciding whether to target CM institutions and/or the public policy framework (public policy). Although the category CM institutions comprises companies and investors, the author does not distinguish between the two and they are treated as one entity.

CM institutions can be divided into *company* and *investors* in order to emphasise that there is a difference between campaigns that rely on investor engagement (i.e. the indirect route) and those which involve direct communication between an NGO and a company (the direct route). This separation will facilitate a more in-depth analysis of the strategies available to NGOs and of the different routes of influence. It will prompt a new and more sophisticated question – ‘what would an indirect and a direct route look like for a company and an

investor, considered separately?’ The following table provides possible answers to this question:

Table 11: Refining Waygood’s Model: Breaking Down of The Category ‘CM Institutions’ Into ‘Company’ And ‘Investors’

Company		Investors	
Direct	Indirect	Direct	Indirect
<ul style="list-style-type: none"> • A member of an NGO asking a question at an AGM. • Filing a shareholder resolution. • Holding shares in the company and engaging in dialogue with it. 	<ul style="list-style-type: none"> • Using the influence of investors holding shares in the company to alter its practices. • Encouraging supporters and volunteers to attend AGMs and ask questions. 	<ul style="list-style-type: none"> • Lobbying investors to take action on a particular issue (essentially the same as the Indirect route on the left). Gather investor support for the tabling of a resolution, or encourage shareholders to speak to the targeted company. 	<ul style="list-style-type: none"> • Mobilising pension savers to write to their pension fund. • Galvanising the support of people from within the industry who can convey the message to investors. • Mobilising ordinary citizens to write to their ISA provider who buys stocks and shares in companies (stocks and shares ISAs only).

Therefore, according to the new classification, the primary audience category will consist of three components – *company*, *investors* and/or *public policy*, and any combination of the three would be a viable option.

Route of Influence

Waygood’s original chronology does not account for the possibility of NGOs using a mixture of both a direct and an indirect strategy, i.e. asking questions or tabling a resolution at an AGM and engaging with investors. This is the reason why the current study has expanded the classification model by adding another category – ‘both direct and indirect route of influence’. This category has been applied to the current chronology and the subsequent analysis has revealed that in 19.1 per cent of all the cases (Table 8.1.), NGOs have chosen to employ a mixture of both direct and indirect route of influence. In fact, the importance of incorporating this strategy in the chronology is evident when looking at the positive views expressed by a number of interviewees with regard to its potential for delivering satisfactory results:

If you pursue both routes you are increasing the overall pressure. You are improving the chances of your success if you are approaching something from different angles [*Fieldwork Interview*, Amnesty International, 2014].

Waygood also acknowledges the importance and viability of employing a mixture of both direct and indirect strategy:

I believe a balance of these is appropriate. If NGOs ignore the indirect approach, ultimately they will be less effective. Equally, if they only do indirect and don't go to the company, then the investors will say to them: 'Well, why haven't you spoken to the company?' [*Fieldwork Interview*, Waygood, 2013].

Therefore, according to the new classification proposed in the present study, the route of influence category will comprise three elements – *direct*, *indirect*, and *both*. These strategies will be explored in more detail in subsequent chapters through case study analysis.

Nature of Argument

Rather than proposing a change in Waygood's model in this respect, this section seeks to challenge and present a fresh way of looking at one of the main findings of Waygood (2006). Waygood hypothesises that the likelihood of success is increased when an NGO adopts a balance of both business and moral case arguments. Based on a *prima facie* evaluation of the level of success of the campaigns in his chronology and on a chi-square test, Waygood (2006) concludes that interventions that adopt both business and moral case arguments have a higher likelihood of being effective. However, this assertion has to be considered carefully because, as has already been explained in Section 4.1., there are dangers in basing the outcome of shareholder activist campaigns, which are by nature long-term, complex and influenced by a number of different variables, on a *prima facie* examination of evidence. That being said, Waygood's (2006) subsequent case study analysis seems to substantiate his initial findings. In contrast, the data gathered based on analysis of the Vedanta, Niger Delta and Tax Justice campaigns contradicts Waygood's hypothesis. Almost all interviewees shared a predominant view that the adoption of business case arguments is the only way for achieving campaign goals:

I do not think it's helpful to be preaching to people in the financial institutions about why the ethical case is so important. It is the business case that really is the driver for the conversation [*Fieldwork Interview*, Forum for the Future, 2013].

CDP was able to leverage and mobilise much more mainstream investors by pushing the business case for disclosure rather than the moral case [*Fieldwork Interview*, CDP, 2013].

We don't talk about the moral case at all. Obviously we believe the moral case is important, but it doesn't shift behaviour, so we just don't go there [*Fieldwork Interview*, Greenpeace, 2013].

Therefore, while it is common for NGOs to use moral arguments when targeting the general public (Chapter 5 explores the injustice frames advanced to gather public support for the three case studies), there seems to be a wide acceptance among both present campaigners and institutional shareholders that relying on business case arguments provides the most effective way of securing the attention of investors and companies. Although moral arguments are still used by some NGOs in combination with business case arguments (for example, see Section 6.4.), there is an overall realisation that a greater reliance in emphasising financial risks and opportunities would be more productive in terms of gaining allies among the corporate and investor sectors.

4.8. Criticising Waygood's Assertions

After presenting his chronology, Waygood reviews a number of hypotheses using chi-square tests with the aim of determining whether the success of a campaign is influenced by the categories in his model – i.e. by the route of influence adopted by an NGO and the primary audience. In particular, Waygood (2006) asks two questions – does the likelihood of success increase when an NGO adopts an indirect route of influence and do interventions that involve CM institutions as the primary audience have a higher likelihood of success than those who focus on the public policy audience? The results from the chi-square tests are not statistically significant, meaning that they suggest there is no relationship between success and the route of influence and between success and the primary audience. However, Waygood (2006) also determines to what extent both the direct and indirect route of influence have been used as a percentage of all interventions – 17.4 per cent and 82.6 per cent, respectively. Then, based on the *prima facie* classification of an intervention as successful or not, applied previously by the author, a conclusion is made that 25 per cent of direct interventions were '*apparently unsuccessful*' and only 8.7 per cent '*apparently successful*'²⁶. In comparison, 87 per cent of apparently successful interventions adopted an

²⁶ It should be noted that Waygood groups the interventions into five categories: 'apparently successful', 'possibly successful', 'unsure one way or the other', 'possibly unsuccessful', and 'apparently unsuccessful'.

indirect route of influence. Based on these assumptions, the author concludes that an indirect strategy is more closely linked to success. The same logic is applied to the primary audience category, with the conclusion being that campaigns are more likely to succeed when they target CM institutions.

These conclusions are problematic on two grounds. To begin with, the results of the statistical tests can be contested given that they are based on a superficial *prima facie* categorisation of each campaign as successful or unsuccessful, without reference to any evidence that leads to these conclusions. Second, even if the categorisation is considered as valid, the statistical tests show no significant relationship between success and route of influence and success and primary audience. Even in this case, however, the author proceeds to validate his hypotheses by means of comparing the percentage of successful interventions that have adopted one of the two – a direct or an indirect approach and have had either CM institutions or a public policy audience as their target. The problem with this approach is that the figures cannot be directly compared in this way given the fact that direct interventions in the chronology have been far fewer (17.4 per cent) than indirect ones (82.6. per cent) and CM institutions have been the target of activism far more often than public policy ones (more specifically, in 84.8 per cent of the cases). Given the fact that the scope of the current thesis does not include a case study targeting public policy actors, it would not be possible to verify or disprove Waygood's claim regarding the primary audience based on the empirical findings. However, the assumption that an indirect approach is more effective than a direct one can and will be tested in subsequent chapters by making reference to the findings.

Conclusion

The chapter has built upon Waygood's (2006) chronology and has analysed the changing nature of NGO shareholder activist intervention between 1990 and 2013. In general, the analysis revealed that NGO activity in the sphere of shareholder activism has more than doubled between 2003 and 2013 compared to 1990 – 2002 and that NGOs have used a broad range of strategies. The comparative analysis of the two chronologies discovers three important trends: a move from indirect towards direct strategies; a continued growth in long-term public policy campaigns; a move towards business case arguments. The chapter has also explored the main campaign topics, placing the environment, human rights, and CM and public policy reform at the top of the list of NGO preferences. Finally, Waygood's

model has been re-examined in two important ways – the category CM institutions has been subdivided into company and investors and under route of influence a consideration of interventions which employ a mixture of both a direct and indirect strategy is proposed.

The three case studies discussed throughout the following chapters will provide a detailed exploration of how the various NGO strategies are used in practice. The table below lists the campaigns chosen for review in chronological order:

Table 12: The Three Campaign Case Studies

NGOs	Intervention	Classification
1. Amnesty International, ShareAction, Platform London, ECCR	Shell’s operations in the Niger Delta	<ul style="list-style-type: none"> • Both Direct and Indirect • CM Institutions • Business Case
2. ActionAid, Amnesty International UK, EIRIS	Mining company Vedanta Resources’ operations in India	<ul style="list-style-type: none"> • Both Direct and Indirect • CM Institutions • Business and Moral Case
3. ShareAction, ChristianAid, ActionAid	Corporate Tax Practices	<ul style="list-style-type: none"> • Direct • CM Institutions • Business Case

To date, no systematic attempt has been made to analyse, categorise and present the repertoire of shareholder activist strategies used by NGOs. Various papers have discussed shareholder activism alongside other strategies influencing the financial sector and have focused mainly on studying the effects of the proposal mechanism (Emel, 2002) or have adopted a theoretical angle in an attempt to explore the roles NGOs adopt when they want to affect CSR (Guay *et al.*, 2004). Based on the empirical data collected, Chapters 5, 6, 7, 8, and 9 explore the main shareholder activist tactics used by NGOs with reference to the case studies. They are grouped in three broad categories: information provision strategies, indirect strategies, and direct strategies. The next chapter discusses the information provision strategies which are usually the first and most quintessential step in every NGO’s campaign. Three sections explore in turn the ‘stories’ recounted by NGOs with regard to the Shell, Vedanta and tax interventions.

5. NGOs As Framers and Narrators of Injustice

I walked behind the house, where I could see the small outdoor kitchen area, where a few pots were sitting on top of a plank of wood, and piles of bowls and cups and pans and spoons were in the ground-dirt. They were covered in thick dust. A large oil barrel was full of water. It had a picture of a shell printed on the side. A cup floated at the top. I hoped that the oil barrel water was not used for washing the dusty bowls, or worse still, cooking with.

(‘Tiny Sunbirds Far Away’, Christie Watson, 2011, p.25)

The current chapter examines the information provision strategies of campaigning organisations – going back to Chapter 4, these strategies refer to the ‘nature of argument’ category in Waygood’s model (2006) and explore the way in which NGOs frame their concerns. First, Chapter 5 briefly outlines the history of each of the three campaigns. Some campaigns represent long-standing concerns and have been running for more than a decade. Therefore, what is necessary is an examination of the historical context in which these interventions developed and an exploration of the motivation behind NGOs’ actions. The background information is presented in a chronological order, starting with the earliest campaign. Altogether eight NGOs are involved in the case studies discussed²⁷. Appendix 5 provides a summary table which introduces each NGO and informs the reader of its origins, mission, geographical focus, income, staff/supporters, corporate campaigning approach, and frequency of shareholder activist intervention.

Second, the chapter applies Becker’s (1963, p.149) idea of ‘moral entrepreneurs’ to the study of NGOs and explores the way in which collective moral entrepreneurs (NGOs) generate concern and anger on particular topics. To achieve this, the study draws on the work of Gamson (1992a and 1992b) and his ‘injustice frames’ concept and analyses how different collective action frames are used with the aim of bringing certain campaign issues to the attention of the investor community and the general public. Thus, the second part of

²⁷ The fact that Royal Dutch Shell is an Anglo-Dutch company headquartered in The Hague explains the involvement of Friends of the Earth Netherlands (or Milieudefensie) in the campaign. Their work has centred on providing support to four Nigerian farmers to bring a court action against Shell in the Netherlands, seeking damages for the destruction of their fishponds and livelihoods. Milieudefensie has also been attending regularly Shell’s AGMs and asking questions and it has engaged with Dutch investors. However, as this study focuses on the actions of NGOs who operate in the UK, a detailed examination of the work of Milieudefensie does not form part of the research. Nevertheless, in order to ensure that all relevant sources of information have been consulted, the researcher has conducted an interview with a representative of FoE Netherlands involved in the campaign, and excerpts from the interview are discussed in the findings chapters.

the chapter is structured thematically and explores a total number of three different injustice frames put forward by all the NGOs involved in the three campaigns. The empirical findings are based on organisational reports and documents, as well as on interviews. The three injustice frame categories were derived from content analysis of NGO reports and interview extracts, discussing the arguments that campaigning organisations used to gain supporters among the public. An interesting observation which occupies a central place in the chapter is that different NGOs are involved in the same campaigns, but there is often a lack of collaboration between them. Such behaviour is exhibited because they each have a different agenda and it can be explained by making reference to Becker's idea of moral entrepreneurs. These findings will be further elaborated on at the end of the chapter.

5.1. The Historical Context of the Three Campaigns

Shell and the Niger Delta – A History of Liability

The first case study discusses the campaign against Royal Dutch Shell's operations in the Niger Delta region²⁸. Civil society interest in the topic can be traced back to the 1990s and, since then, a variety of different NGOs have been campaigning at various intervals throughout this period. However, there has been a significant revival in NGO activity around the issue post-2011 following the publication of the United Nations' Environmental Programme (UNEP, hereafter) report dated 4 August 2011, which outlines the findings of an independent study of oil pollution in Ogoniland, Nigeria. It is precisely this more current phase of the campaign (post-2006) that is of interest and that would be examined in the study. However, reference will also be made to a shareholder resolution tabled in 1997 because this is an important shareholder activist strategy and because the event was significant in that it constituted the first ever SEE resolution to be tabled in the UK. The NGOs who have been active in the area are Amnesty International, ShareAction, ECCR, Platform London and Friends of the Earth Netherlands (or Milieudefensie).

²⁸ The oil industry comprises of joint ventures between the government of Nigeria and multinational companies, as well as some Nigerian companies. The majority stakeholder in all joint ventures is the state-owned Nigerian National Petroleum Corporation (NNPC, hereafter). The non-state companies are those responsible for activity on the ground. Shell Petroleum Development Company (SPDC, hereafter), a subsidiary of Shell, is the main operator on land and therefore the main focus of NGOs' actions. NNPC has a 55 per cent stake in SPDC; Shell has 30 per cent, Elf Petroleum Nigeria Ltd. 10 per cent and Agip 5 per cent (Amnesty International, 2009). Throughout this thesis 'Shell' is a general term used to refer to the corporate group, including its joint ventures and subsidiary companies with operations in Nigeria under the control of Royal Dutch Shell plc.

With a population of some 31 million people, the Niger Delta is one of the most important coastal marine eco systems in the world and is also a place of huge oil deposits extracted for decades by the Nigerian government and by multinational companies. Shell’s subsidiary SPDC is the region’s largest oil and gas company which currently operates over 31,000 square kilometres. The oil and gas sector represents 97 per cent of the country’s foreign exchange revenues (Amnesty International, 2009). Nowhere in the world is there such a stark example of the ‘resource curse’²⁹ as in the Delta – waste dumping, oil spills and gas flaring³⁰ are wide-spread and have led to pollution of the soil, water and air, threatening the survival of hundreds of thousands of people who rely on traditional livelihoods like agriculture and fishing.

Moreover, more than half a century of oil exploration, which has benefited mainly politicians, government officials, and the companies involved, has been marked by protests by local communities who have complained about the negative environmental impact of the industry, corruption, and the failure of oil wealth to be translated into good living conditions (Amnesty International, 2009). As a result, armed groups have started engaging in oil theft and acts of violence in an attempt to capture at least some of the benefits of oil production. Since the end of 2005, armed groups have also engaged in kidnapping of oil workers and their relatives. Although serious, the problems have received little attention from the Nigerian government and the oil companies in recent years. The following table outlines key events throughout the Niger Delta’s long history of oil exploration:

Table 13: Shell in Nigeria: A Historical Perspective

1938	Shell D’Arcy obtains license to explore for oil throughout Nigeria.
1958	Oil exploration begins, two years after Royal Dutch Shell first discovered crude oil at Oloibiri.
1988	The federal Environmental Protection Agency (which later became the Federal Ministry of Environment) is established.
1990	Crisis in Umuechem – results in massacre of innocent citizens.
1993	SPDC withdraws from Ogoniland due to local protests. To date, the company has not resumed operations in the area.
1993	Sixth participation agreement adjusts SPDC equity to NNCP 55 per cent, Shell 30 per cent, Elf 10 per cent, Agip 5 per cent.
1993-4	Peaceful Ogoni protests against Shell and lack of economic development. Nigerian government occupies Ogoni region.

²⁹ The paradox associated with the tendency of countries rich in natural resources to have lower economic growth and worse development outcomes in comparison to countries with fewer natural resources.

³⁰ The act of burning the gas that is separated from oil.

1995	More than 3,000 Ogoni reportedly die under military occupation. Ken Saro-Wiwa – a founder and president of the Movement for the Survival of the Ogoni People (MOSOP, hereafter) and eight others were executed by the Nigerian government on the basis of false charges. International protests.
1995	SPDC admits that its infrastructure needs work and that corrosion is the cause for 50 per cent of oil spills.
1996	Shell sued in a US court by Ken Wiwa and other members of MOSOP.
1997	ECCR, PIRC and others, supported by WWF and Amnesty International UK file a resolution at Shell's AGM.
2001	Ogbodo oil spill – loss of over 16,000 barrels of oil. This impacts over 40 communities.
2006	The United Nations Development Program publishes a report stating that more than 6,800 spills were recorded between 1976 and 2001, with a loss of 3 million barrels of oil.
2006	ECCR and others submit a shareholder resolution to Shell's AGM regarding social and environmental performance in the Niger Delta.
2007	Legislation, which significantly restricts the ability of the Ministry of Environment to enforce compliance in the oil and gas sector, is introduced.
2007	SPDC announces further delay to 2011 for an end to gas flaring due to \$1.3bn owed by the state.
28 August 2008	A fault in the Trans-Niger pipeline results in a significant oil spill in Bodo Creek, Ogoniland. The burst pipe is the responsibility of SPDC. The leak was not stopped until 7 November. ³¹
2008	Four Nigerian citizens and friends of the Earth Netherlands file a lawsuit against Shell in The Hague.
February 2009	A second oil spill reported to have occurred in the Bodo Creek area.
04 August 2011	The UNEP publishes a report which reveals the findings of an independent study of oil pollution in Ogoniland, Nigeria. The report exposes the failure of Shell's subsidiary SPDC to clean up oil spills promptly and questions the adequacy of Shell's remediation process. It recommends that \$1bn is set aside for the first year of a clean-up project that would take 30 years in Ogoniland alone.

Source: ECCR (2010a), Amnesty International (2009)

This campaign differs from the other case studies described in the thesis as, although the NGOs involved have used both indirect and direct shareholder activist tactics to achieve their goals, they have relied primarily on the indirect route which has been the most effective. Second, by contrast to the campaign run against Vedanta, here there is no prima facie indication of a successful outcome – something which enables the researcher to reflect upon the factors which are inhibiting success.

³¹ Nigerian law stipulates that oil spills have to be cleaned up quickly and effectively.

Vedanta Resources – Environmental and Human Rights Concerns In India

The second case study reviews the campaign against the UK-based mining company Vedanta Resources plc.³² focused on the environmental, social and human rights implications of its operations in the state of Orissa, Eastern India. The NGOs that have been involved in the campaign are numerous, but those who have incorporated shareholder activist tactics in their broader strategy are ActionAid and Amnesty International. Although not a campaigning organisation, EIRIS, the NGO which provides ESG research for responsible investors, has played a crucial role in the campaign and has engaged with investors regarding Vedanta. Therefore, its involvement will also be discussed in the study.

Vedanta has come under increasing international scrutiny for its plans to carry out a six-fold expansion of its existing alumina refinery in Lanjigarh and to open a bauxite mine which was to cover 700 hectares of land on top of the Niyamgiri hills – a sacred and traditional land of the local indigenous people – the Dongria Kondh. The mining project was to be carried by the South-west Orissa Bauxite Mining Corporation – a joint venture between a subsidiary of Vedanta (Sterlite Industries) and the state-owned Orissa Mining Corporation (OMC, hereafter). The construction of the mine threatens the culture, tradition, religion, physical, and economic survival of the Dongria Kondh as they rely on the Hills for food, water, firewood, medicinal plants, and forest produce. The Niyamgiri Hills are also a sacred place for the indigenous population which worships Niyam Raja Penu – a male deity believed to be living on top of the Hills. The refinery expansion is opposed on the grounds of environmental devastation, pollution, health problems, and human rights violations associated with the operation of the existing plant.

The campaign against the company began as early as 2004 when ActionAid raised concerns following the official agreement signed on the 5th October 2004 between the OMC and Sterlite Industries for the purpose of mining for bauxite reserves in Lanjigarh. The following table summarises some of the key dates related to Vedanta's two projects and reveals how the events have unfolded over the years:

³² Throughout this thesis 'Vedanta' is a general term used to refer to the corporate group, including its joint ventures and subsidiary companies with operations in Orissa, India under the control of Vedanta Resources plc.

Table 14: Vedanta Resources in India: A Historical Perspective

2005-2006	Vedanta Aluminium begins first stages of construction of the mining project (clearing of ground and erecting of pillars) but has to suspend the work following complaints of forest law violations.
Mid 2006-early 2008	The construction of a 1 million tonnes per annum alumina refinery at Lanjigarh, Orissa state, Eastern India by Vedanta Aluminium is completed and the refinery begins production.
October 2007	Vedanta Aluminium seeks environmental clearance from the Ministry of Environment and Forests (MoEF, hereafter) for a six-fold capacity expansion of the refinery.
November 2007	Supreme Court halts mining project.
August 2008	The bauxite mining project is approved by the Supreme Court of India with conditions on local communities' development and protection of wildlife.
December 2008	London-based NGO Survival International files a complaint about Vedanta Resources' mining operations in Orissa to the UK National Contact Point (NCP).
Late 2008	The company begins expansion of the refinery without the necessary permission being granted.
December 2008-April 2009	The MoEF grants in principle environmental clearance for the mine.
12 January 2009	The Orissa State Pollution Control Board (OSPCB, hereafter) tells the company to cease expansion related construction activities.
31 March 2009	In a report, the OSPCB states that expansion activities are continuing despite its order.
May 2009	Members of indigenous communities submit an appeal to challenge the environment clearance granted by the MoEF for the mining project.
August 2010	MoEF rejects the application for the final stage forest clearance for the Niyamgiri mining project and suspends the clearing process for the alumina refinery expansion.
September 2010	Vedanta's bank lenders commission an independent review of the company's sustainable development practices.
April 2011	The OMC files a petition in the Supreme Court of India challenging MoEF's decision to reject the forest clearance for the mining project.
November 2011	11 Adivasi leaders also file a petition asking the Supreme Court to hear their arguments against the mine.
5 December 2012	Production in the refinery is suspended due to inadequate supply of bauxite.
18 April 2013	The Supreme Court orders that the gram sabhas (assemblies consisting of all adult voters) of two villages in close proximity to the proposed mine site are to decide whether the mine will affect their religious and cultural rights and to inform India's Ministry of Environment and Forests within three months of their views.
11 July 2013	The Lanjigarh refinery resumes operation after a gap of seven months at 60 per cent capacity. Bauxite supplies are delivered from other states.

August 2013	All twelve gram sabhas unanimously oppose mining in the hills.
January 2014	As a result of the decision of the gram sabhas, the MoEF rejected Vedanta's proposal for bauxite mining in Orissa.
30 July 2014	A public hearing is held in the Biswanathpur village of Odisha to seek the consent of locals for the six-fold expansion of the Lanjigarh refinery. Amid many controversies and criticisms regarding the way the hearing was conducted, it was announced by a local official that the majority of attendees had given their consent for the expansion (FoilVedanta, 2014).

Source: Amnesty International (2010), EIRIS (2010, 2013)

This case differs from the other case studies in that the NGOs involved have relied more or less to an equal extent on both direct and indirect engagement strategies, and both have played an important role for the overall outcome of the campaign. Second, a prima facie examination suggests a successful outcome, providing for an analysis of the factors that have contributed to this. Third, the campaign does not target one single aspect of a company's operations that could easily be changed – instead, it challenges its core business model questioning its ability to build a bauxite mine and expand a refinery, asking for considerable improvements in company practice. This is similar in principle to, for example, campaigning for Shell to stop exploiting tar sands in Canada – a suggestion that, although environmentally wise, would not make financial sense for the company.

The Tax Justice Campaign

The third case study traces the efforts of UK NGOs to bring about just tax practices across FTSE 100 companies operating globally. Civil society organisations have started campaigning on the issue since the beginning of the financial crisis in 2008 when the drastic austerity measures introduced across Europe in the context of constantly raising corporate profits put the topic on the radar of the general public and spurred movements such as the UK Uncut campaign. Although the number of third sector organisations involved in tax justice advocacy work is large, this thesis focuses only on those who have utilised shareholder activism as part of their broader campaigning tactics. Those NGOs are ChristianAid, ActionAid and ShareAction.

The focus of the campaigns ran by the three NGOs has been on tax as a development issue, the argument being that the money necessary to eradicate poverty and hunger exists, if only multinationals paid their fair share of taxes. Tax is a complex issue with ripe opportunities

for companies to exploit legal loopholes. There are two main ways for a multinational company (MNC, hereafter) to manage taxes – through tax evasion (which is illegal) and tax avoidance (legal)³³. Both often entail the use of tax havens³⁴ which provide a very low tax rate for monies held there and which enable corporations to deprive poorer countries of vast amount of taxes they are entitled to collect. However, as the payment of tax is now seen as vital for contribution to society, rather than as something that companies should avoid whenever possible, the difference between tax evasion and tax avoidance has merged in the eyes of civil society, governments and the general public.

The opportunities to exploit tax loopholes are even more evident in developing countries where the capacity of governments to legislate and effectively collect taxes is weaker. Poorer countries obtain thirteen per cent of their GDP from taxes, whereas the world's richest countries raise on average between thirty five and thirty seven per cent (ChristianAid, 2013, ActionAid, 2009). According to recent estimates by ChristianAid, developing countries lose £80bn a year in uncollected corporate tax – an amount which can fund the UN's Millennium Development Goals³⁵ several times over (ChristianAid, 2009) and limit poor countries' dependency on overseas aid. Taxes are essential for governments' ability to provide systems of health, social security, education, as well as to invest in infrastructure.

The tax justice campaign is complex and multifaceted with various different strands. On the one hand, NGOs are attending the AGMs of FTSE 100 companies and are holding private meetings with them. This action is substantiated by lobbying investors to take a stance on the problem and to encourage the integration of tax as a corporate responsibility issue within companies. The main aim of this aspect of the campaign is: 'To change corporate

³³ Tax evasion occurs when the taxpayer takes steps to avoid paying a tax liability that has already arisen by, for example, not declaring all income. By contrast, tax avoidance entails exploiting the law in such a way as to minimise the amount of tax paid by avoiding a tax liability before it has arisen. Tax avoidance can be further classified as acceptable and unacceptable (or aggressive) tax avoidance. The former relates to tax planning which is within the spirit of the law (for example, claiming allowances for R&D expenditure) and the latter is planning which is against the spirit of the law.

³⁴ Tax havens enable non-residents to register companies and pay little or no tax on the profits earned. They also protect tax information by making it unavailable, or very difficult to obtain by other states. In tax havens, the identities of the real owners of bank accounts can be kept secret. One third of MNCs' investments and more than fifty per cent of all banking assets pass through tax havens (Palan *et al.*, 2010). Tax havens in Europe include Luxembourg, Switzerland, the Netherlands and Ireland. The Channel Islands – one of Britain's Crown Dependencies is also considered as a tax haven, as are the Cayman Islands, Hong Kong, Dubai, and the Bahamas, alongside with some US states like Delaware and Florida.

³⁵ A set of targets for halving extreme poverty, as well as the spread of HIV and AIDS, and for providing universal primary education by 2015.

behaviour on tax and change the ability for companies to any longer dodge tax, to create a change among investors, our supporters, and to get CEOs and chairmen to understand that tax is no longer something to be scurried away, but it should be part of your long-term risk management' [*Fieldwork Interview*, ChristianAid, 2013]. On the other hand, NGOs have broader campaign aims which are focused towards influencing policy makers in the UK and at an international level³⁶. However, as the focus of this thesis is on shareholder activism, only shareholder activist strategies are of interest to the current study. The broader public policy work undertaken by NGOs on tax justice does not constitute part of the analysis.

This case study differs from the others as the third sector organisations involved have relied to a greater extent on leveraging their direct influence as shareholders in FTSE 100 companies via attending their AGMs and organising private meetings with them. Second, this is the only campaign discussed in the thesis where a variety of different companies are all asked to make improvements with respect to one aspect of their operations – namely their tax practices. Third, in comparison to the other two campaigns, due to the more recent nature of this case study, there was no *prima facie* indication of success or failure. Having discussed the context in which each of the campaigns unfolds, the second part of this chapter explores in greater detail Becker's idea of moral entrepreneurs and analyses the different action frames advanced by campaigning NGOs.

5.2. An Exploration of the Injustice Frames Advanced by NGOs

Becker (1963, p.149) uses the term 'moral entrepreneurs' to describe the organisers, do-gooders and advocates who operate with an absolute ethic and push for a particular cause. Driven by their moral and humanitarian concerns, they strive to create new rules which would prevent the exploitation of one person by another and would advance their moral beliefs. In his writings, Becker (1963) focuses on individuals as moral crusaders, but this study suggests that his idea can also be applied to collective actors such as NGOs, who are driven by their moral values. Just as much as individuals, NGOs can be seen as moral

³⁶ For example, they have called for the G20 and the United Nations to request that the International Accounting Standards Board adopts a global country-by-country financial reporting standard. At the moment MNCs are required to report on a consolidated basis, i.e. one set of accounts revealing the overall financial activities and results of all subsidiaries, without a break-down of these activities for each country in which they operate. Country-by-country reporting has the potential of uncovering cases of tax evasion and avoidance as company transparency and access to information improve. They have also called for the creation of a global multilateral tax information exchange agreement, for closer alignment between the place where an activity occurs and where tax on that activity is collected, and for a move towards a unitary taxation of multinationals.

entrepreneurs who define certain issues as problems and campaign for the introduction of new company policies and practices. However, Becker does not detail exactly how moral entrepreneurs carry out their public crusades and how they make the broader public aware of their moral concerns. The idea of frame narratives provides a useful way of answering this question. Therefore, Section 5.2. of the study focuses on the way in which moral entrepreneurs (NGOs) frame certain issues which are of concern to them.

In recent years the proliferation of academic research on framing processes and collective action frames in relation to social movements (for example, Snow and Benford, 1988; McAdam *et al.* 1996, Hart, 1996) has meant that they have become a central element for understanding the nature of social movements. Collective action frames are defined by Benford and Snow (2000, p.614) as ‘action-oriented set of beliefs and meanings that inspire and legitimate the activities and campaigns of a social movement organisation’. In essence, frames are signifying devices that help individuals better understand complex issues and are designed by activists to mobilise supporters, influence public opinion and incite change (Soule, 2009). Frames are a crucial element of each campaign as they provide valuable information to investors and the public in cases when they may not be necessarily well informed on certain problems arising from companies’ practices. As Gray (1992, p.404) suggests: ‘...power can be exercised in some degree by all...external parties. For that power to be exercised there is a basic need for information (as an essential element of the participatory democratic process...) and this information will be an extension of that currently available’.

The NGOs in this study have sought to disseminate collective action frames through the use of information provision strategies such as report and briefing writing. All of the documents analysed in the sub-sections that follow have something in common – their reliance on what Gamson (1992a, p.68) labels ‘injustice frames’. According to Gamson (1992b, p.32), injustice ‘focuses on the righteous anger that puts fire in the belly and iron in the soul’. Thus, using ‘injustice frames’, or in other words, defining a situation as unjust, is a common strategy adopted by social movements which is a necessary precondition for collective action. The following sections consider three key injustice frames created by the campaigning NGOs with the aim of distributing and gathering support for their campaign ethos among the public.

Injustice Frame One: Human Rights and International Conventions

To begin with, NGOs have tried to gather support for their cause by creating an injustice frame which emphasises that, with their actions, the targeted companies are failing to respect human rights. For example, as part of both its campaigns against Shell and Vedanta, Amnesty International has continually stressed the failures of the two companies in the area of human rights. The organisation started campaigning on the Niger Delta from the mid-1990s when it supported a shareholder resolution tabled by ECCR at Shell's 1997 AGM. It has interacted with investors on an ad hoc basis since that time, but has only sought concerted engagement with investors as a group regarding Shell since Autumn 2009, following the publication of Amnesty International's detailed report 'Petroleum, Pollution and Poverty in the Niger Delta' in June 2009.

The report emphasises the severity of the situation in the Delta, the main argument being that, given the fact that more than 60 per cent of the people in the region depend on the natural environment for their survival, widespread pollution and environmental damage constitute significant risks to human rights (Amnesty International, 2009). As a result of pollution, the majority of the Delta's population has no access to potable water and experiences health problems from waterborne diseases. Pollution also causes damage to fisheries, diminishing the overall fish stocks and destroying a key source of food and income for many. Furthermore, the proximity of oil infrastructure to densely populated rural areas means that oil spills occurring on agricultural land have been devastating. Citing various international conventions, the report argues that there is a failure to respect a number of different human rights – the right to food, to work, to an adequate standard of living, to health, and a healthy environment³⁷. The report utilises diagnostic framing, one of the core framing tasks described by Benford and Snow (2000), as it not only identifies the 'victims' of a given injustice, but also the sources of causality, or the culpable agents. In terms of attribution of blame, it places as much attention to the role of the government in the current situation as it does to the role of Shell (Amnesty International, 2009).

Amnesty International's most recent report 'Bad Information' (2013a) highlights the injustices surrounding the oil spill investigation process in Nigeria which the NGO claims is seriously flawed, with inaccuracies when it comes to establishing the cause of a spill and

³⁷ Gas flaring is said to lead to noise pollution, discomfort generated by the constant light from flaring, black dust settling in people's homes, as well as on clothes and food.

the volume of oil spilt. The human rights implications are huge since both the cause of a spill and the volume spilt affect the compensation a community receives. Communities often have to negotiate compensation directly with companies who have greater technical knowledge and considerable influence over setting the terms of compensation. According to the report, the impact on human rights is exacerbated by the continuous failures in relation to the proper and swift remediation of contaminated sites (Amnesty International, 2013a).

Apart from Amnesty International, Platform London is another NGO which has aimed to highlight the human rights abuses taking place in Nigeria. However, Platform's approach is quite different in the sense that the NGO does not cite environmental pollution as the source of the problem, but focuses on the fuelling of armed conflict undertaken by Shell and on the inadequacy of contractor oversight. Although the NGO runs a campaign against Shell, engagement with investors does not form part of its campaigning tactics. Nevertheless, the work of the organisation is still relevant to the study since members of Platform have regularly attended and asked questions at Shell's AGMs. The NGO published a report in October 2011 ('Counting The Costs: Corporations and Human Rights Abuses in Nigeria') which discusses the role of Shell in human rights abuses committed by the Nigerian government forces and other armed groups in the period between 2001 and 2009.

To begin with, the report argues that Shell has paid and provided logistical support to the Nigerian military who, in their desire to pacify protesters against the oil industry and attackers of oil installations, have been implicated in human rights abuses such as extra-judicial killings, torture, harassment, and intimidation of local residents. In 2009 the company's financial support for government forces reached an estimated \$65 million (Platform, 2012). Second, the report suggests that, by giving routine payments to armed criminal gangs (disguised as security contracts), the company re-enforces a culture of violence in the region. Third, the report mentions the poor oversight of contractors who, instead of being held accountable for their human rights abuses and poor performance, are being rewarded with lucrative contracts by Shell (Platform, 2011). The injustice lies in the fact that, according to Platform, these routine payments to armed groups and military personnel only exacerbate human rights violations in the region.

Similarly to its Niger Delta campaign, Amnesty International has also sought to emphasise the injustice associated with disrespecting human rights when campaigning against Vedanta. The NGO started campaigning on the issue in 2009 when it first attended Vedanta's AGM. However, the publication of its report 'Don't Mine Us Out of Existence' in 2010 marked the beginning of its dialogue with investors on the issue. The report is a result of an extensive field study conducted between 2008 – 2009 by Amnesty International researchers who visited the Lanjigarh area and the Niyamgiri Hills and spoke with members of the Dongria Kondh community. An Amnesty International official summarises the main concerns of the NGO in relation to Vedanta: 'The key concerns revolve around two aspects of Vedanta's work in Orissa – one is in relation to an existing aluminium refining plant and historic concerns with regard to that in terms of damage to the environment, pollution, impact on people's health, access to water and so on. Related to that, Vedanta wanted to develop a bauxite mine, with bauxite being the raw material for its aluminium refinery in the same area. And that was on a mountain that was sacred and extensively used by a local indigenous group' [*Fieldwork Interview*, Amnesty International, 2013a].

The 2010 report states that none of the actors involved – the Indian government, the state government of Orissa and the companies³⁸, have consulted with the Dongria Kondh and their consent for the mining project has not been sought³⁹. The OSPCB organised two public consultations in 2003 in relation to the refinery and the mine but notices of these were published in newspapers in Orissa's capital, 440 km from the Hills. Due to this ineffective process of informing the Dongria Kondh, there were no representatives of the tribe attending the hearings. Second, the report discusses the effects of the alumina refinery opened in 2006 on the people living in close proximity to it. Key findings of the OSPCB during the period 2006-2009 suggest that there are 'numerous instances where the company⁴⁰ has failed to put in place adequate pollution control measures' (Amnesty International, 2010, p.47). This has resulted in recurrent leakages of highly alkaline water into the nearby river Vamsadhara which is used by local people for drinking, personal use and irrigation. As a result, local communities' health has been impacted with people

³⁸ Vedanta Aluminium, Sterlite Industries, the Orissa Mining Corporation and the South-west Orissa Bauxite Mining Corporation.

³⁹ The right to be consulted about projects that may affect communities is enshrined in international human rights instruments such as the UN Declaration of Rights of Indigenous Peoples (2007) where Free, Prior, Informed Consent (FPIC) is a core right.

⁴⁰ The company in this case is Vedanta Aluminium. Vedanta Resources owns 70.5 per cent of the share capital of Vedanta Aluminium with Sterlite Industries owning the remaining 29.5 per cent.

developing skin problems after being exposed to the contaminated water. The refinery is also a source of air pollution caused by dust emissions which, as Amnesty International's researchers document, lead to respiratory problems, headaches, irritation to eyes, nose and throat, and other symptoms (Amnesty International, 2010).

ActionAid's report '*Vedanta Cares*', published in July 2007, also considers the human rights implications of Vedanta's operations, paying particular attention on the construction of the mine. ActionAid has a long standing programme in India, with ActionAid India being its first country programme, established in 1972. The UK branch of the NGO first became aware of the problem when staff on the ground in India reported that Vedanta was planning to build a mine and that the community was strongly opposed to it. As a result, ActionAid UK first started campaigning on the issue in 2004. However, it was not until 2007, when it attended Vedanta's AGM for the first time, that shareholder activism was introduced as a tactic. According to one interviewee involved in the running of the campaign, the main aim was to: 'stop Vedanta from building a mine in Niyamgiri and also to stop them from expanding the refinery there' [*Fieldwork Interview*, ActionAid, 2013a]. The 2007 '*Vedanta Cares*' publication cites evidence from official reports, journalists, ActionAid's own field visits, and relies heavily on first-hand accounts of local residents. The report findings suggest that the construction of the mine is: posing a serious threat to the Dongria Kondhs' culture, customs and traditional way of life, resulting in involuntary resettlement and the taking over of common land used for growing, consuming and selling vegetables, and could lead to a change in the ecological characteristics of the area (Chowdhary and Pandav, 2006), as well as ground water contamination (ActionAid, 2007).

Relating to human rights are those frames of injustice that highlight infringements of international law, especially with regard of communities or individuals. For example, Amnesty International's second report on Vedanta entitled '*Generalisations, Omissions, Assumptions*' (2011) considers five Environmental Impact Assessments (EIAs⁴¹, hereafter) from 2002 until 2008 and analyses the extent to which they comply with the specifications stipulated in Indian regulations. The main conclusions of the report reveal a startling difference between rules and regulations and the practices of Vedanta and highlight the unjust nature of the EIAs (see Appendix 6 for a summary of the report findings).

⁴¹ The EIAs are documents produced for Vedanta's joint ventures and subsidiaries in Orissa and aimed at gaining clearance for the expansion of the refinery, as well as for the construction of the mine.

In its reports distributed to investors, EIRIS has also mentioned Vedanta Resources' norm breaking practices. The NGO wrote a series of Convention Watch⁴² papers on the company's operations – the Orissa project was discussed in two of these reports. The first examined the impact of the bauxite mine on indigenous rights and biological diversity, while the second mentioned the Lanjigarh smelter and the pollution it created. The investor who led the most public and long-lasting engagement with Vedanta was Aviva (for more detailed information on Aviva see Chapter 10, Table 23). EIRIS had an instrumental role in the decision of Aviva to engage with the company. Via its Convention Watch service, EIRIS analysed Aviva's holdings and, based on information from other NGOs, highlighted where the worst controversies were. As a result, Aviva and EIRIS worked together to produce seven recommendations for improvement and Aviva commissioned an independent report from the NGO (see EIRIS, 2010) which details these recommendations and the main allegations against Vedanta. This first report was followed by three other yearly reports assessing the extent to which Vedanta has dealt with the initial seven recommendations (see EIRIS 2011a, 2012, 2013). The recommendations are presented in the table below:

Table 15: EIRIS' Seven Recommendations

1. Widen the remit of the Health and Safety Committee (should include human rights and indigenous rights policies).
2. Train and allocate responsibility at board level on ESG risks.
3. Create a link between both board directors' and senior executives' remuneration and ESG performance.
4. Set up complaints/grievance mechanisms at all operations.
5. Improve risk management systems available to the Board including a) setting up a panel of external experts to assess the Orissa operations against international norms and commissioning independent environmental and human rights impact assessments and b) publishing these and committing to issuing a public response to any recommendations.
6. Support voluntary self-regulation standards, such as the OECD Guidelines for MNEs, UN Global Compact, The Extractive Industries Transparency Initiative (EITI), The International Council on Mining and Metals (ICMM), and the Voluntary Principles on Security and Human Rights.
7. Strengthen systems for monitoring compliance with ESG policies and publicly report on any non-compliances and remedial actions taken.

Source: EIRIS (2010).

⁴² Convention Watch is a service established in 2005 and provided by EIRIS to investors. It identifies serious allegations against companies in press articles and via NGO campaigns. It assesses allegations of company breaches of major international conventions on labour standards, the environment, human rights, anti-personnel landmines, corruption, and cluster munitions. A core part of the process is engaging with the company in order to determine its response to the allegations.

EIRIS' initial report from 2010 discusses a vast array of international norms and conventions, portraying a picture of discrepancy between them and Vedanta's behaviour:

It may not be sufficient in certain situations for companies to simply state they are in compliance with local laws. This has been given added impetus by the UN 'protect, respect and remedy' framework (...) (EIRIS, 2010a, p.5).

Broader international conventions are also used by the relevant UN committees to protect indigenous rights. For example Article 27 of the International Covenant on Civil and Political Rights states: 'minorities shall not be denied the right to enjoy their own culture (EIRIS, 2010a, p.5).

In singling out the behaviour of Vedanta as particularly lagging in terms of compliance with international codes of conduct, EIRIS aims to validate the trustworthiness of its arguments and to convince the company and investors of the necessity for Vedanta to urgently change its course of action.

Injustice Frame Two: Making Comparisons

The second way in which NGOs have shaped their arguments involves making some kind of comparison between, for example, good and bad practice, or between fairness and unfairness, with the purpose of revealing a sharp contrast which prompts action. Both ChristianAid and ActionAid have employed this type of injustice frame as part of their tax campaigns. Although the two organisations initiated their campaigns in 2008, it was not until 2011 when they began targeting investors and talking about the business case for tax transparency. It was then when both ChristianAid and ActionAid published two separate reports ('Tax Responsibility' and 'Tax and Sustainability') which emphasised the importance of seeing tax justice as an element of companies' broader CSR practices. ShareAction also began campaigning on the issue in 2011 when it co-authored the 'Tax Responsibility' report with ActionAid. The organisation was commissioned to work with ChristianAid in 2012 and, as an NGO that specialises in responsible investment, to help with ChristianAid's shareholder activist strategy mainly in terms of attendance and asking of questions at the AGMs of FTSE 100 companies, but also for the purposes of engaging with investors and mobilising public support.

ChristianAid's (2008) report 'Death and Taxes' provides an example of the second type of injustice frame. It explores the differences in tax rates and tax revenues obtained by developing countries and discusses what the implications of these divergences are. The

report tells the story of two countries – Tanzania and Malawi. In Tanzania, one of the fastest emerging gold producers in Africa, more than half of the population live on less than \$1 a day, life expectancy is 51 years and 44 per cent of people are under-nourished. The country has lost millions of pounds due to low royalty rates levied on extracted gold and companies who have minimised their tax liability by overstating their losses (ChristianAid, 2008). Tanzania’s story is contrasted with the situation in Malawi where the country’s uranium reserves are expected to generate an annual income of \$250m. The government of Malawi which took a more robust negotiating stance has negotiated a royalty rate of 1.5 per cent for the first three years, raising up to 3 per cent afterwards, a 15 per cent stake in the mine, and has set the corporate tax at 27.5 per cent.

Similarly to ChristianAid’s (2008) report mentioned above, ActionAid has written two detailed exposés which endeavour to make a stark contrast between the taxes paid by two multinational companies and the taxes paid by local residents in Ghana and Zambia. The two reports are focused on unmasking the tax avoidance practices of London-based SABMiller (see ActionAid, 2010) and Associated British Foods (ABF, hereafter) (see ActionAid, 2013a). Both companies form part of the FTSE 100 index and are operating in the developing world. The report findings are based on published financial information, interviews with government officials and undercover research.

ActionAid’s most recent exposé published in 2013 targets UK food giant Associated British Foods – one of the largest food multinationals in the world, which owns well-known brands such as Silver Spoon sugar, Kingsmill bread and clothing chain Primark. The paper focuses on the activities of one of ABF’s Zambian subsidiaries – Zambia Sugar Plc., arguing that poverty and hunger can be eradicated if developing countries raise revenues to meet the needs of their citizens. Much like ActionAid’s report from 2010, this exposé enhances the appeal and strength of the message it wants to deliver through recounting the personal stories of two ordinary working people – Caroline Muchanga (a market stall holder who works from 5.45am to 9pm, seven days a week but still cannot afford to send her two children in a government school) and Isaac Banda (a cane-cutter for Zambia Sugar Plc. who starts work at 5.30am, but despite his hard work, he sometimes struggles to feed his family of six). Their monthly income tax payments are compared to the amount of income tax paid by Zambia Sugar Plc. between 2008 and 2010 to reveal a stark contrast:

Table 16: Paying A Fair Share? Income Tax Payments of Different Taxpayers Within the Zambia Sugar Supply Chain

Taxpayer's Name	Occupation	Average monthly net income (Zambian Kwacha)	Average monthly income tax paid (Zambian Kwacha)	% of net income paid in income tax
Caroline Muchanga	Stallholder selling sugar in Nakambala market, near the Zambia Sugar estate.	650,000	30,000	4.6
Isaac Banda	Cane-cutter employed by Zambia Sugar	2,213,000	25,500	1.2
Zambia Sugar Plc.	International sugar company.	56,270,667,000	0 (2008-2010)	0

Source: ActionAid (2013a).

The table shows that Zambia Sugar paid no corporation income tax between 2008 and 2010 and the lost tax revenues since 2007 amount to some \$17.7mn. The tax avoidance practices used by the company have involved a number of transactions made to pay out of Zambia over a third of the company's pre-tax profits (over \$13.8mn) each year into tax havens in the Netherlands, Mauritius and Ireland. The specifics of these activities are detailed in Appendix 7. Appendix 8, in turn, describes SABMiller's tax managing practices.

Leaving the tax campaign aside for a moment, another NGO which has relied on the use of the comparative injustice frame is EIRIS. EIRIS' 2010 report makes frequent comparisons between Vedanta and other companies from the mining sector. It ranks Vedanta last in terms of board practice⁴³ and systems for identifying and assessing company-wide ESG risks. For each of the allegations made against the firm, there are best practice examples revealing the actions of other large and well-known mining companies:

⁴³ Separation of Chair and CEO, independence of the board, etc.

Rio Tinto publishes a policy stating that it respects the rights of indigenous people in accordance with international instruments such as ILO 169 and the UN Declaration on Indigenous Peoples (EIRIS, 2010a, p.8).

BHP Billiton has a sustainability committee, which focuses on health, safety, environment and community (HSEC) risks and the group's performance in relation to these (EIRIS, 2010a, p.11).

Judging by the account of an EIRIS official, this peer comparison strategy appears to have had some effect on Vedanta: 'What we said to them originally was: 'How do you compare with your peers in the mining sector? Do you want to appear to be a company which is considerably behind?' And they didn't really answer the question, but obviously that is a sign, you know' [*Fieldwork Interview*, EIRIS, 2013].

Injustice Frame Three: Emphasising the Scale of the Injustice

Another strategy used in frame narratives created by NGOs has been to emphasise the large scale of any given injustice. For example, some of the reports written by ActionAid and ChristianAid are based on robust research and concrete figures and aim to quantify the impact that tax avoidance is having on developing countries, putting a particular emphasis on its large scale. In a study published in March 2009, ChristianAid considers the damage done to individual countries by trade mispricing⁴⁴. International trade pricing expert Simon Pak analyses US and EU trade data, estimating the amount of capital shifted between 2005 and 2007 to the UK, US, EU and Ireland through bilateral trade mispricing. The report estimates that the total amount of capital flow into the EU and the US from this tax avoidance scheme exceeds £581.4bn. In terms of tax revenues, this means that non-EU countries could have raised £190.8bn between 2005-2007 and the forty nine poorest countries could have raised an additional £1.8bn in tax. The total tax loss by both emerging

⁴⁴ A transfer price is the price paid for an exchange of goods and services between different affiliates of the same MNC. By the rules of tax authorities any such transaction should follow an 'arm's-length principle' which means paying the open-market price. However, transactions are often mispriced to allow the parent company to shift money around and minimise tax. For example, goods from the industrialised world can be sold to the developing world at inflated prices to reduce the 'buyer's' profit margin and tax liability. Similarly, unrelated companies can make secret deals between themselves with the aim to export goods at lower prices from the country of origin to depress profits artificially.

and developing countries is more than the annual global development budget and the annual sum required to meet the millennium development goals (ChristianAid, 2009)⁴⁵.

In another report whose main subject is once again tax havens, ActionAid explores the extent to which they are used by FTSE 100 companies. The report reveals that, of the 100 biggest companies on the London stock exchange, 98 use tax havens, with the total number of subsidiary companies, joint ventures and associates amounting to 34,216. The banking sector makes heaviest use of tax havens followed by oil and gas companies. A comparison with a similar analysis of the 100 largest companies in the US shows that the problem in the UK is more serious (ActionAid, 2011).

Securing the Support of Investors: Frame Blending

Frame blending occurs when an NGO does not articulate one specific concern, but rather enumerates a number of different problems associated with the practices of a specific company. ECCR's 2010 report 'Shell in the Niger Delta: A Framework for Change' (ECCR, 2010a) is an example of this type of frame. ECCR became aware of the impacts of oil extraction on communities in Nigeria as far back as the 1990s when a number of members of the organisation who also held shares in Shell expressed a desire to 'make sure that as shareholders they were able to understand more about what was happening and to express their views about it' [*Fieldwork Interview*, ECCR, 2013]. The organisation has engaged with Shell throughout the years and has tabled two shareholder resolutions – one in 1997 and one in 2006, which will be discussed in more detail in Chapter 9. It has also encouraged faith-based and responsible investors to put pressure on Shell and urge changes.

The 2010 report provides an overview of the company's environmental and social impacts. It comprises of five case studies from five civil society organisations who work with communities in the Niger Delta and who each identify a variety of divergent problems associated with Shell's operations in Nigeria: frequent oil spills, inadequate remediation, unfair compensation, militarisation, inaccurate scope and content of the EIAs conducted for the Gbarain-Ubie integrated oil and gas project, gas flaring and security focused surveillance contracts, among others (Appendix 9 summarises the main findings of the

⁴⁵ Results of another report published by ChristianAid in March 2013 suggest that MNCs with connections to tax havens engage in profit shifting more intensively as they face higher incentives and opportunities to dodge taxes – they report 1.5 per cent less profits, pay 17.4 per cent less in taxes per unit of asset and 30.3 per cent less per unit of profit (ChristianAid, 2013).

report, applying Benford and Snow's (2000) ideas on diagnostic and prognostic framing). These concerns have all been previously discussed with variable intensity by one or another of the campaigning NGOs, but what this injustice framework does is to group, or 'blend', everything together.

Raeburn (2004) also discusses the idea of 'frame blending' but in a different context. According to him, frame blending is the use of two or more frames, at least one of which appeals to the target and at least one of which appeals to activists. In Raeburn's case study, activists successfully 'blended' the ethics of domestic partnership benefits with the potential financial benefits that could be accrued by the targeted companies, making the arguments more easily understood by corporate leaders who are ultimately concerned about the bottom line. This frame blending strategy is adopted by many NGOs whose actions are motivated by moral considerations. Although they highlight various injustice frames in order to gather the support of the public, when engaging with companies and investors, NGOs outline the financial and reputational benefits that could be accrued by taking action (see Chapter 6, Section 6.2.). When it comes to the Niger Delta campaign, ShareAction has produced a series of briefing documents specifically designed to distil large and complex information for investors and to keep them updated on any recent campaign developments. These documents aim to gather investor support and, as such, are drafted in a very different language than the one used in normal NGO reports (for more on this see Chapter Six).

ShareAction became involved in the campaign in February 2012 and wrote the first investor briefing on Shell in Nigeria in April the same year. The organisation was commissioned by AI to provide advice and support with the investor engagement work already under way. ShareAction resumed its work on the project in July 2013⁴⁶. The motivation behind the writing of its first briefing is explained in these lines: 'The UNEP report had zero impact and Amnesty were quite curious as to why that was the case and I said 'well, it's because it's a hundred and forty something pages'. No one has time to read it, so our first task in our first briefing was effectively a summary of that report but only pulling out what was relevant to Shell...' [*Fieldwork Interview*, ShareAction, 2013b]. 'A Legacy of Liability' (the briefing) aims to provide a concise and accessible guide for

⁴⁶ ShareAction discontinued its work on the campaign as its initial arrangement with Amnesty International expired in July 2013 and it was not extended beyond this point. When asked about the reason behind this decision, an Amnesty International official said that ShareAction were too busy with other projects. Given that this justification seems implausible, the exact reason behind the discontinued collaboration between ShareAction and Amnesty International remains unclear.

investors which summarises the UNEP report's findings and recommendations in relation to Shell's Nigerian subsidiary SPDC. The document emphasises two main findings from the UNEP (2011) report – the inadequacy of Shell's clean-up of oil spills⁴⁷ and the inadequate control, maintenance and decommissioning of oilfield infrastructure. It also reminds shareholders about the recommended establishment of an environmental remediation fund with an initial sum of \$1bn to be paid by the operating companies and the Nigerian government (ShareAction, 2012a).

The second briefing published in August 2012 is aimed at keeping pressure on the company and presents an assessment of Shell's published update on its implementation of the recommendations from the UNEP report (ShareAction, 2012b). The third briefing briefly outlines the findings of a report produced by an independent scientific panel of the International Union for the Conservation of Nature (IUCN) which was to provide recommendations to Shell for restoring biodiversity and habitats at spill sites (ShareAction, 2013a)⁴⁸.

Similarly to the campaign against Shell, the process of frame blending is also present in the Vedanta case study and is undertaken by EIRIS. Most of the seven recommendations in EIRIS' 2010 report are shaped in governance terms and relate to how appropriate systems of governance should look like for a company operating on a global scale. The environmental and social consequences of Vedanta's operations are not overemphasised and complying with environmental and human rights norms is portrayed as a matter of good business sense. Shaped in these terms, the message is less likely to be neglected by the company:

The key to it is, because we did these seven demands which also related to how a company should govern itself, it was harder for Vedanta to come back and say nothing. If you say 'We don't think you are governed very well. When we compare you to other mining companies, we can see you are doing very poorly', then it is speaking their language and that is important [*Fieldwork Interview*, EIRIS, 2013].

⁴⁷ With spill sites being inaccurately recorded as having completed remediation and with the remediation by enhanced natural attenuation (RENA) process being deemed as ineffective.

⁴⁸ Although at the time of writing the briefing paper, only the executive summary of the IUCN report was available, its findings once again point to problems with remediation practices and oil spill response, inadequate contractor oversight during and after remediation, and non-application of international standards when it comes to target limits for chemicals of special concern (IUCN, 2013).

Frame blending is also present as an element in the tax justice campaign. Two reports published in the same year (2011) by, on the one hand, ActionAid and ShareAction ('Tax Responsibility') and, on the other hand, by ChristianAid (Tax and Sustainability') talk about the importance of companies and investors to recognise that tax planning is a corporate social responsibility issue that should form part of an organisation's commitment to CSR. To increase the appeal of their arguments, the NGOs discuss the business case for responsible tax practices. They mention the growing compliance, reputational, regime, cash flow, and financial risks to business, associated with tax planning. The main arguments are that aggressive tax planning can affect the predictability of future returns to investors, increase the risk of litigation, impact negatively on shareholder returns by damaging a company's brand, and lead to loss of favourable tax status or other forms of financial assistance provided by the government. ActionAid and ShareAction's (2011) paper also compares tax to the sweatshop crisis of the 80s, giving examples with how, initially discarded by businesses, the latter came to be recognised as a legitimate and important CSR issue to consider. The report makes the case for companies to embrace transparency in relation to their tax planning in the same way that they have supposedly become more transparent about their labour rights issues.

As has been demonstrated so far, the information provided by NGOs regarding the Vedanta, Shell and tax case studies is evidence-based, detailed and comprehensive. Surveys of the ethical investment scene conducted by researchers identify information as the key to effective action (see Ward, 1986; Domini and Kinder, 1984). In an effort to identify the major information sources used by ethical unit trusts in the UK when making responsible investment decisions, Harte *et al.* (1991) employs a questionnaire approach which reveals that nine out of the eleven trusts surveyed rely heavily on the data provided in annual company reports. The research also assesses the usefulness of the annual report for providing information on investment decisions and concludes that respondents share a strong degree of consensus about the insufficiency of information provided for appraising a company's performance in the area of CSR.

Despite the high degree of investor dependence on annual reports, Perks *et al.* (1992) also argue that 'most contain little to indicate companies' environmental activities' (p.62) and reports 'appeared to be more concerned with public relations and image' (p.55) rather than a genuine interest in facilitating accountability and transparency. The need for more

adequate information disclosure in annual reports is reflected in the words of one interviewee working in the sustainability department of a major fund management firm:

We could do with better disclosure sometimes. It is sometimes not easy to understand to what extent a company is exposed to an issue, so better disclosure from companies might be useful [*Fieldwork Interview*, Scottish Widows Investment Partnership (SWIP, hereafter), 2013].

Given the shortfalls of corporate reporting discussed in the secondary literature and revealed in the empirical data, it could be argued that NGOs play a crucial role as information providers to both the general public and the investor community. They help alleviate the limitations of annual reporting, raise awareness of hidden problems, and incite action by shareholders.

Conclusion

At the time of writing, apart from the problems in the Niger Delta, Shell is being targeted by a variety of different NGOs concerned with issues such as tar sands, fracking, tax, and Arctic drilling. This is just one example of a situation where, as one interviewee puts it, ‘different NGOs are trying to get different issues on the agenda of investors with different companies’ [*Fieldwork Interview*, Amnesty International, 2013]. The empirical data collected portrays a reality where investors’ time dedicated to addressing SEE issues is limited, just like their resources for engagement are, and where an NGO’s main concern is ‘how do you get your own issue to the top of the agenda to make sure that that's the issue that's paid attention to’ [*Fieldwork Interview*, ShareAction, 2013].

A closer examination of the various injustice frames embedded in each of the reports discussed above reveals that, even when campaigning on one issue, NGOs often look at the problem from different perspectives and emphasise divergent concerns. For example, with regard to the Niger Delta campaign, NGOs have focused on human rights impacts (Amnesty International); armed conflict (Platform); gas flaring, oil pollution and EIAs (ECCR), and the destruction of livelihoods (the court case against Shell) (Milieudefensie). Similarly, while ActionAid has mentioned the environmental and human rights impacts of the refinery in India, its main focus (as well as the focus of others such as Survival International) has been on protecting the rights of indigenous people who oppose the

construction of the mine. By contrast, Amnesty International has extensively covered the environmental and social implications of the refinery operations in its reports.

Upon reading all the documentary evidence available, a picture of disconnected NGO action emerged, whereby each organisation looks at an issue from a different angle and strives to deliver its own message to investors. This idea was tested empirically by asking participants to account how their organisation collaborates with other NGOs campaigning on the topic under investigation, a question to which they provided vague and generalised answers. Some interviewees acknowledged the lack of sufficient collaboration as one of the problems hindering effective engagement with investors:

It is certainly true that sometimes NGOs are not always as joined up as they could be and the joint campaigning, whilst it does happen, when they are trying to influence investors to make change, they arguably don't do enough of the collaboration which might give them a greater leverage over the investor and therefore a greater result in terms of what they are trying to achieve. If NGOs make a united, well-thought out case to investors as to why they should be concerned about a particular issue, then investors can consider taking notice [*Fieldwork Interview*, EIRIS, 2013].

WWF can approach an investor about environmental degradation and then Oxfam can approach the same investor about a social issue and this goes on and on. If it is possible to identify an issue which cross cuts a lot of the realms of the large NGOs, and we come to an investor together, highlighting one specific issue, it might be harder for them to ignore that. While not always possible, when you can try this approach, then you may have a greater chance of getting investors' attention [*Fieldwork Interview*, WWF, 2013].

Such an approach to campaigning can be explained by considering the above mentioned idea of moral entrepreneurs advanced by Becker (1963). The current study has suggested that NGOs too can be regarded as moral crusaders advancing a particular cause. By nature, entrepreneurs are known to be very single-minded, focused and determined to achieve the best results for their particular issue. As moral entrepreneurs, NGOs exhibit the same characteristics which can explain the lack of collaboration between campaigners and the advancement of divergent collective action frames. Thus, the problem of getting an issue to the attention of investors can be ameliorated if there was more collaboration between NGOs who come together and deliver a unified, strong message that is more difficult to ignore due to the fact that it is coming from so many different interested parties. Such a step would also serve to reduce the constant struggle to attract the limited attention of shareholders who are bombarded by a myriad of divergent SEE issues with which to deal.

Chapter 5, which explored how NGOs frame campaign issues, marks the end of Part One of the findings chapters. Part Two and Three are a natural progression from what has been discussed so far as they examine what NGO shareholder activist strategies emerge from the framing processes described (see Fig. 5). The literature on pressure groups distinguishes between direct and indirect action. The former involves groups who target decision makers directly, while the latter constitutes an attempt to influence policy in more indirect ways through mobilising other, more powerful actors (Gerber, 1999; Maloney *et al.*, 1994; Soule, 2009). This conceptual framework can be applied to the field of financial activism and is used to distinguish between the campaign strategies employed by NGOs, with Part Two of the findings chapters focusing on indirect strategies and Part Three on direct ones. What follows next is an analysis of the indirect shareholder activist strategies employed throughout the case studies.

PART THREE: INDIRECT STRATEGIES

6. Leveraging The Shareholder Power Of Financial Institutions

If CSR is to be encouraged, the role of the institutional investment community is essential.

(Solomon *et al.*, 2002, p.1)

Enlisting the support of third parties such as consumers, labour unions and states, who can impose sanctions and put significant pressure on targeted companies, is a common method used by social movements in order to gain salience (Luders, 2006). For example, the Infant Formula Action Coalition began a campaign to build public support for a boycott of Nestle – the world’s largest seller of infant formula products (Post, 1985). Thus, mobilisation of powerful third party constituents can facilitate social movement organisations in creating a credible threat against a targeted firm.

The indirect strategies discussed in the study are subdivided into tactics that seek to leverage the shareholder power of financial institutions⁴⁹ such as pension funds, fund managers and SRI investors (Chapter 6), and tactics which aim to mobilise the support of non-institutional actors, namely, pension savers, the general public and the media (Chapter 7). The current chapter discusses the interaction between NGOs and investors, analysing the avenues through which NGOs gain the support of powerful institutions. Both Chapter 6 and 7 are an example of the ‘situated activity’ level of analysis as described in Layder’s (1993) research map (see Table 6).

The leveraging of financial institutions should be considered in the context of the fiduciary duty⁵⁰ of investors. Fiduciary duty is often interpreted by the investor community as having a legal responsibility to act in a way which maximises financial returns. This interpretation ignores social and environmental considerations as they are not seen as having a material impact to the bottom line. Based on empirical evidence from the three case studies, Chapter

⁴⁹ Financial institutions are defined as companies that hold shares as investors or trustees, acting on behalf of other investors who are the ultimate beneficiaries and owners. Examples include unit trusts, insurance companies, pension funds (who act on behalf of individual savers and pensioners), investment companies and others.

⁵⁰ The term ‘fiduciary duty’ can be more broadly applied to corporations and board of directors who have duties towards the shareholders – private investors or the general public. However, I am interested here in the duties owed by pension funds toward their beneficiaries, namely, future and present pension savers. Trustees have a ‘fiduciary duty’, or a legal obligation to act in the best interest of the people whose money they are managing (beneficiaries).

6 explores the indirect strategies used by NGOs to gain the support of financial institutions in the context of this common interpretation of fiduciary duty. The chapter considers what type of investors are targeted, how do NGOs communicate with investors, how does the campaign message get delivered, what is the role of emotion and of a relational approach to campaigning, and in what ways do NGOs facilitate the engagement activities of investors.

6.1. Segmenting the Investor Community

According to a former ActionAid employee who was part of the development of the Vedanta campaign strategy, in its approach to engaging with shareholders, the NGO sought to ‘educate the shareholders who had a sensitivity to those issues and then make it clear to them that what the company was doing was well outside of what their ethical comfort zone was’ [*Fieldwork Interview*, ActionAid, 2013b]. The investors were not seen as one homogenous constituency, but rather they were differentiated on the basis of a number of criteria – 1.) whether they had an ethical policy in writing (i.e. if they are an ethical fund); 2.) who their clients were (‘if they were representing people who worked in a religious organisation, they would have principles that they wouldn’t want to see their money being used in ways which harmed communities’ [*Fieldwork Interview*, ActionAid, 2013b]; 3.) whether the shareholder had a recognisable public presence (‘they represent people who make a constituency in the public that would care about these things – for example, church going people, students, professors, or public sector workers’ [*Fieldwork Interview*, ActionAid, 2013b]). When targeting SRI investors and those expected to behave ethically by society, the first and main consideration is to again look for the large institutional ones which can yield the greatest power.

That is why local authority councils investing in Vedanta through their pension funds were seen as a good target by ActionAid which approached them in 2009, asking that they put pressure on Vedanta to withdraw its plans for opening the bauxite mine in Niyamgiri (Stewart, 2009). Investment and Pensions Europe reports that a spokesman of Wandsworth Borough Council, one of the targeted local authorities, said in response to ActionAid’s request: ‘The council has a paramount fiduciary duty to obtain the best possible financial return on its pension fund investments. As the law stands any shortfall in the fund’s performance would have to be met by taxpayers’ (Stewart, 2009, p.2). This statement reveals that in practice the legal obligations that trustees have to the people whose money

they are managing (fiduciary duty) are routinely equated with a single, over-riding duty to maximise returns.

Clark and Knight (2006) cite precisely the narrow interpretation of fiduciary duty, which excludes reference to anything other than maximising returns, as a possible reason for institutional investors being slow to respond to environmental and social responsibility issues. The Vedanta campaign is not the first instance where NGOs have called upon investors to become more engaged with the companies they invest in. Evidence from earlier research suggests that pension funds, when encouraged to vote in favour of a resolution concerning Shell and BP's tar sands operations in Canada, have also cited their fiduciary duty as a reason for not taking action (see Ivanova, 2015). Chapter 11, Section 11.2. looks at what role are NGOs playing in dissolving the myth behind fiduciary duty and how their policy work helps address this barrier to investor engagement.

The strategy of segmenting the investor community was also adopted by Amnesty International and ShareAction as part of the Niger Delta campaign. As one employee explains:

We also felt that it would be important to mobilise a small number of interested investors rather than trying to mobilise a huge number of investors. We focused on investors whose mission we felt would mean they would be particularly interested in issues in the Niger Delta... We focused on faith based investors in the UK and in the US and also SRI investors who have a particular reason to be interested in this issue [*Fieldwork Interview*, ShareAction, 2013b].

Similarly, when asked whether the organisation targeted mainstream investors apart from SRI oriented ones, a former member of ECCR commented that the organisation's attention was dedicated mainly on the ethical and SRI community. However, at the same time, there was a discrepancy between NGOs' actions and the expressed strong belief in the influence that mainstream investors can yield:

The SRI market is still quite small (though growing), so if we can get the mainstream investors to shift capital and to take ESG issues into account, then we are going to get a lot more action [*Fieldwork Interview*, WWF, 2013].

The role that large institutional 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 (see Owen *et al.*, 2006). Perks *et al.* (1992),

Sparkes and Cowton (2004, p.54) and others believe that institutional investors can bring about the desired change in corporations: ‘... it is institutional investors (...) that are most likely to provide leverage on companies to improve their performance with respect to CSR’. Therefore, although some NGOs are attempting to engage with the mainstream financial institutions, it seems that they should dedicate more efforts towards achieving this goal. The next section considers the language NGOs use when addressing investors and when harnessing their support.

6.2. Speaking the Language of Investors

The findings from the 2003 – 2013 chronology suggest that NGOs have started to employ predominantly business case arguments for advancing their concerns. This trend has been reinforced by the empirical data collected, with an overwhelming number of participants emphasising the importance of ‘speaking the language’ of investors for achieving a successful campaign. Greenpeace’s investor engagement strategy is an example of the changing way in which NGOs approach shareholders:

We don’t talk about the moral case at all. Obviously we believe the moral case is important but it doesn’t shift behaviour so we just don’t go there. I think the only way you can get shareholders to address these issues at all is to show that there is a significant exposure to cash risk, dividend risk, or shareholder value [*Fieldwork Interview*, Greenpeace, 2013].

The reason behind this strategic choice stems from the nature of the investor community which is primarily interested in shareholder value and financial returns:

For the majority or at least a significant part of shareholders to act it’s essential to point to the financial risk for a company [*Fieldwork Interview*, FoE Netherlands, 2013].

With investors, no matter how ethical they are, you need to be able to present them, at the end of the day, with evidence that is going to show that their investment is not well invested [*Fieldwork Interview*, ActionAid, 2013b].

The literature on investor activism substantiates these findings. In their article, Mackenzie and Sullivan (2008) consider whether investors are prepared to intervene in situations where there is no evident business case for companies to improve their environmental and social practices, hence, no financial reason for shareholders to engage. They conclude that the new European investor activism continues to pursue only goals that are aligned with investors’ financial interests. Even the seemingly altruistic investor activism on an issue

such as climate change, which can safely be termed the biggest market failure of all (and exploiting market failures maximises profits)⁵¹, is driven by self-interest – there are long-term benefits to be accrued and investor engagement has been limited to goals that are pursued without damage to investors’ short-term interests (Mackenzie and Sullivan, 2008).

Evidence of the fact that NGOs have begun to incorporate business case arguments in their advocacy efforts is also found when we consider the case studies. To begin with, when it comes to the Vedanta campaign, the reports produced by EIRIS and commissioned by Aviva Investors are gauged in corporate governance terms and highlight the business case for improved governance practices and policies across the group (see Chapter 5, p.117). In contrast, the reports written by Amnesty International and ActionAid emphasise the human rights abuses and environmental destruction caused by Vedanta’s operations in Orissa. However, during their private engagement with investors, both NGOs have adopted a different communication strategy with the aim of persuading shareholders to take action. As a former staff member of ActionAid explains: ‘We did try to present the case that the company was a financial risk to investors. The picture that was being painted was of a company that wasn’t to be trusted with investors’ money’ [*Fieldwork Interview*, ActionAid, 2013b]. The key argument was centred on the legality of Vedanta’s operations – the company was portrayed as a financial risk because it was operating against the laws of India – trying to build a mine that has no real basis in legal permit⁵², violating environmental laws⁵³, and building the refinery without the right permits⁵⁴. Similarly, Amnesty International had a dedicated staff member in charge of the NGO’s investor engagement work, whose role was to ‘translate to investors why what is happening partly should be addressed by them, there is a moral concern but also they should understand that these issues often translate into a financial impact sooner or later’ [*Fieldwork Interview*, Amnesty International, 2013]. This process of translation of ideologically-based concerns,

⁵¹ Market failures occur under conditions when the interests of companies and investors are not aligned with those of society. Mackenzie and Sullivan (2008) argue that, according to economic theory, exploiting market failures maximises profits for investors and that is why they are unlikely to engage in shareholder activism to address CSR issues.

⁵² Under the recent Forest Rights Act (2006) which came into effect in 2008, the Dongria Kondh and other marginalised communities can make community claims for the forest lands which they have been directly using. In 2009 they began filing claims to forest land in Niyamgiri which went unregistered by the local authorities. The Dongria Kondh’s claims under the FRA were legitimised in 2010 after two MoEF-appointed panels visited the area and recommended that the MoEF reject forest clearance for the mine.

⁵³ The EIAs described in Amnesty International’s report from 2011 which fail to meet India’s regulatory requirements.

⁵⁴ Vedanta began work on the six-fold expansion of the refinery before receiving clearance.

as Sjoström (2007) puts it, is evident in both campaigns run by Amnesty International against Vedanta and Shell.

Second, the business case for taking action is also clearly articulated in the Niger Delta campaign. For example, the first briefing paper written by ShareAction and targeting the company's investors, examines the risks that shareholders face in view of the UNEP (2011) findings. It talks about 'the significance of the potential financial liabilities' (2012a, p.1) that Shell could incur as a result of its consistent failure to clean-up oil spills⁵⁵ which only exacerbates clean-up costs and creates 'a legacy of undisclosed liability' (p.1). Apart from the financial risks involved, there are also reputational risks to do with the sustained criticism coming from NGOs and community groups regarding Shell's operations in Nigeria – such public pressure, according to the briefing, is only going to continue unless the company identifies clear steps for the reduction of oil spills and the carrying out of prompt and appropriate clean-up.

Third, NGOs have also endeavoured to explain in detail to both companies and investors why it makes good business sense to adopt responsible tax practices. In their investor guide entitled 'Tax Responsibility' and published in 2013, ActionAid portrays aggressive tax practices as causing three types of risks – financial, reputational and regulatory (ActionAid, 2013b). The first type can be further subdivided into stock price crash risk, compliance risk and cash flow risk. The secrecy involved in aggressive tax planning can cause an accumulation of bad news until a tipping point is reached, whereby all the bad news come out at once leading to a stock price crash. Second, an aggressive tax position can lead to greater scrutiny by governments and tax authorities, creating substantial compliance costs and adjustments to current tax settlements that increase the tax liability. Third, it can result in significant contingent tax liabilities on a company's balance sheet which, if to become due in the future, can have a damaging impact on the organisation's cash flow at that date (ActionAid, 2013b). ChristianAid's 'Tax and Sustainability' report also talks about cash flow risk as a business case argument for the adoption of sustainable tax practices, suggesting that uncertainty and volatility of earnings could have a material impact on investor confidence (ChristianAid, 2011).

⁵⁵ Under Nigerian law, operating companies are legally responsible for clean-up of oil spills, irrespective of the cause of the spill. If the accident is due to sabotage, companies are still required to remediate the site but are not liable for paying compensation to the affected communities.

Apart from financial risks, the investor guide suggests that aggressive tax planning can result in reputational risk and brand damage. The recent high-profile cases of companies such as Starbucks, Amazon, Google, and Apple, which were exposed as having been using aggressive tax avoidance strategies, reveal that public awareness in the US, EU and developing countries is growing and that tax is no longer seen as something to be avoided by companies, but rather as a valuable contribution to society (ChristianAid, 2011; ActionAid, 2013a). This growing public concern has also alerted governments to the need to focus their efforts on companies that adopt an aggressive tax position meaning that such a position can create unnecessary regulatory risk. As one interviewee argues:

You can create more stability and better planning if you don't take very aggressive position as a company on trying to reduce and very actively trying to minimise tax payment around the world – that can be quite risky because the authorities may take a close interest and you might end up having to pay a bit more than you planned [*Fieldwork Interview*, ShareAction, 2013a].

For example, following pilot tax audits of four mining companies in Zambia commissioned by the Zambian Revenue Authority (ZRA, hereafter), the ZRA revised the Mopani Copper Mine's (operated by Glencore) tax bill increasing it significantly (ActionAid, 2013a). Another aspect of the importance of adopting responsible tax practices is explained in ActionAid and ShareAction's (2011) 'Tax Responsibility' report and portrayed in the words of one interviewee:

If companies don't contribute to taxation in countries, whether it's in the West or in the developing world, then the state can't pay for the public goods which underpin a healthy strong economy (...) Investors have an interest in general growth in the economy – that is what will underpin their long-term returns, particularly big investors like large pension schemes [*Fieldwork Interview*, ShareAction, 2013a].

Despite the growing public and government concern in relation to tax practices, campaigning NGOs face a significant challenge in their attempts to emphasise the business case for adopting a responsible tax approach. As Dowling (2014) argues, corporations and managers perceive tax as an expense to be minimised – the argument being that effective tax management is a fiduciary responsibility to shareholders. There is a general resistance in the business community toward framing tax as a moral issue and the problem has been exacerbated by the fact that scholarly literature has seldom made reference to tax as forming part of the CSR debate (Dowling, 2014; Desai and Dharmapala, 2006). In a study which examines tax disclosures by managers of companies subject to public criticism over

their tax practices in the period 2005-2011, Holland *et al.* (2015) reveal that, although managers recognise the threat of tax avoidance, they are unwilling to engage in a debate on the subject due to fear of legitimising the concerns of NGOs and the public. However, as Section 10.2. (pp. 221-224) reveals this position is evolving partly due to the fact that tax questions have been put forward by NGOs in a very public forum such as the AGM, which has forced company executives to consider the issue and respond to allegations.

In summary, when articulating the business case for an issue in an attempt to speak the language of investors, NGOs have a role to play in helping shareholders to understand the risks and in highlighting the opportunities that arise from compliance with NGO demands. Opportunities are often linked to enhanced reputation as a result of embracing a sustainability issue or adopting a policy ahead of other competitors. In its communication with investors, WWF-UK uses these two lenses of risk and opportunity to advance its ideals:

I have found that investors pay attention when you speak their language: risk and opportunity. These terms can affect their reputation or their bottom line and it resonates with the way they think. For me, coming from the finance sector, these two lenses are very useful. On the opportunity side, proper ESG integration into investment strategy can lead to potentially greater financial performance over the long-run [*Fieldwork Interview*, WWF-UK, 2013].

6.3. Delivering the Message

The phrase ‘delivering the message’ can be defined as the process of translating NGOs’ arguments and campaign objectives to the investor community. The methods used to achieve this goal are explored in detail in the following paragraphs. As mentioned above, Amnesty International began to systematically focus its attention on Vedanta’s investors at the end of 2009. The aim of the organisation, when it comes to both this campaign and their Niger Delta campaign, was to: ‘focus on the public shareholders through engagement, relationship and provision of information to in turn try and get them to put pressure on the companies that they are investing in to alter the way they behave and therefore to stop or prevent human rights abuse occurring’ [*Fieldwork Interview*, Amnesty International, 2013]. These lines summarise the main position of Amnesty which was somewhat different from that of ActionAid in that, while the former sought to encourage continuous shareholder engagement with the company with the aim to ‘effect change’, the latter advocated for divestment as the only solution to the problem because, as an ActionAid’s employee puts it:

‘This is a very black and white decision – either they build the mine or they do not. The community did not want the mine, (...) Vedanta was digging in its heels in refusing, you’d already seen divestment as you’d seen the Norwegian Pension Fund divest (...) so we felt that at this point in the campaign calling for divestment was the right choice’ [*Fieldwork Interview*, ActionAid, 2013a]. ActionAid targeted specific shareholders such as the Church of England seeking divestment.

In a study that looks at the interactions between local, national and international NGOs campaigning against Vedanta’s mining plans in Orissa, India, Kraemer *et al.* (2013) reveal that such interactions are often characterised by conflict between different actors as they have divergent goals and interests. The authors argue that international NGOs and local stakeholders did not form a stable front in opposing Vedanta’s plans. The current article’s findings substantiate this argument as similar divergent goals and insufficient collaboration is found to exist between international NGOs such as ActionAid and Amnesty International.

Amnesty International’s reports described in the previous chapter contain very detailed research (each one is more than a hundred pages long) and this information, together with investor briefings (short versions of the reports), was made available to a group of investors via either direct meetings, telephone calls, sending of briefing materials, letters, or emails. ActionAid also sought to engage with and disseminate information to the investor community via written and face-to-face conversations with key shareholders. ECCR distributed hard copies of its report on the Niger Delta to Shell, corporate members of ECCR (75 copies), the board, patrons, donors, partners, readers, and key contacts (altogether 22 copies) and sent 110 executive summaries to individual members.

Another method of reaching investors is by distributing a printed copy of the reports to shareholders inside the venue where an AGM takes place prior to the commencement of the meeting. For example, I was pleasantly surprised when an Amnesty International employee closely involved with the campaign approached me at Vedanta’s AGM in 2013, giving me a copy of Amnesty International’s latest briefing ‘Vedanta’s Perspective Uncovered: Policies Cannot Mask Practices in Orissa’ published in 2012. Investors accepted the paper with interest and the small pile of reports was distributed in no time, despite Vedanta’s attempt to prevent it. The company must have anticipated this action by Amnesty

International based on experience from previous years since shareholders were allowed to take their seats only five minutes before the start of the meeting – something I found unusual when compared to other AGMs I observed.

Furthermore, NGOs often organise launch events such as seminars and roundtables for investors where they present the findings of their most recent reports. For example, on 17 July 2013 ActionAid organised a seminar hosted by Legal and General Investment Management during which the organisation presented its latest report ‘Tax Responsibility: An Investor Guide’. Similarly, EIRIS has participated for three consecutive years in an yearly roundtable organised by Aviva during which it presented its latest report on Vedanta and answered questions from other investors who were present. Members of NGOs also often act as guest speakers and share the work they have been doing with participants in seminars or webinars organised by other third sector organisations (see participant observation events in Chapter 3).

6.4. The Role of Emotion – Telling the Personal Story

Bringing members of the affected communities to Vedanta’s AGMs was always one of the main strategies pursued by ActionAid. They would attend each year and ask questions to the board of directors. This, according to one interviewee, adds credibility to the demands and unequivocally reveals the sheer magnitude and seriousness of the problems on the ground:

Bringing members of affected communities has a much stronger moral authority. If I am standing there and I say ‘You are doing this in India’ they can very easily turn around. They don’t actually say this but they imply: ‘You are a white American who lives in London, what do you know about it, dear?’, whereas if you have someone saying ‘In my community the rivers are running red, I cannot drink the water’, that’s a lot harder to argue with, both because they know the situation on the ground and because the moral authority of it – being someone who is actually impacted – is much stronger [*Fieldwork Interview*, ActionAid, 2013a].

Furthermore, during the later stages of the campaign (post-2008), when coming over for the AGM, people from the Kondh communities would also meet with those larger investors who, according to ActionAid, were more likely to reduce their stake, sell their shares, or take other actions.

Similarly, the role of emotion and the act of triggering an emotional response from investors played a great role in FoE Netherland's investor engagement strategy:

The investment managers and shareholders who decide to take steps either by sending a letter to Shell, by asking for a meeting, or by selling their shares, have to take a difficult decision. It is a financial calculation, but it's also an emotional calculation – to get to the point where a person in an institution is willing to take such a decision we also need to trigger him emotionally [*Fieldwork Interview*, FoE Netherlands, 2013].

Therefore, much like ActionAid in the case of Vedanta, the organisation also arranged for members of the affected communities from the Niger Delta to meet and talk with investors.

On the 1st July 2013 ECCR and Church Action on Poverty held a one day event aimed at encouraging ethical investors to 'close the gap' between rich and poor by becoming active owners when it comes to issues such as high executive pay and taxation. At this event, one of the investors present commented that what would enable the investor community to be more engaged on the issue is to show what tax avoidance means for people in developing countries by giving concrete real life examples [*Fieldwork Notes(11)*, 2013]. This is precisely what ActionAid's 2013 exposé on ABF attempts to achieve by telling the personal stories of ordinary people living in the affected developing countries.

The report introduces the reader to Caroline Muchanga who works seven days a week from 5.45am to 9pm in a market in the Zambian town of Mazambuka and sells bags of 'White Spoon' sugar produced by Zambia Sugar. Despite her long workday she cannot afford to send her two children to a government school and instead they go to a volunteer-run community school. When her children get sick the nearby government-funded hospital often does not have the necessary drugs and has to give a prescription for Caroline to buy the medicine herself. She pays her business taxes every day, irrespective of whether she has made a profit or not, in the form of a market levy (20 US cents). The report argues that, despite record annual revenues of over \$200m, between 2008-2010, Zambia Sugar has made no payments of corporate income tax at all. In 2010/11 and 2011/12 the company has paid 90 times less tax than Caroline relative to her income (ActionAid, 2013a).

Apart from the three campaigns discussed here, there are numerous other instances whereby the campaign strategy of telling the personal story of affected communities has been used by NGOs to secure the attention of companies and investors alike. For example, the first

time someone asked a question about the living wage at an AGM was in 2003, when Citizens UK helped a cleaner at HSBC to buy shares and attend the meeting [*Fieldwork Interview*, Citizens UK, 2013]. As part of the Living Wage campaign, other workers who were paid below the living wage have stood up from the floor to ask questions and at some occasions this has resulted in great successes – the PCS⁵⁶ managed to secure a meeting with Capita as a result of one such question at an AGM [*Fieldwork Notes(3)*, 2013].

6.5. Adopting A Relational Approach

NGOs can be subdivided in two types when it comes to the nature of the relationships they build with investors. On the one hand there are those who believe that, when using the indirect mode of influencing, one of the most crucial strategies to adopt is to create long-term, stable relationships with key investors based on trust:

(...) constantly trying to build quite good long-term relationships with people in the investment world so that, if something comes up, we can pick up the phone, they know who we are. We really just try to have quite a relational model of influencing [*Fieldwork Interview*, ShareAction, 2012].

What we want to do is to build strong relationships, build good connections with asset managers in the asset management companies that advise, for example, the pension funds, build good links with them so they can trust us and believe in what we are saying [*Fieldwork Interview*, Platform, 2013].

Relationships are important. It's very difficult to do shareholder activism through investors if you don't have any relationships with investors. It would be very time consuming to build up the relationships to be able to at least try to have an effective shareholder campaign through the investor route [*Fieldwork Interview*, Amnesty International, 2013].

However, the empirical data suggests that relatively few NGOs adopt this relational model of influencing:

There is not a huge number of organisations who do this focused campaigning and even within that there is an even smaller group who do it in a really investor-focused way as opposed to just bringing your issue to the attention of investors, and there is a difference [*Fieldwork Interview*, ShareAction, 2013b].

When it comes to their campaigns, the majority of NGOs are often 'sporadic, not very methodical and without really thinking it through at all' [*Fieldwork Interview*, Platform, 2013]. This has created an atmosphere of distrust among the investment community and has

⁵⁶ Public and Commercial Services Union.

led to a situation where ‘the contacts that have been built up and that sense of trust and engagement with the companies gets lost – which is a real mistake, real mistake’ [*Fieldwork Interview*, Platform, 2013]. When asked whether they cultivate links with fund managers and their investment firms, a majority of the participants responded negatively.

This view is reinforced by the opinion of an investor who admits that ‘sometimes NGOs can be a bit sort of fly by night, a campaign is turned on and is turned off and I think longer-term engagement with the issues and with investors is more productive’ [*Fieldwork Interview*, 2013]. Such a tendency to focus on shareholders in the short-term, by simply making them aware of the issues of concern, instead of engaging in a productive dialogue, was encountered in the NGO-investor interaction during the Vedanta campaign, leading to a decision on the part of an investor to discriminate between the two different types of NGOs in future interactions:

There were also lessons in terms of how to handle relationships with NGOs. Some of the NGOs were up for a productive dialogue with investors, some of them weren’t. [*Fieldwork Interview*, 2013].

At the same time, the importance of having contacts within the investor community, and of building lasting relationships based on trust, is also recognised by staff members of the NGOs themselves, as well as by the fund management community:

If you just walk into an investment house and speak to their ethical investment team, they’ll give you some kind of long spiel. Even if you present them with lots of evidence, they’ll say ‘Yeah, well, you know, we are engaging with the company and we’ll keep you posted’ and then you won’t hear anything for six months. Having a contact within the fund management firm itself is very useful, because they will set up meetings with the right people, the people who actually matter and make the decisions [*Fieldwork Interview*, ActionAid, 2013b].

We need to improve our standing with that community and we need to do that by better performance in what we have done in the past and consistent engagement [*Fieldwork Interview*, Greenpeace, 2013].

It’s about trust and building relationships. We are much more likely to work with ShareAction on the Living Wage because we’ve got a great deal of trust, I completely believe in what Catherine⁵⁷ is trying to achieve. It’s that trust and understanding and it is easier for us because these NGOs are our clients [*Fieldwork Interview*, CCLA, 2013a].

⁵⁷ Catherine is the CEO of ShareAction.

There are various explanations as to the inconsistent approach towards investor engagement adopted by NGOs. To begin with, smaller NGOs such as Platform and ECCR have reported suffering from lack of finance and capacity. Second, the process of shareholder activism is time consuming – often engaging with investors and building those relationships tends to require a lot of time and it can take three or more years before campaigning organisations start seeing any changes in company behaviour. Therefore, it is important that ‘if people think they can achieve something in three months, unless it’s a crisis situation where someone rushes to put out a fire, you are not going to achieve anything and NGOs need to get that’ [*Fieldwork Interview*, ShareAction, 2013b].

However, even for big NGOs with considerable capacity, the scale of resource (people, money, time) they invest in this area is limited – ‘they tend not to invest very much time or money in this area [*Fieldwork Interview*, Aviva, 2013]. For example, at the time of interviewing a WWF member, the organisation had only one and a half people working in the area of sustainable finance and interviews were taking place for an additional member who would join the team. By the words of the interviewee, ‘it is quite a small team in WWF even though WWF-UK itself is around three hundred people’ [*Fieldwork Interview*, WWF, 2013]. Similarly, when asked what are the factors that inhibit the investor engagement work of Greenpeace, a member leading the work of the organisation on capital markets named resources as a key constraint: ‘It’s still a boutique, it’s a niche thing for us here at Greenpeace. It’s not the main thing that we do so, realistically, it’s always going to be a relatively small part of our output and it’s going to be constrained by resources’ [*Fieldwork Interview*, Greenpeace, 2013].

Another explanation for this short-term approach to investor engagement might stem from deeper cultural issues that have to do with the way people in NGOs perceive themselves, their role and the corporate world:

A lot of people in the NGO sector see themselves as inherently more critical of capitalism or finance capitalism. This makes people not want to work in that sector, whereas you might feel happier about the idea of working in parliamentary politics [*Fieldwork Interview*, Platform, 2013].

I suppose it is a general bias towards ‘people in suits’ – these are just conversations I’ve had. They haven’t really been meetings or anything, just people talking about how they feel about corporate engagement in quite an informal setting [*Fieldwork Interview*, Fairfood International, 2013].

Furthermore, capital markets campaigning through shareholder activism is also seen as ineffectual, as this member of Fairfood International explains:

Some NGOs just think it's a bit watered down to start entering in discussions on these corporate levels. I think they consider it ineffectual. A lot of them just view engagement with corporations as a waste of time (...). There is a feeling that engagement will result in limited success [*Fieldwork Interview*, Fairfood International, 2013].

6.6. Facilitating Investors in their Engagement with Companies

Here 'facilitating investors' in their engagement processes means helping investors engage more effectively with companies. There are various ways through which some of the NGOs under study have tried to facilitate the process of engaging with companies. To begin with, all briefing papers produced by ShareAction as part of the Niger Delta campaign contain sample questions related to the findings of the UNEP and IUCN reports which investors can raise when engaging with Shell. These questions are tailored in a pragmatic and business-focused way, emphasising the financial liabilities associated with the clean-up. Some of the questions include:

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1. Will the company disclose the costs of clean-up and remediation of spills in addition to the volume of oil spills?

 2. What has been the cost of oil spill clean-up and remediation in the Niger Delta to date?

 3. What are the anticipated costs in decommissioning facilities?

In a similar vein, ActionAid's (2013b, p.2) investor guide aims to 'equip investors with tools to engage with companies on acceptable levels of risk associated with tax policy and planning'. It details three main elements to a responsible approach to tax, namely, a responsible *tax policy*, measures to ensure that the tax policy is implemented throughout the group (*tax management*) and *reporting* on tax responsibility. The guide provides seven indicators of a responsible approach to tax with questions which investors can raise before management to determine the company's performance against these criteria (see Table 17 below).

Table 17: Seven Criteria for Tax Responsibility

Tax Policy Questions	Indicators
1. <i>Who provides input and who sets the policy?</i>	<ul style="list-style-type: none"> - Active board-level participation in the creation, approval and review of tax policy. - Corporate responsibility and other relevant non-financial staff involvement in setting tax policy.
2. <i>Who has responsibility and how is the policy reviewed?</i>	<ul style="list-style-type: none"> - Board-level oversight of policy. - Regular reviews. - ‘Extraordinary’ review conducted in the face of new risks. - Reviews include feedback on the impact of tax practices in all countries where the company is tax resident.
3. <i>How does the content of the policy address risk?</i>	<ul style="list-style-type: none"> - Policy discards aggressive tax practices. - Policy defines the level of risk acceptable. - Policy encompasses qualitative and quantitative benchmarks. - Policy outlines criteria for tax negotiations.
Tax Management Questions	Indicators
4. <i>What systems are in place to implement the policy and ensure compliance?</i>	<ul style="list-style-type: none"> - Policy is communicated to employees. - Outlining the criteria for performance management of staff in charge of implementing the tax policy. - Relevant staff are trained on how they are expected to implement the policy. - The need to address tax as a corporate sustainability issue is clearly articulated. - Procedures to remedy non-compliance are set up.
Tax Reporting Questions	Indicators
5. <i>Is the tax policy available?</i>	<ul style="list-style-type: none"> - The tax policy and any relevant codes of conduct are published. - Staff, external tax advisers and auditors are aware of the contents of the policy.
6. <i>How much tax is paid, and where?</i>	<ul style="list-style-type: none"> - Depth: a breakdown of tax payments at the country level, as well as other relevant financial information is available. - Breadth: information exists for all the jurisdictions in which the company is tax resident, including a full list of subsidiaries by jurisdiction.
7. <i>Is detailed information given on subsidiaries in tax havens?</i>	<ul style="list-style-type: none"> - The company structure is publicly available. - Financial information is published for each subsidiary based in a tax haven. - Accounts are available on the company’s website for every subsidiary company.

Source: ActionAid (2013b)

ECCR is another organisation which has sought to facilitate investors in their engagement work by producing an investor action guide in conjunction with its 2010 report on the Niger Delta. This guide has been distributed to interested parties and ethical investors together with the report. It urges investors to encourage Shell to implement the recommendations of the report by either writing to the company, or by asking a question at its AGM (see ECCR 2010b). The guide provides a model letter addressed to Shell's CEO and refers investors to read 'Investment and Engaging with Companies: A Guide for Faith Communities' – a free publication written by ECCR in 2008 and explaining the practicalities of taking action.

NGOs have also played an instrumental role in keeping investors informed about any relevant campaign news and updates. ECCR produces regular updates on recent developments in the Niger Delta in its monthly magazine, as well as in its electronic newsletter which is distributed to all its members and subscribers. One of the strategies employed by ShareAction has also been to 'make sure that investors have a flow of succinct, relevant briefing material on the situation on the ground in Nigeria, making sure they have really relevant updates, both in terms of what the UN is doing, in terms of what the company is doing, and any other developments of interest on the ground' [*Fieldwork Interview*, ShareAction, 2013a].

Moreover, NGOs, especially big ones, can add credibility to a campaign and serve as an additional point of leverage that other shareholders engaging with the company can refer to: "If there is a campaign going on outside, which those institutional investors can refer to and say 'Look what's happening here, we've got ECCR, shareholders in your company saying 'this is not good', then we need to be listening more" [*Fieldwork Interview*, ECCR, 2013a].

Conclusion

Chapter 6 has examined six indirect shareholder activist strategies used by the campaigning NGOs to incite action by financial institutions. These strategies are: segmentation of the investor community, speaking the language of investors, communication of the campaign ethos to investors, telling the personal story of affected communities, adopting a relational approach when it comes to the interaction with investors, and facilitating shareholders in their engagement with companies. The main conclusions from the chapter are summarised below.

To begin with, the findings suggest that, to maximise impact, NGOs need to focus on working with mainstream shareholders who have a bigger stake in companies through their shareholdings and who also invest in some types of companies which are often excluded from the portfolios of SRI investors on ethical grounds. Second, as discussed in Section 4.7 ‘Nature of Argument’, making an instrumental case for taking action is seen as essential for the overall success of a campaign and this has been driven by shareholder interest in financial returns and risks to their portfolios. When asked how does Standard Life decide with which companies to engage on sustainability issues, a responsible investment analyst cites the level of influence (or the number of shares they hold in a company) and the level of exposure, or ‘how much money can we potentially lose’ [*Fieldwork Interview*, 2014, Standard Life] as the two main deciding factors. The quote emphasises the idea that, although NGOs’ actions are driven by their moral considerations, campaigning organisations have a better chance of being successful if they rely on financial arguments when targeting investors and companies.

Third, the empirical data suggests that the strategy of telling the personal story of affected communities and appealing to the emotions of shareholders can be effective in gaining credibility and leverage over companies. Fourth, although some NGOs have adopted a relational approach to their engagement with investors, for the most part, shareholder activism is still predominantly regarded by third sector organisations as a short-term practice: ‘NGOs don’t engage as much with investors. Undertaking engagement for engagement’s sake just wastes people’s time, especially if they have wrongly identified something as an issue in their reports’ [*Fieldwork Interview*, Standard Life, 2014]. In order to regain credibility within the investor community, there is a need to build contacts with investors and fund managers and create long-lasting relationships based on trust and respect.

Finally, NGOs have aimed to facilitate the interaction between asset owners and companies by providing sample questions and action guides, and keeping investors informed about campaign updates. They have also served as an additional point of leverage which shareholders can use when talking with companies. The chapter that follows continues the discussion on indirect strategies, albeit with a different focus – namely – indirect strategies that aim to mobilise non-institutional actors such as pension savers, individuals, the media, and the general public.

7. Mobilising Non-Institutional Actors Behind Shareholder Activist Campaigns

*If you think you are too small to make an impact, try sleeping
in a room with a few mosquitoes.*

(West African proverb)

Back in the 1950s, John Kenneth Galbraith (1952) argued that there are four major forces that can countervail corporate power – free competition between corporations, governmental regulation, organised labour, and citizen activism and organisation. Given that the first three have somewhat failed to live up to expectations in recent times, the potential for change rests with the fourth force which is only beginning to grow and gain momentum, with scholars positive about its development (Soule, 2009). The social movement literature discusses at large this concept of citizen mobilisation (Tarrow, 1994; McAdam, McCarthy and Zald, 1996; McAdam, 1986; Snow *et al.*, 1980). As will be revealed in the current chapter, NGOs play a crucial role in raising awareness and mobilising share activism.

What follows is a discussion of the indirect shareholder activist tactics of third sector organisations which target the general public. To facilitate the analysis, a distinction is made between two different types of stakeholders – the immediate stakeholders and the detached stakeholders. The first group consists of pension fund holders who have a direct stake in companies' affairs through their savings which are invested in equities. This is the more traditional public that has jobs and saves for a pension. The second group of stakeholders consists of the general public, especially younger people, who do not necessarily have a pension fund, but who are nevertheless valuable members of society. They have other avenues for participating in corporate campaigning such as by buying a share and attending an AGM. Section 7.1. considers the avenues for participation in corporate governance open to immediate stakeholders and the strategies adopted by NGOs to mobilise this group. Second, the chapter explores modes of participation open to detached stakeholders⁵⁸, as well as the tactics used by NGOs to gather support from this group. Finally, the chapter analyses what media strategies have been employed as part of

⁵⁸ These avenues are not exclusive to detached stakeholders. They can also be employed in the same way by immediate stakeholders who are pension savers. However, the reverse is not true – detached stakeholders without a pension cannot lobby their pension fund to engage with a targeted company.

the three campaigns in order to mobilise both immediate and detached stakeholders and what impact have these tactics had on the overall outcome of the interventions.

7.1. Mobilising Immediate Stakeholders (Pension Savers)

In their attempts to influence corporate behaviour, NGOs have traditionally targeted consumers. However, new avenues for participation in corporate governance by ordinary citizens⁵⁹ are emerging, as we move into a world where share ownership, despite being more concentrated in the hands of institutions, is becoming more democratised. Shareholder activism can be regarded as a sleeping giant, being awakened by the efforts of NGOs.

One way in which individuals can participate in corporate governance is through their pension savings. Drucker (1976) emphasises the influence that individual workers who are members of pension schemes can exercise over the actions of corporations due to the high ownership stake they hold in US pension funds:

In terms of socialist theory, the employees of America are the only true ‘owners’ of the means of production. Through their pension funds, they are the only true ‘capitalists’ around, owning, controlling, and directing the country’s ‘capital fund’. The ‘means of production’, that is, the American economy...is being run for the benefit of the country’s employees (Drucker, 1976, pp.2-3).

Urged to engage by savers and having a large stake in companies compared to other actors, pension funds can be a powerful tool for change. There have been a number of pension funds such as CalPERS (see Nesbitt, 1994; Smith, 1996 and Anson *et al.*, 2004 for evidence of the ‘CalPERS effect’) and the Hermes UK Focus Fund (HUFF, hereafter)⁶⁰ (see Becht *et al.*, 2010) which have been proactive in shaping company policies and participating in corporate governance. Over the period 1998-2004 the HUFF engaged with thirty of the forty-one companies in which it invests, calling for the implementation of a range of actions such as restructuring of the operations of diversified firms, increasing the cash payout to shareholders, replacement of the CEO or the chairman, and appointment of independent directors. Although instrumental by nature, these interventions were found to

⁵⁹ The term ‘ordinary citizen’ is used to describe a person who is not ordinarily considered to have a stake, or an interest, in the financial system and the running of corporations.

⁶⁰ The Hermes UK Focus Fund is a fund manager owned by the British Telecom Pension Scheme.

substantially affect corporate activities, resulting in economically large returns from activism (Becht *et al.*, 2010).

Similarly to Drucker, British sociologist Robin Blackburn's (2002) main argument is that employees (pension savers) should exercise democratic control over corporations and should ensure that their practices benefit them, their families and the communities they live in rather than the financial services industry. The UK is the second largest market after the US with about 10 per cent of the world's total pension assets – and pension funds in the UK are among the largest asset-owning types of investors (Maslakovic, 2011). Clark and Hebb (2004) criticise Drucker's argument on the basis that he fails to outline the mechanisms by which such dispersed ownership can be unified to undertake concerted action. Building upon Robert Clark's (1981) model which examines how capitalism has evolved over time, passing through four different stages, the authors posit a fifth stage of capitalism – one defined not by pension fund socialism, but rather by pension fund capitalism. This stage is dominated by pension funds which, although representing a broad share ownership, act as single industry players who take decisions on behalf of beneficiaries but are not controlled by them. According to Clark and Hebb (2004), the transition to a fifth stage is driven by the fact that, although the role of pension savers is widely discussed, they are unable to sustain their position as central actors.

NGOs can serve as the mechanism that unifies pension savers to undertake concerted action and to regain centre stage. In its action guide 'Shell in the Niger Delta: A Framework for Change', ECCR (2010b) encourages individuals to write to their pension fund, bank or insurance company (big organisations which almost certainly hold shares in Shell), asking them to lobby the company to adopt the recommendations from ECCR's 2010 report. This is not an isolated case of an NGO harnessing the influence of pension savers. As part of some of its previous, as well as its current campaigns, ShareAction (the charity which promotes responsible investment) has mobilised and continues to mobilise pension savers via an online action tool which enables them to send a message to their pension fund asking it to engage with a targeted company on their behalf (see Ivanova, 2014 and Ivanova, 2015).

Furthermore, ShareAction has recently started organising training events designed to convert pension savers into workplace responsible investment champions (WRICs), whose

primary aim is to transform their pension fund into an actively responsible investor. The first event held in November 2012 was general in nature – it gathered people with diverse interests and gave them tips on how to use the power of their pension savings to effect change with regard to any issue they choose, but the second and third events (in September and October 2013) were more focused on two specific issues – climate change and living wages. The topics discussed during the first training included: an explanation of the investment chain in the UK and the key players within it, the duties of pension funds to their beneficiaries, rights to information, examples of campaigns where the power of WRICs has been used, and who are the key decision makers in your fund and how to engage with them [*Fieldwork Notes(1)*, 2012]. A booklet containing all the relevant information for WRICs was also provided at the day of the event.

Apart from its training days, ShareAction has also aimed to disseminate its vision of pension savers who serve as a catalyst to pension fund activism at other events hosted by third sector organisations. For example, speaking at a panel discussion entitled ‘Principles and Profits: Investing to Protect People, the Planet and your Savings’, a ShareAction employee argues:

It is very important for people to understand that we are pension savers, consumers, citizens, but we are also capitalists and that’s the big secret, that’s what they won’t tell us. We have power and we can influence big corporations. We were told politicians and CEOs and people above will set the rules and that has been the perception until the crisis. The system is us, all we do as an organisation is to pull the plank out of people’s eyes. The money that flows around the City of London is yours through occupational pension funds, but we don’t occupy this money. We only have to recognise that we have power and we have to get over the complexity and jargon the City throws at us to tell us we can’t do anything [*Fieldwork Notes(15)*, ShareAction, 2013b].

Evidence from interviews conducted with mainstream fund managers suggests that pension savers’ intervention can really have a transformational effect on pension funds’ propensity to engage with companies and become active owners:

I think one of the reasons why many pension funds today take account of ESG issues is because their pension scheme members have asked for it. I think it is very important – a number of pension funds have moved because of demands from their pension savers [*Fieldwork Interview*, Scottish Widows Investment Partnership, 2013].

These lines go some way to contradict the argument by Simon (1993) that pension fund ‘socialism’ is limited in its ability to democratise corporations and is hindered by many obstacles. Simon suggests that the diversification of investments typical for many pension funds decreases risk but, at the same time, dilutes the control that savers can exert indirectly over any given corporation. Second, he argues that workers need to have a significant degree of shared interests if they are to exercise their voice effectively through their pension fund. There is, for example, potential for conflict stemming from the divergent interests of employees in different positions within the organisation or at different stages of employment. Simon (1993) gives the example of a typical retiree, interested in the investment return of the pension portfolio and welcoming of wage cuts and layoffs that increase the profitability of a firm their fund has invested in, while an existing employee of that firm will be concerned with the organisational policies which affect employment. However, Richardson (2007) suggests that the consensus problem is exaggerated: ‘While disagreements will most likely permeate traditional ethical or religious issues such as alcohol or gambling, substantial agreement in other areas may readily arise. For instance, members of a pension fund probably rarely favour deliberate environmental degradation or human rights’ violation’ (p.166).

These limitations notwithstanding, the current study, as well as previous studies (see Ivanova, 2015; Richardson, 2007), show evidence that pension savers can be mobilised around a particular issue⁶¹. The problem is that, important as savers might be, the movement that empowers people to know where their pension savings are invested and to push for change is still in its nascent state and, as argued by a sustainability research expert at the Scottish Widows Investment Partnership:

At the moment, relatively tiny proportion of pension savers ask any questions at all about these issues and I think some pension funds use that as an excuse to do nothing. So the more pension savers ask, the better [*Fieldwork Interview*, Scottish Widows Investment Partnership, 2013].

Apart from ShareAction, the NGO community has not dedicated its efforts to working in this area, despite the fact that some NGOs with a broad membership and supporter base

⁶¹ However, the ability of pension funds to influence corporations is not universally accepted. For example, Domhoff (2013) argues that the pension fund movement not only has had just symbolic and temporary successes, but for the most part pension funds had become sources of money for Wall Street financiers wishing to invest in risky deals. The movement is weak, he argues, due to its inability to harness the support of a broader group of institutional investors and due to its overreliance on governors and legislators willing to tolerate a campaign against private corporations.

such as Friends of the Earth have the influence and ability to educate their members in the benefits of becoming a more active pension saver.

An interviewee from ShareAction talks about another significant challenge that NGOs face when attempting to use the pension saver activism strategy:

It can be quite difficult to get people engaged with what is happening with their pensions, partly because there is a demographic issue – a lot of the people who are more activist and take e-mail actions are not the same demographic that identify themselves strongly with their pension savings, or maybe even have pension savings. So in terms of trying to build a movement and build an activist network – that is a challenge that we have to think about [*Fieldwork Interview*, ShareAction, 2013c].

The demographic problem the interviewee refers to concerns the fact that young people often do not have pension savings or find the world of pension investments complex and distant, as indicated by a respondent who is a young employee with ShareAction:

When I start talking about my work and about pension savings to friends from my circle who are the same age as me (24 years), they are just not engaged and automatically assume that what I do is not interesting [*Fieldwork Interview*, ShareAction, 2012].

These insights into attitudes towards pensions, as reflected in the quote mentioned above, are supported by secondary academic research. General studies examining attitudes toward direct action and protest reveal that young people are more likely to get involved. This assertion is confirmed by Barnes and Kaase (1979) who examine the willingness of youths and their parents to participate in varieties of direct action across five industrialised societies. Similarly, Parry *et al.* (1992), who researched participation in social movements, conclude that: ‘young adults in Britain...have an abiding attachment to direct action’. Byrne (1997) claims that younger people’s attraction to social movements can be explained by the fact that they tend not to have established careers and extensive family commitments – this in turn means they possess more disposable time and are more open to unconventional tactics.

There are therefore many considerations in respect of pension activism and it may well be the case that there is a demographic dimension whereby younger members of society do not identify with the campaigning method being proposed. The section that follows reveals

how this younger part of the population, which is perhaps more detached from the financial system, can take part in shareholder activism.

7.2. Mobilising Detached Stakeholders

Apart from encouraging pension holders to have their say in the way their savings are invested, NGOs are also attempting to mobilise ordinary citizens who may not necessarily have a pension. Detached stakeholders can participate in corporate governance through buying a single share and attending a company's AGM with the aim of asking a question⁶² (see Chapter 8 for more on the dynamics of AGM participation). This makes ordinary citizens corporate 'insiders', or shareholders (King and Soule, 2007), who are able to use their position as owners of the corporation to bring about change.

ShareAction raises awareness among its supporters and other NGOs via its annual corporate AGM training event. The event is free of charge but there is one prerequisite – that each participant attends at least one company AGM during the year. In this way, ShareAction creates what it labels its own 'shareholder army'. I attended two such events in February 2013 at the Unison centre in Euston and in January 2014 at ChristianAid's London office. The audience was mixed – 15 to 20 people with a variety of different interests including animal rights, climate change, fair wages and tax, goods sold from occupied Palestinian land, women on executive boards, among others. The events were very informative and provided useful advice for any aspiring novice shareholder activist. Topics covered included what an AGM is from a company and an NGO perspective, what are the advantages of this campaigning tactic, practical advice on how to buy shares, what to expect on the day, how to maximise your impact, and how to frame your questions (paying attention to tone, clarity, brevity, the business case, and even your attire). An abundance of real life examples of AGM questions from ShareAction's campaigns were provided and the day finished with a role-play exercise where participants pretended to be shareholders asking questions at FTSE 100 AGMs and board members providing responses [*Fieldwork Notes(3)*, 2013; *Fieldwork Notes(20)*, 2014]. The organisation also asks its supporters if they hold shares in any companies and if yes, would they like to appoint ShareAction as a proxy. This gives the NGO access to the AGM without incurring costs

⁶² The same applies for pension savers as well.

associated with buying a share – the share is owned by a supporter but s/he appoints a member of ShareAction’s team to go the AGM instead and to ask a question.

Many NGOs nowadays have started to train their supporters and provide them with the advice needed to attend an AGM and ask a question. A good example from the tax case study is ChristianAid’s strategy to engage ‘with our key supporters and campaigners to see if they would be willing to ask the question’ [*Fieldwork Interview*, ChristianAid, 2013]. The organisation has understood the hidden potential of shareholder activism and aims to empower individuals to take action and realise their influence:

One of the challenges is to get the supporters to understand that they can make changes through their very small investments rather than bigger institutional investors, and we try and galvanise, but also encourage and enthuse them to do that. One of the challenges around that is giving people the confidence and getting the right people to ask the right questions [*Fieldwork Interview*, ChristianAid, 2013].

Waygood (2006) argues that, as the system is ‘one share one vote’, meaning that a greater number of shares provides an investor with a greater influence, the ability of NGOs to pressure corporations is limited as they do not hold sufficient financial reserves to buy substantial numbers of shares. However, what training events like those described above reveal is that only one share is required to tackle the lack of democracy in companies and to occupy the boardroom – one share that can be bought by NGOs and any individual member of the public alike. This powerful mechanism is therefore seen as a measure that can give voice to a greater variety of stakeholder interests.

A powerful way of capturing the attention of both immediate and detached stakeholders is through the use of old media (traditional news programmes, print journalism, national daily newspapers) and new media (internet based campaigning using social media). Making reference to each of the three case studies, the following section looks at how the media is used to mobilise the general public. It also explores the divergent effects the media has had on the outcome of the interventions.

7.3. Mobilisation through the Media – Evidence from the Case Studies

The media plays an important role as an indirect channel of diffusion of movement tactics and collective action frames. It has an amplifying effect, by echoing the goals of social

movement organisations towards a broader audience (Dubuisson-Quellier (2013) and serves as a method for mobilisation of the public. Spilerman (1976) suggests that the urban riots of the late 1960s, which spread throughout urban, black areas, were inspired by television coverage of civil rights activism. He argues that the media created a cultural linkage among African Americans across different cities. In a more recent take on the subject, Myers (2000) considers the diffusion of racial rioting in the US from 1964-71 and finds evidence that the level of media attention received is positively correlated with the propensity for riots. He concludes that those riots which received national media attention led to an increase in the subsequent national level of riots.

The agenda-setting hypothesis suggests that while the news media may not be successful in telling people what to think, it is quite successful in telling the public what to think about (Cohen, 1963). This hypothesis has been a cornerstone of political and mass communication research for more than 40 years and the goal has been to understand the news media's role in shaping public opinion (Carroll, 2011). According to McCombs and Shaw (1972, p.176): 'In choosing and displaying news, editors, newsroom staff, and broadcasters play an important part in shaping political reality. Readers learn not only about a given issue, but how much importance to attach to that issue from the amount of information in a news story and its position...The mass media may well determine the important issues – that is, the media may set the 'agenda' of the campaign'. McCombs and Shaw's (1972) study of the 1968 American presidential election argues that there is a significant relationship between media reports and people's perception of public issues.

Given the important place the media occupies in movement dynamics, it is perhaps not surprising that the ability of NGOs to generate media and public interest in a topic played a paramount role in all of the campaigns described in this study. As will be discussed later in the chapter, media campaigns often create a broader environment of public awareness which can play an important role for influencing shareholders. The existence of, or lack of, media and public interest in a topic can have significant implications for the final outcome of campaigns, as exemplified by the divergent impacts media attention had on each of the three case studies under investigation. In some instances, the lack of stories happening on the ground and the lack of media interest in a topic made it more difficult for NGOs to influence investors (the Niger Delta campaign); on other occasions NGOs developed a sophisticated media strategy which reinforced their campaigning message and efforts (the

Vedanta case), and in the case of corporate tax issues, tax justice became a trendy topic which occupied headlines across the world and gave impetus to a new campaign.

An Unsuccessful Media Strategy – The Niger Delta Campaign

To begin with, it could be argued that the Niger Delta campaign (see Section 5.1 for an overview of the issue) has not been particularly effective in capturing the attention of the media and the public. Other interventions targeting Shell have been more successful. For example, the campaign against Arctic drilling managed to persuade the company to suspend drilling operations in 2013. According to a staff member of Platform⁶³, this achievement can be attributed to the interest the public has expressed in the issue, which in turn has been driven by the media:

Part of that success has come because there has been a very wide public interest in the question of the Arctic because of public perception that the Arctic is a very special place and that interest has been driven by the media both in Europe and the US. That public interest in itself has an impact on the US government local authorities – both the Department of the Interior who've looked closely at Shell's activities, but also the US Coast Guard who've inspected Shell's rigs and support vessels to a degree which they would never normally do [*Fieldwork Interview*, Platform, 2013].

These lines provide evidence of another campaign where, similarly to Vedanta's case (see next section below), the media and public interest have encouraged increased government scrutiny of company's activities. Amnesty International's 2009 report cites a study conducted by a group of independent environmental and oil experts who visited the Niger Delta region in 2006 and estimated that the figure for oil spilt, both onshore and offshore, amounts to between 9 and 13 million barrels of oil over the last 50 years (Nigerian Conservation Foundation, WWF UK and IUCN, 2006). This is a staggering amount compared to the 4.9 million barrels of oil spilt in the Gulf of Mexico and the 257,000 barrels spilt during the Exxon Valdez disaster. Yet the latter two incidents, and the possibility for future oil spills in the Arctic, are considered as greater disasters than the situation in Nigeria because 'there is a lot of public concern. There are oil spills of a major scale in the Niger Delta every single week and nobody gives a damn, not in the West' [*Fieldwork Interview*, Platform, 2013].

⁶³ As mentioned in Section 5.2., page 113, Platform London is one of the NGOs which has a campaign focus on Shell's operations in the Niger Delta. See Appendix 5 for more information on Platform.

Low public interest in the West can be explained by the fact that the problems in the Niger Delta are seen as something distant, something which is very hard to solve and does not have a direct impact on the everyday lives of people in the industrialised world. While Arctic drilling can have catastrophic repercussions for climate change, the situation in Nigeria is only directly relevant to the affected communities living in the Niger Delta. As one interviewee explains succinctly:

These countries are far away so it's difficult to get a lot of public involvement in the Netherlands because people see this as something that's far away and not relevant for them, and they do not see why they should be concerned about these issues [*Fieldwork Interview*, FoE Netherlands, 2013].

Another reason behind the relative public disinterest may stem from the fact that the environmental and social problems in the Niger Delta have existed for a long time and the campaign against Shell has been a very long-standing one (initiated in the 1990s). In comparison, when news of Vedanta's plans to expand its alumina refinery and to mine for bauxite in Niyamgiri first came to prominence in 2004, as the topic was new and fascinating, it was able to capture the attention of the public and the NGOs involved managed to sustain this attention until the issue was resolved – a period which was much shorter (around ten years) than in the Niger Delta case.

The lack of engagement by the traditional media with the Niger Delta issue and the apparent 'media fatigue', which may also have emerged as a result of the long-standing nature of the problem, contribute further to the scarce public interest in the topic. Moreover, a respondent employed by Platform said that in his opinion the threat of violence in the region has meant that it has been much more risky, expensive and less desirable for media corporations to send their staff to Nigeria [*Fieldwork Interview*, Platform, 2013]. In a vicious circle, low media attention has been reinforced by the scarcity of new, interesting information coming out. This contrasts starkly with the Vedanta campaign where pressure on the company was constantly maintained via media stories depicting health and safety breaches at a range of its operations such as the famous incident whereby a chimney collapsed and killed forty workers in 2009 at Vedanta's Bharat Aluminium Company power plant in Korba, central India (Hopkins, 2009; The Economic Times, India, 2010). Respondents said that the company's decision to deny all allegations at first and to adopt a non-transparent approach to dealing with stakeholders has only served to reinforce media attention:

In terms of media, which was another big aspect of it, Vedanta didn't do themselves any favours. They were aggressive, they were secretive, they were doing some really horrible things which made for good news content. Unfortunately it's often the worse stories that make the best news and Vedanta were quite unrepentant about any of it. So they were their own worst enemies [*Fieldwork Interview*, ActionAid, 2013b].

By contrast, the situation in the Niger Delta has been very different, with no major stories or eye catching newsworthy content:

There hasn't been enough to react to. In Nigeria it can go months without something emerging for all sorts of reasons, compared to other issues. And, if you want to try and get a lot of investors interested, you need there to be a sense of 'this is not going away, this is a problem'. Shell and the Niger Delta is a little more like a malingering, constant problem. Looking at it coldly as a campaigner who is trying to find leverage to bring this to the table, nothing new happens. It's relentless in a non-headline making way. The oil is always there, but there is never a newsworthy spill, if you know what I mean [*Fieldwork Interview*, ShareAction, 2013b].

However, the literature provides another explanation for the low media interest in Nigeria – an explanation that leaves aside the specifics of the campaign and instead focuses on wider issues. Many studies have revealed that the attention of the Western/Northern news media is heavily skewed towards a few countries and that most countries in the developing world get almost no coverage at all, even in newspapers that provide extensive coverage of foreign affairs such as the New York Times (Wu, 2000). An analysis of the data set of Ramos *et al.* (2007), carried out by Thrall *et al.* (2014), reveals that 78 per cent of the two hundred nations studied received no human rights coverage in either the Economist or Newsweek between 1986 and 2000 – a statistic which poses a serious challenge for NGOs' efforts to reach both immediate and detached stakeholders through the media. A recent study estimated that the quantity of foreign news stories published in newspapers in the UK fell by 80 per cent from 1979 to 2009 (Moore, 2010).

Low media and public interest in the Niger Delta campaign, as well as other campaigns ran by NGOs, might also be explained by the existence of 'compassion fatigue' among the general public – a phrase often used by journalism analysts to describe a condition whereby, as a result of being exposed to too many appeals, the public becomes resistant to responding to these appeals and to helping campaigners in their fight against big corporations. A specific case of the presence of compassion fatigue among NGOs' supporters became evident during one of the participant observation events. When running

a stall for ShareAction as part of the ‘Finance – What’s Faith Got to Do with It?’ seminar, the researcher was given the task to expand the supporter base of the NGO and persuade people to join its mailing list. However, although some individuals were interested in the work of the organisation, they were hesitant about providing their email address, because they said that they were already supporters of many of the other big NGOs and, as a consequence, they were constantly bombarded with emails, petitions and online appeals [*Fieldwork Notes(17)*, 2013].

The evidence presented in this section suggests that media interest and public engagement can catapult an issue to the top of a company’s and investors’ agenda. The presence of these two factors serves as an additional leverage which drives increased investor engagement on a topic of concern to NGOs:

Nigeria is much more significant in terms of impact on peoples’ lives than the Gulf of Mexico is but, because of the lack of the regulatory pressure (there are laws in America), because of the lack of television cameras – Nigeria just isn’t as big a priority, you don’t need to be fighting that fire to maintain a solid presence in Shell [*Fieldwork Interview*, ShareAction, 2013b].

The Vedanta campaign case study also stresses the importance of regulatory pressure for achieving a shift in company behaviour (see next section). Such regulatory pressure in the case of Vedanta has also been driven by heightened public and media engagement. Therefore, it could be argued that these three factors – regulatory pressure, media interest and public engagement, play a paramount role in the effectiveness of a shareholder activist campaign.

Successfully Capturing the Media and Public Attention – The Vedanta Case

In contrast to the Niger Delta case study, the media and public interest regarding Vedanta’s operations in India is very high. Overall, the campaign against Vedanta (see Section 5.1 for an overview of the intervention) can be considered as an example of a successful intervention. This success is partly attributed to the elaborate media strategy developed by ActionAid as part of its broader campaign efforts. The NGO has endeavoured to ‘make sure that the controversy around the Niyamgiri mine was picked up in the press at the time of the AGM’ [*Fieldwork Interview*, ActionAid, 2013a]. For example, in 2009 ActionAid hired a JCB digger and placed it outside the AGM to attract attention and provide a good photo backdrop. ActionAid also did a Photoshop stunt in 2008 – an image of St Paul’s

Cathedral with a wrecking ball. The objective was to demonstrate how destroying a sacred site would feel to a community and an actual planning application to demolish the cathedral accompanied the stunt. In 2009, this was followed by a spoof photo of Stonehenge being demolished to keep the issue alive and in the public's imagination. All three images are shown below:



Bianca Jagger with Indian activists outside Vedanta's 2009 AGM. The JCB digger provides a good photo backdrop.



Left: 2008 Photoshop stunt by ActionAid depicting the demolition of St Paul's Cathedral.

Right: 2009 spoof photo of Stonehenge being demolished.

These powerful images were widely circulated both through old media channels (newspapers, news programmes) and new media channels (the internet, social media websites, email alerts), ensuring that the message reaches immediate, as well as detached stakeholders.

A review of live documents conducted by the researcher demonstrates that the campaigning efforts of ActionAid and Amnesty International have been closely followed by the media. The Guardian newspaper has covered the events at Vedanta's AGM for five consecutive years since 2009 and the BBC has published regular updates of developments throughout the years. The upheaval in the UK was well documented across all of India's major newspapers – a significant factor for the success of the campaign, according to the interviewees:

The more that we built media pressure in the UK, the more that would be reflected back in the Indian context and slowly but surely that actually changed how feasible it was to get political action and in the end what worked wasn't getting shareholders to convince the company not to invest, it was getting shareholder activity to generate a lot of press to make the Indian government feel uncomfortable about it, and then that ended with one of the clearances for the mine being cancelled [*Fieldwork Interview, ActionAid, 2013a*].

The lines above suggest that shareholder activism can achieve the desired outcome in terms of changing corporate policy not only through influencing immediate and detached stakeholders, but also through getting the attention of a third type of stakeholder – namely – governments and politicians. Governments can in turn change the regulatory environment so that companies are forced to comply with the newly introduced legislation. This is precisely what happened in the case of Vedanta when on 18 April 2013 the Supreme Court of India delegated the responsibility for making a decision as to whether the mine should be built to the gram sabhas (assemblies consisting of all male voters, see Chapter 5, Table 14). The media has played a central role for the success of this campaign – the fact that all the shareholder activist tactics employed generated a lot of media attention both in the UK and in India, helped create the right political environment for the Indian government to intervene. One of the interviewees gives an interesting explanation of what might have been the reason behind the Supreme Court's judgement:

You have to remember that in India the Supreme Court was also very aware of every investor that was pulling out, of every press release, and every article that was being published about Vedanta and how it was affecting not just the community, but I would say the image of India as a place to do business. I think there was a political dynamic to it as well – it became a lightning rod for how development was trampling over human rights in India and that sits uncomfortably with a country's image of a modern democracy, so that was quite an important aspect of it as well [*Fieldwork Interview, ActionAid, 2013b*].

The NGOs involved in the campaign were instrumental in generating, maximising and keeping alive the media attention. According to one interviewee from the Joseph Rowntree Charitable Trust, the campaigning NGOs were very helpful in maximising the publicity around the organisation's decision to divest by giving advice on the press release and its timing [*Fieldwork Interview*, 2013, Joseph Rowntree Charitable Trust].

The NGOs also managed to organise and spark an interest among supporters as they held numerous demonstrations against the company – each year outside Vedanta's AGMs, on the Niyamgiri mountain and at the Supreme Court of India. In addition, utilising a new media strategy aimed at attracting detached stakeholders from the demographic group described previously, Amnesty International urged its members to sign an online petition and, as a result, more than 30,000 people wrote to the Indian authorities while the NGO engaged in talks with Vedanta (Amnesty International, no date).

In accordance with the findings discussed in this chapter, scholars have discovered many examples whereby NGO networks were able to encourage governments to take action through sharing new information, framing existing problems and informing public opinion by running a high profile media campaign (Bogert, 2011; Burgerman, 2001; Froehling, 1997; Khagram and Sikkink, 2002; Price, 1998; Shipper, 2012). According to Khagram and Sikkink (2002), NGOs employ the 'mobilisation of shame' (p.16) strategy in that they use the international arena as a stage to hold governments and multinational companies accountable to a global judgement about appropriateness. The main aim is to initiate change through publicising norm-breaking behaviour and through embarrassing public authorities or firms. In the pursuit of publicising norm-breaking, the media is seen as a crucial outlet and a powerful ally of campaigners, resulting in much effort being dedicated to gaining media attention (Khagram and Sikkink, 2002).

The Tax Campaign – Media and Public Interest as Triggers of Investor Engagement

The level of public awareness and media interest has also played a significant role for the advancement of the tax campaign. Once considered as an obscure and complex subject matter which is of interest only to companies and their auditors and accountants, in recent years the discussion around tax has undergone a revolutionary transformation and has come to occupy the minds of ordinary citizens. The traditional media interest in the subject has

also been abundant, with major UK newspapers covering stories about the tax scandals associated with companies such as Google, Amazon, Starbucks, and Barclays, which were alleged to have failed to pay their fair share of taxes in the UK (Syal and Wintour, 2012; Kay, 2012b; Pratley, 2013; Rushton, 2013; Griffiths and Bowers, 2013).

What is interesting to note is that NGOs campaigning against Vedanta and Shell had to generate media and public attention from scratch, whereas in terms of the tax campaign, the public and media outcry regarding tax avoidance in the UK had already begun to gather impetus when campaigners from ChristianAid, ActionAid and ShareAction decided to make use of it and redirect it towards the tax injustices occurring in developing countries. Such media and public attention can be partly explained by the broader economic and political environment, characterised by public spending cuts and numerous corporate scandals spurred by aggressive tax avoidance practices. However, another factor which needs to be taken into account is the role of the Tax Justice Network (TJN, hereafter) – an independent international network launched in 2003, which conducts research, analysis and advocacy on international tax. TJN co-founder and chartered accountant Richard Murphy is amongst the few people to realise the importance of aggressive tax avoidance before it became a salient public issue. The TJN and Richard Murphy could be credited with pioneering many new concepts in relation to the tax justice debate.

For example, Murphy (2010) developed the entirely new country-by-country accounting standard⁶⁴ (see footnote 36) which forms a central role in NGOs' calls for company action and which helped place tax haven discourse on the international agenda. In addition, Murphy (2008) also spearheaded the 'tax gap' concept upon writing the Trade Union Confederation commissioned report 'The Missing Billions'. The report calculates the 'tax gap' in the UK, or in other words, the difference between the tax that might be expected to be paid to governments and the tax that is actually collected. The report estimates that the UK Government loses £25 billion annually from tax avoidance and tax planning. As a result of this research, closing the tax gap is currently a major priority of HM Revenues & Customs' business plan. A number of other influential books and reports have been published by the TJN, including Nicholas Shaxson's (2011) 'Treasure Islands' (a comprehensive account of tax havens and the tax justice consensus), 'Tax Us If You Can'

⁶⁴ Country-by-country reporting requires that a company states each country where it has operations, lists all of the companies operating in each country and details their financial performance in each.

(Murphy et al., 2005) and 'Tax Us If You Can 2nd Edition' (Murphy and Christensen, 2013). 'Tax Us If You Can', TJN's first ever publication, provides a comprehensive overview of the concept of tax and tax justice. It analyses the causes of tax injustice, outlines the key players who benefit from tax injustice, mentions the agencies which address global tax issues and explores the key solutions TJN campaigns for. The report boasts a 22 page long glossary explaining key terms. It was written well before the NGOs discussed here started campaigning for tax justice and certainly at a time when international tax was not widely accepted as an issue that could be a focus of campaigning efforts. As an example of this, in December 2003, the TJN was the only civil society organisation to attend and address the UN Committee of Tax Experts who met in Geneva. As such the TJN has been instrumental in raising awareness among civil society organisations, the media and the general public of aggressive tax avoidance and the role of tax in corporate social responsibility.

While TJN's core focus is on creating systemic change on a wide range of issues related to tax, through writing and publishing the findings of their reports, the primary objective of the campaigning NGOs discussed here was to make sure that the development story in relation to tax is picked up by the media and finds its place in the minds of stakeholders. Major UK newspapers have covered the release of both ActionAid's exposés of SABMiller and ABF (see Boffey, 2013; Lawrence, 2010), as well as other reports published by the NGO and by ChristianAid (Anderson, 2013; The Telegraph, 2011). The main aim was to inspire a sense of unfairness and moral wrongdoing when immediate and detached stakeholders consider the tax practices of corporations and to emphasise 'the fact that tax was not being paid in the places where the economic activity took place' [*Fieldwork Interview*, ChristianAid, 2013].

Social media too played a role in advancing the campaign and in mobilising those stakeholders who do not follow traditional news content. For example, via its website and Twitter page, ShareAction provided details about the specific questions raised and the answers received at all AGMs which it attended in order to ask a tax question. A respondent explained that the main objective of this tactic was to 'get into the media to get your wider message across to a wider group of people than those attending the AGM' [*Fieldwork Interview*, ShareAction, 2013b]. Another interviewee from ShareAction commented that reliance on social media has proven useful as it secured the organisation press coverage in *The Telegraph*.

Many have acknowledged the potential of the online environment for gathering public support and media interest. Yet, studies have shown that blog traffic, Facebook likes, YouTube video views, and Twitter followership are heavily skewed toward a small number of popular people and organisations (Cheng *et al.*, 2008; Farrell and Drezner, 2008; Kwak *et al.*, 2010). This assertion appears true if we compare the Twitter followership of a small organisation such as ShareAction (5,011 as of 2015) with that of, for example, Amnesty International (1.41m.), Greenpeace (1.32m.), and even ChristianAid (71,000), or ActionAid (18,500).

An analysis of the Twitter feeds of Amnesty International, Greenpeace and ChristianAid, undertaken by the researcher during the 2014 AGM season (May – November), suggests that these organisations, which have considerably higher followership, do not use Twitter to talk about their AGM activities or the other shareholder activist tactics that they employ in their campaigns. The topic of shareholder activism is very much beyond the radar when it comes to their online presence. If this trend was to change, it could lead to a greater awareness among the public, as well as greater mobilisation of detached stakeholders willing to engage in shareholder activism. The empirical findings suggest that the poor use of Twitter to advertise shareholder activist actions can be explained by the fact that shareholder activism is not a fundamental part of what big NGOs such as ChristianAid and ActionAid do. In addition, their Twitter accounts are centralised and not all staff have access to them. Everything that is published is agreed months in advance and, although individual staff used their own Twitter accounts to popularise the shareholder activist activities they have been involved in, no mention of them was present on the official Twitter page of the organisations [*Fieldwork Interview*, ShareAction, 2014].

One strategy often used by social movements is to draw the attention of the mass media with the expectation to win the sympathies of more powerful actors able to exert influence on decision-makers (Gitlin, 1980; Gamson and Modigliani, 1989). Such an approach can be a potentially powerful indirect way of attracting the attention of investors, especially when it comes to large consumer facing companies with strong brand reputation for which, as suggested by Rehbein *et al.* (2004), the negative impact of bad publicity is far greater. The empirical evidence supports this assertion – when asked about what motivated the organisation’s decision to engage on tax, one of the employees working for a mainstream fund management firm said that ‘there has been news flow on tax so we tend to respond to

issues when there are controversies in the media, or from our clients, and on tax there has been a lot of controversy' [*Fieldwork Interview*, Scottish Widows Investment Partnership, 2013]. Similarly, a member of the EIAG (Ethical Investment Advisory Group, hereafter) for the Church of England argues that the focus of NGOs has been on raising the issue 'in the public consciousness and that has brought it to investors' consciousness. I think that's a different way of reaching investors' [*Fieldwork Interview*, EIAG, 2013].

However, a discussion of the huge media and public interest surrounding the subject of tax would be incomplete without positioning it in the broader economic context. The state of the economy can play a significant role in determining the success of a campaign and this is especially true for the tax campaign:

I think there are wider factors behind why the issue has been taken up and some NGOs jumped on the bandwagon of that as well, kind of have a piece of it [*Fieldwork Interview*, EIAG, 2013].

The economic context can be perceived as a facilitating influence to the tax campaign. Austerity measures introduced with the election of the new government after May 2010 saw a drastic reduction in public spending. At the same time the public started to hear reports about companies refusing to pay their fair share of taxes in both the developed and the developing world. Naturally, insisting for corporations to adopt responsible tax practices was seen as a way of easing the burden on governments struggling to collect money for education, the aid budget, health expenditure, and others.

Based on the observations from the tax campaign, two other factors important for securing the success of an intervention can be added to the three conditions (regulatory pressure, media interest, public engagement) already discussed previously. These are the extent to which a company is public facing and susceptible to reputational damage and the broader economic environment in which a campaign unfolds. A large and well-known corporation with strong brand image can more easily become the target of shareholder activism and concede to NGO demands: 'Generally what you see is that those companies who rely on reputation and have had adverse publicity have gotten very engaged on tax. Companies that have had adverse publicity, but don't really rely on reputation have not really engaged'

[*Fieldwork Interview*, ChristianAid, 2014b]. However, the economic climate also has to be right for a campaign to flourish, as has been demonstrated by the tax case study⁶⁵.

Conclusion

Chapter 7 has examined the avenues through which NGOs mobilise the public – both immediate and detached stakeholders. The indirect strategies discussed were: educating pension savers on how to use the influence of their savings; raising awareness and training individuals on how to buy shares, attend an AGM, ask questions to the board and maximise impact; using the media and public interest in a topic as a proxy for getting the attention of investors and increasing the chances for success of a campaign. The main conclusions from the chapter are summarised below.

To begin with, the chapter has explored the unifying role of NGOs who have the potential to mobilise pension savers and ensure that they occupy a central role in the pensions industry. The empirical evidence suggests that pressure from pension savers can be instrumental for a shift in pension fund behaviour. Despite that, such pressure is still lacking on a bigger scale and NGOs, with the exception of ShareAction, have not started campaigning in this area. There is potential for some big membership-based organisations such as Friends of the Earth to take the idea forward.

Second, a small number of NGOs (such as ShareAction and ChristianAid) have started transforming individuals into corporate ‘insiders’ who can change company practices. This transformation process is achieved through training events that equip citizens with in-depth knowledge on how to buy shares and attend an AGM. Although still in its early stages, the momentum for this type of action is growing, not only among individuals, but among NGOs as well, as has been shown by the chronology (see Chapter 4). The notion of the ‘shareholder army’ composed of ordinary individuals refutes Waygood’s (2006) argument

⁶⁵ Having discussed a number of shareholder activist strategies, it should be noted that an NGO campaign is rarely based purely on shareholder activism as a point of leverage. Often the focus on the financial market runs in parallel with other tactics such as celebrity endorsement (for example, Bianca Jagger and Michael Palin in the campaign against Vedanta); building relationships with key political figures (for example, Boris Johnson, Ed Miliband and Simon Hughes are all supporters of the Living Wage campaign); initiating reforms at regulatory level (for example, the tax campaign also aims to change tax policies and frameworks at the UK, EU and global levels), and others. All these factors have an impact on the outcome of a campaign. However, as they are not directly related to capital markets campaigning, they will not form part of the analysis in the thesis.

concerning the inability of NGOs to exert influence over corporations due to their lack of financial power.

Finally, the chapter has discussed media strategies employed by the NGOs and the divergent impact that the level of public and media interest has had on the success of each campaign. It has been discovered that the existence of, or lack of, media and public interest in an issue can have significant implications for the final outcomes of a campaign. Apart from the level of media interest and public engagement, other factors which contribute to the effectiveness of a campaign have been identified. These are the existence of regulatory pressure, the state of the economy and the extent to which a company is public facing. A public facing company, which is subject to regulatory pressure and attracts a lot of media content and public interest, is more likely to concede to activists' demands. What follows is an examination of the direct shareholder activist strategies that NGOs have used as part of their campaigns against Vedanta, Shell and tax injustice.

PART FOUR: DIRECT STRATEGIES

8. The AGM

Going to AGMs had been really useful in putting issues on the agenda of companies, in bringing issues to the attention of directors and other shareholders.

(Fieldwork Interview, ShareAction, 2013b)

Part Three discusses two direct shareholder activist strategies used by NGOs who strive to influence corporate behaviour – namely – attendance at an annual general meeting (Chapter 8) and filing of a shareholder resolution (Chapter 9). These strategies are explored with reference to the three case studies and they constitute the ‘setting’ level of analysis in Layder’s (1993) research map (Table 6). First, a detailed examination of how NGOs operate in an AGM setting is provided, paying particular attention to the nature of questions asked and the company responses received. The effectiveness with which NGOs implement this tactic is also discussed. Second, Chapter 9 focuses on shareholder resolutions as a mechanism for initiating change, by making reference to the two resolutions filed as part of the campaigns discussed – the 1997 and the 2006 resolutions presented at Shell’s AGMs.

According to Luders (2006), engaging in the disruption of routines is a key method used by social movements to compel change. By carrying out activities such as boycotts, protests, strikes, and litigations, social movements create negative publicity for the targeted corporation and can increase its cost of doing business. Filing a resolution and attendance at an AGM with the aim to ask a question or stage a demonstration (either inside or outside the venue) are prime examples of the disruption of routines described by Luders (2006).

The chronology of NGO CM interventions (Chapter 4) reveals that, in the last decade, NGOs’ use of direct strategies has escalated enormously compared to figures for the period between 1990 and 2002. The empirical evidence presented in this thesis supports the trend, because attending the targeted company’s annual general meeting formed part of the NGO’s strategy in all three case studies described here, albeit the level of importance placed on the tactic varied across each campaign. As mentioned in the methodology chapter, the researcher attended and observed the AGMs of four different companies (three of which are discussed in this chapter), in order to experience and record at first-hand how NGOs assume their role as shareholders and how they interact with the targeted companies.

Table 18 below outlines the AGMs attended, as well as the campaign to which they correspond and the NGOs which have asked questions to executive directors:

Table 18: Attended AGMs (Company, Year, Campaign and NGOs involved)

Company	Year	Campaign	NGOs/supporters
Shell	2013 and 2014	Niger Delta Campaign	ShareAction (2013), Amnesty International (2013), FoE Netherlands (2013), Platform (2013, 2014)
Vedanta Resources	2013 and 2014	Vedanta Campaign	Amnesty International (2013, 2014), A Dongria Kondh representative (2013), Bianca Jagger (2013)
BP	2013 ⁶⁶	Tax Campaign	The UK Tar Sands Network, ShareAction, ChristianAid

The following paragraphs give details about each of these companies' AGMs in the order in which they appear in the table. The information is based on the participant observation notes compiled by the researcher and on the verbal accounts of interviewees who have attended past AGMs.

8.1. Shell

Members of Amnesty International UK have bought a token share and have attended Shell's AGMs since 2011, and members of ShareAction have been present at the events since 2012. Similarly, ECCR staff and supporters have attended the company's AGMs since the late 1990s. As Shell is an Anglo-Dutch company, its AGMs have traditionally been held jointly at London and The Hague with a live satellite link-up being set up, enabling UK shareholders to ask questions to directors at the meeting in The Hague. However, this arrangement was changed for the first time in 2013 when the event was streamed live online because, as suggested by Shell, the interactive satellite link did not meet shareholders' needs (Neate, 2013).

⁶⁶ BP's 2014 AGM does not form part of the participant observation discussion because the issue of tax avoidance was not raised during the meeting.

Nature of Questions Asked

When it comes to the Niger Delta, various NGOs have attended Shell’s AGMs at different points in time (ECCR between the mid-1990s and 2011, Platform since the early 2000s, FoE Netherlands from the late 1990s onwards and Amnesty International most recently – post-2009). Campaigning NGOs have asked a variety of questions over the years and some of these have focused on highlighting failures to adequately clean up or compensate communities for pollution, seeking disclosure of information, demanding commitments for the reduction of gas flaring, and so on. To demonstrate the dynamics of NGOs’ campaigning in practice, Shell’s 2013 AGM was observed and will be discussed in this section. Overall, with a total of eleven questions related to Nigeria being asked, campaigners, investors and citizens catapulted the Niger Delta issue to the top of the AGM agenda. Representatives of ShareAction, Amnesty International, FoE Netherlands and Platform⁶⁷ were all present at the meeting and asked questions. The following table provides a sample of some of the concerns raised:

Table 19: Questions Asked at Shell’s AGM 2013

Organisation	Question
ShareAction	My name is ... and I am a shareholder. My question relates to contractor oversight within the Shell group (...). It is quite concerning to see issues about contractor oversight being raised repeatedly in relation to the Shell group. The US Department of the Interior, in its review of your Alaskan operations in 2012, said that the most significant shortcomings in Shell’s management systems were in the area of contractor management and oversight. The executive summary from the IUCN scientific panel which was established by Shell said that stricter monitoring of contractors carrying out remediation in the Niger Delta is required. Peter Voser himself at last year’s AGM when asked about remediation in the Niger Delta referred to contractors being at fault. So my question is: ‘What specific steps are Shell currently taking to address the shortcomings that Peter Voser himself referred to, that the US Department of the Interior report refers to, and that the IUCN scientific panel’s executive summary of their report refers to?’
Amnesty International	My name is... I am a shareholder and also a member of Amnesty International in the UK. I am concerned to understand exactly where

⁶⁷ Platform is a London-based charity focusing on the social, environmental and economic impacts of global oil companies. For more information see Appendix 5.

Amnesty International	accountability for group-wide environmental standards and their performance lies ⁶⁸ (...). When I look at group literature – most recently the 2012 sustainability report where on page 5 in terms of accountability it states ‘overall accountability for sustainable development rests with our chief executive and the executive committee and there are group-wide standards that are set and are expected to be adhered to across our group’. Now this is directly contradicted by legal statements that our company has made in court most recently in Holland where it states categorically that Royal Dutch Shell and its directors are in no way accountable for the actions of subsidiaries (...). So I am sure that this certainly leaves me and also other shareholders confused on this vital issue and I’d appreciate clarification regarding where accountability for group-wide standards actually lies (...).
FoE Netherlands	Good afternoon! My name is... I work for FoE Netherlands. I am happy to see that gas flaring is going down, but still gas flaring is contributing highly to the climate emissions by the Shell group and therefore I have some questions about gas flaring in Nigeria and Iraq. For Nigeria we are fairly curious which project would be built over the coming years and what the results would be, and if zero flaring is still the objective? (...)
Platform	I am not only speaking here for myself but on behalf of a colleague - Peter ⁶⁹ . He lives in Port Harcourt and he was eager, desperately keen to come to this shareholder meeting to be able to present to the board. Unfortunately, he couldn’t get the visa to get into the Netherlands despite a great deal of trying. It interests me that Chad Holliday ⁷⁰ has been twice to Peter’s homeland over the last 24 months or so and Peter can’t come here. It makes it very difficult to have a level playing field (...). (‘A question please!’, the chairman interrupts at one point). He works with the villagers in Ogoniland, it’s now two years since the UNEP plan for the cleaning of the environment in the Ogoniland was agreed and it’s awaiting the go ahead of Shell (...). The finances are there (...) why is Shell not going ahead with this? I think this is an important question in relation to this changing security situation. Over the last two years there has been a better security situation in Nigeria and the opportunity wasn’t taken up to push forward with the UNEP plan. Why not and when is it going to go forward?

Source: *Fieldwork Notes(8) (2013)*

⁶⁸ The person asking the question also cites the IUCN report which states, contrary to Shell’s assurances, that clean -up and remediation is not satisfactory in the Niger delta (see full version of the question in Appendix 10).

⁶⁹ A fictional name made up to conceal the true identity of the person.

⁷⁰ Non-executive director of Shell since 2010.

What is noticeable is that the first two questions, and to some extent the third, discuss broad issues such as contractor oversight, accountability for group-wide environmental standards and gas flaring. Rather than being focused on one specific aspect of Shell's operations such as tar sands, the Arctic, or Nigeria, these issues are relevant to Shell's activities worldwide. The first question talks about contractor oversight in relation to both the Arctic and Nigeria and the third question mentions gas flaring in Nigeria and Iraq. According to an interviewee from ShareAction, the decision to formulate the questions in such a way comes in response to the increasing tendency for companies such as Shell (and also BP, see the section on tax below which provides an account of BP's AGM) to group all questions from a specific topic together and, instead of answering them one at a time, to provide a broad, general answer to all five or ten questions on, for example, Nigeria:

I think the Shell AGM is very predictable. They are waiting for ten questions on Nigeria, they are waiting for ten questions on the Arctic. They are all sitting there and they will just bat them off and they won't really pay any attention [*Fieldwork Interview*, ShareAction, 2013b].

When the theme of a question is overarching, such as contractor oversight, or community relations, or legal strategies – that, first of all, creates a more unpredictable meeting for Shell and hinders their elaborate strategy for dealing with uncomfortable NGO questions and, secondly, speaks the language of investors, creating the impression that the question is coming not from an NGO representative, but rather from a well-informed and concerned shareholder:

It's not Nigeria, the shareholders aren't hearing Nigeria, they are hearing legal strategy, they are hearing contractor risk, they are hearing things that work for them and also the Shell board is just out of its comfort zone a little bit... [*Fieldwork Interview*, ShareAction, 2013b].

Question four, whose shortened version is presented here, begins with a rather long preamble expressing moral indignation at the unfairness of the fact that it is so difficult for members of the affected communities in Nigeria to visit the Netherlands and attend the AGM. This rather unrelated to the topic comment visibly seemed to have annoyed the board as the Chairman interrupted at one point, demanding that a question be asked. Being present at ShareAction's AGM training event in February 2013, one of the main messages with regard to the nature of AGM questions had to do with the importance of formulating shorter, sharper questions which express one specific ask [*Fieldwork Notes(3)*, 2013]. This ensures that the message NGOs attempt to convey is not lost or misunderstood, that the

board and shareholders are not bored or annoyed, and that the board has no opportunity to give a general comment without addressing the question.

Apart from the questions asked by NGOs, there were also a number of Dutch investors who stood up from the floor to challenge the board (see questions five to seven in Appendix 10). A representative of a number of Dutch pension funds, as well as a member of the Dutch Association of Investors for Sustainable Development, were among those who asked questions. Investors were mainly concerned about the clean-up of oil pollution and about gas flaring. Question six, asked by a Dutch shareholder, is an interesting one – it suggests Shell has not been transparent with regard to its operations in Nigeria and has misinformed the public when it comes to its role ‘in the tragedy in the Niger Delta’. To understand better what this assertion might allude to, the company’s response to the allegations and the questions at the AGM should be examined. The next paragraph does precisely that.

Company Response – The Victim

Shell’s official position and main response to the human rights and environmental allegations was expressed by the group’s CEO Peter Voser during his opening speech in which he addressed shareholders. The company was portrayed by Mr. Voser as a victim of the circumstances – a victim who is trying to do the right thing, but the people and the Nigerian government (which is not contributing to its share of the clean-up costs) stall its efforts:

Let me start off by saying that we have not always got things right in Nigeria, but we learn from mistakes and look to improve our operations. We again made progress in 2012. But please remember that SPDC is operating in an environment with substantial social and security problems. There is widespread vandalism, oil theft, violence against our staff and their families [*Fieldwork Notes*(8), Peter Voser, CEO of Shell, 2013].

This position has been reiterated numerous times in Shell’s annual reports, sustainability reports and other official documents (for further information on the complex operating environment in Nigeria, characterised by a corrupt government, oil theft, conflict within communities, and between communities and oil companies, see Chapter 5 which provides a brief overview of the situation).

Second, another argument frequently put forward by the company and also expressed during its 2013 AGM is that, rather than being caused by poor infrastructure and operational problems, the majority of oil spills are due to illegal activities and vandalism.

As Peter Voser argues:

Today there are fewer than 65 sites affected by spills before 2012 that still need addressing and these are predominantly as a result of criminal activities. We are moving in the right direction, but I want to stress that the security situation, especially the theft of crude oil, is a major problem which seems to have got worse in 2012 and 2013 (...). Theft also causes environmental damage [*Fieldwork Notes(8)*, Peter Voser, CEO of Shell, 2013].

If you just take 2012, 95 per cent of the spills were sabotage [*Fieldwork Notes(8)*, Peter Voser, CEO of Shell, 2013].

Strong disagreement exists between NGOs and oil companies over the number of spills that are attributed to sabotage, with third sector organisations and local communities believing that companies such as Shell purposefully designate operational spills as sabotage in order to avoid paying compensation. Sabotage, vandalism and oil theft are all serious problems existing in the Delta, but no claim can be made with certainty as to what extent of the spills has been caused by such activities because, as Amnesty International (2009) points out, data on the causes of oil spills in Nigeria has never been subjected to independent monitoring and verification. The report proceeds to argue that the majority of spills prior to the 1990s were due to infrastructure problems and human error. By the own admission of SPDC, most of the oil they spilt between 1989 and 1994 was due to corrosion or operational problems (Amnesty International, 2009).

In response to a question by a Dutch shareholder, Shell's CEO revealed that the company had 329 spill sites verified in 2012, as opposed to 351 in 2011 and 400 in 2010. He acknowledged that the security situation in the region had improved in 2011 and 2012 and that Shell could do more. However, when asked by a member of Platform why this window of opportunity had been missed and the company had not pushed forward with the recommendations of the UNEP report, Mr. Voser acknowledged the question without answering it directly, and instead stressed that the security situation has again deteriorated during the last five to six months, claiming that had stalled progress.

One year on, the 2014 AGM, which was also observed by the researcher, suggested that Shell's approach to dealing with allegations has not changed much. During this AGM, the new CEO Ben van Beurden, who stepped in in January 2014, emphasised yet again that the situation in 2013 has been very challenging due to a substantial increase in oil theft and security problems (including 16 staff being kidnapped). He admitted that there were operational spills and environmental damage resulting from oil theft and said that the company was trying to reduce spills caused by sabotage. At no point during his speech on Nigeria did he mention the other common reasons for the occurrence of spills highlighted by NGOs – namely – poor maintenance of infrastructure, corrosion and equipment failure. Similarly to the statements from the previous AGM made by his predecessor Mr. Voser, van Beurden claimed that gas flaring was down in 2013, but some gas flaring projects have been facing delay as a result of lack of funding from the Nigerian government. The point about the shortfall in government funding in relation to gas flaring was reiterated twice. The CEO confirmed that Shell is reducing its footprint by divesting from more onshore blocks in Nigeria⁷¹ and is focusing instead on the gas value chain and deep water. However, van Beurden clarified that this is not an exit from Nigeria as Shell is still making large growth investments onshore [*Fieldwork Notes(22)*, van Beurden, CEO of Shell, 2014].

What is interesting to note is that, during the questions and answers session at the AGM, of all the different NGOs campaigning against Shell in Nigeria, only one member of Platform stood up to ask a question on the issue (see Appendix 10 for a transcript of the question) [*Fieldwork Notes(22)*, 2014]. This is in stark contrast with the 2013 AGM when there were altogether seven questions on Nigeria – four from NGOs (Amnesty International, ShareAction, Platform and FoE Netherlands) and three from investors. ShareAction did not ask a question at the 2014 AGM because by that time the organisation was not working on this particular campaign (its initial contract with Amnesty International had come to an end). When asked about why representatives of Amnesty International did not attend the AGM, the NGO said it was due to a lack of funding.

⁷¹ Since 2010 Shell sold a series of blocks exceeding \$2bn, but it announced in 2013/14 that it will sell licences for another four oil production areas in the eastern Niger Delta region and this sale represents the largest so far in terms of production (Makan, 2013).

8.2. Vedanta

ActionAid members have bought token shares and have attended the AGMs of Vedanta since 2007. Amnesty International has done the same since 2009. EIRIS has not attended the meetings but its reports have been used by investors such as Aviva and others who have stood up from the floor and asked questions based on the information in the papers. Alongside the questions asked in the boardroom there were protests outside organised by the NGOs involved so as to ‘make sure that investors were aware of the scale of the controversy’ [*Fieldwork Interview*, ActionAid, 2013a]. According to the former head of trades and corporates at ActionAid, the NGO adopted a direct strategy in order to: ‘confront the company in their home territory, so to speak, in terms of where they are registered and where their financial base is, to get them to address those questions’ [*Fieldwork Interview*, ActionAid, 2013b] and an Amnesty International employee, closely involved in the investor engagement strand of the campaign, argues the NGOs’ aim was to ‘add weight to whatever issues Amnesty International was seeking to change, to challenge the board of directors and to publicly highlight the issue where there are concerns’ [*Fieldwork Interview*, Amnesty International, 2013a].

Nature of Questions Asked

Over the years numerous questions have been asked at Vedanta’s AGMs revolving around issues such as the legality of mining and refinery operations in terms of the permits the company had, environmental pollution, human rights abuses, the procedures used for land acquisition and building permissions, and others. The company’s AGM in 2013 was attended by representatives of Aviva, Amnesty International, the Dongria Kondh and by Bianca Jagger, who all stood up to ask questions. The following table provides a short version of some of the questions (see Appendix 11 for the full version of the questions):

Table 20: Questions Asked at Vedanta’s AGM 2013

Organisation/Individual	Question
Bianca Jagger	<p>(...) What are the lessons learnt by Vedanta from the Niyamgiri experience which will be applied to all other projects with regard to issues of consultation and impact assessment? My second question is, does Vedanta now accept the need to gain the free, prior and informed consent of Adivasi⁷² people before embarking on any future projects? Thirdly, has Vedanta conducted an internal investigation into the charges by the Indian National Human Rights Commission (INHRC, hereafter) (...)? If no internal investigation has been conducted, may I continue by suggesting that this is a disgrace given the serious nature of the offenses that the INHRC, an independent watchdog, has drawn attention to.</p>
Stephanie Meier, Aviva	<p>Since the beginning of 2010, Vedanta’s share price has underperformed in relation to its mining peers by 25 per cent. We consider that a proportion of this can be attributed to mismanagement of sustainability issues. (...) We are still to see the evidence that policies and practices are being comprehensively embedded in the culture of the company and translated into action on the ground. This cultural change should be driven by the board and appropriately trained and experienced board is therefore crucial. (...) We do not consider that there is sufficiently robust and independent challenge and oversight at board level. (...) A focus on sustainability will help the board deliver value to Vedanta and its shareholders.</p>
Amnesty International	<p>(...) My question to you is, are you prepared to make a commitment that, in any future projects, you will undertake human rights impact assessments at the outset, and that the decision whether to go ahead with the project will depend on these impact assessments that will address the full socio-economic and human rights impacts and that these assessments will be shared with affected communities so that they can take a view on whether they want the project to go ahead or not. Are you willing to make that commitment?</p>
A Dongria Kondh representative	<p>Last year you said you will delete that part of your report where you say the Dongria Kondh are backward. In the ‘Vedanta’s Perspective’ report you have made racist</p>

⁷² The term Adivasi is used to describe India’s indigenous communities.

A Dongria Kondh representative	comments about the Dongria Kondh... [Here the person asking the question is interrupted by the Chairman, Anil Agarwal who speaks in Indian and they briefly exchange words that are not translated to the rest of the attendees in the room. Then, the tribal representative stands up and says he wants to sing a song on behalf of the Dongria Kondh, the main message of which is that Vedanta is not welcome in Niyamgiri. The song is in Indian but the man slips in a few sentences in English while singing: ‘We won’t leave Niyamgiri. We won’t leave, we won’t give’].
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Source: Fieldwork Notes(12) (2013)

As can be seen from the table above, the questions at Vedanta’s 2013 AGM revolve around the lessons that the company has learnt throughout the engagement process and test its willingness to: follow international human rights standards, respect the right to free, prior and informed consent of indigenous groups, conduct comprehensive human rights impact assessments as part of its future projects, embrace sustainability, and embed its new policies and practices in its culture, translating them into actions on the ground. It is interesting to observe the stark contrast in language and tone between the question delivered by the institutional investor Aviva and the questions asked by campaigners and NGOs. The former mentions sustainability issues but speaks the language of investors, making reference to share price performance and emphasising that the ultimate goal is to ‘deliver value to Vedanta and its shareholders’. In contrast, one of the campaigners asked her question with a voice full of emotion and the sound of her last reprimanding words echoed in the room: ‘may I continue by suggesting that this is a disgrace given the serious nature of the offenses...’. The song of the Dongria Kondh member served to once again reinforce the position of the Adivasi people and to remind the company that its development story is lacking in real substance. His performance was listened to in complete silence and welcomed with a moderate applause.

Company Response – The Saviour

Both written documents and the verbal accounts of interviewees suggest that, when the campaign first started, the company was very reluctant to engage with anyone and to respond to the allegations it faced. Amnesty International sought to follow-up on its research while drafting its first report on Vedanta by requesting an interview with the

company in London. It also gave Vedanta an opportunity to comment on two drafts of the report. However, no response was received (Amnesty International, 2010). Similarly, an EIRIS official also argues that, initially, the company was reluctant to comment on the allegations: ‘to begin with they were very unresponsive and wouldn’t really communicate much at all’ [*Fieldwork Interview*, EIRIS, 2013a].

However, the attendance by Aviva at the AGM in 2010 marked a turning point in the way in which the company treated its investors and responded to concerned stakeholders. A representative of Aviva attended the AGM to present EIRIS’ report alongside the seven recommendations and urged the company to address these recommendations. The chair – Mr. Agarwal made a commitment to respond to the report in due course. By pursuing an escalation strategy, Aviva had achieved what other investors who sold their shares had not – a response and public commitment by the company which led to an increased dialogue over the years. This highlights the merits of adopting a shareholder engagement over a divestment strategy. It also reveals, along with other examples discussed in the study, that a direct tactic such as attending an AGM to ask a question could be a powerful tool for change. One of Waygood’s (2006) main arguments is that an indirect shareholder activist strategy increases the chances for a successful campaign. However, the current study has revealed the powerful effect that a direct approach can have, therefore rendering Waygood’s assertion as somewhat simplistic and over-generalised. Nevertheless, it should be noted that Aviva’s decision to engage has most probably been motivated by the fact that it has a tracker holding in Vedanta. As such, it is a passive investor who does not choose the companies in its portfolio and cannot divest from Vedanta if dissatisfied with management. In the literature, shareholder activism is considered to be particularly important and often practised among passive, index-tracking investors who cannot divest and need to engage directly with companies (Monks, 2001; Solomon, 2007).

The reason behind Vedanta’s change in attitude can be explained by two factors. First, the public nature of the message (asking a question at the AGM) forced Vedanta to respond. Second, it was an institutional investor (Aviva) who expressed concerns in a public way:

To be seen to ignore an investor, even a small investor in a company is irresponsible and therefore you can’t do it for very long, particularly if it’s in the public realm. I think that paper was very important in bringing to the company’s attention and to other investors’ attention in a more public fashion the challenges of Vedanta and,

had that been done all behind the scenes, I don't think it would have had the same impact [*Fieldwork Interview*, EIRIS, 2013b].

The importance of the message coming from inside the investment industry has been emphasised on various occasions in the interviews:

Much more important is to try to get the message from people who have credibility within the system [*Fieldwork Interview*, Forum For The Future, 2013].

If investors feel like it is coming out of their field, it may actually be a risk, but they may not be ready to acknowledge that [*Fieldwork Interview*, ECCR, 2013b].

These empirical findings are substantiated by Solomon's (2007) claim that for socially responsible investment to have a sound future and to progress substantially, it has to be driven by players within the industry such as fund managers and trustees. Therefore, there is certainly an argument to be made that NGOs should focus their attention on gaining allies within the investor community. Having said that, let us turn our attention to Vedanta's responses to the questions raised during its 2013 AGM at which the researcher was present. Such an analysis highlights the successful nature of the Vedanta campaign.

To begin with, one of the main discourses put forward by the company during the meeting had to do with the role the company plays for the growth of the Indian economy and the well-being of the impoverished people in Orissa who have no access to jobs. Vedanta was portrayed by its Chairman and majority shareholder Mr. Anil Agarwal as the saviour who brings hope, prosperity and development to a place forgotten by everyone:

In Niyamgiri it has been a test for us for the past 8 years. When I first came there it was poor to poor, we took courage to go there. There was no road, everything was isolated. We created all the infrastructure, we employed 14,000 people and we built this plant for seven years. We opened a school, hospital, we have created jobs, whatever we could do in the most transparent manner, we have done (...). Orissa is the poorest state of our country and it requires jobs, it requires industry. The only way to come out of the poverty is the manufacturing. No industry is coming, we are the only industry who can come and invest \$10bn in that state and provide some kind of hope. We have no other intention except to do the right thing [*Fieldwork Notes(12)*, Anil Agarwal, Chairman of Vedanta, 2013].

Here, the view that solely the mining industry can bring access to education, health care and other essential services is reinforced verbally just like it was previously expressed in written form in the document 'Vedanta's Perspective' (Vedanta, 2012b).

The second main strategy adopted by the company at its AGM was to emphasise the legality of its operations and to delegate responsibility for its actions to the state and local governments, the MoEF, the Supreme Court and its joint venture partner – the Orissa Mining Corporation:

I believe what we have done is right. There is no lesson to be learnt because we have done everything within the law. It is very unfortunate that the people have no jobs. India needs aluminium and we should produce aluminium. The process of consultation is not in the company's power. Consultation is done by the local government, by the MoEF. Whatever lessons have to be learnt, have to be learnt by the district authorities, the state government and the MoEF [*Fieldwork Notes(12)*, 2013, Mr. Mehta, CEO of Vedanta].

We are not pursuing the plant, this is between the OMC, the gram sabhas, the environmental ministry and the Supreme Court. These so called lessons are to be drawn by the actors. Vedanta is not an actor in the process, this point has to get understood [*Fieldwork Notes(12)*, 2013, CEO of Vedanta].

Similarly, in response to AI's call for a commitment towards comprehensive and timely human impact assessments for future projects, the Chairman said:

The report [the impact assessment] is not finalised by us. It has to go to the environmental clearance authorities, to the ministry. It is for them to say whether it is adequate or not adequate. What you are saying is that you want from us to conduct the best impact assessment study – the answer is yes, the commitment was always there. The important thing here is that there is a difference between what the company has to do and what the authorities need to do. When it comes to consultation and following the law as prescribed by the various acts, it is the public authorities. If they have been deficient, then we need to address it to them. All we can do is to supply information. We also have to lead toward development, towards manufacturing... [*Fieldwork Notes(12)*, Anil Agarwal, Chairman of Vedanta, 2013].

The above lines suggest that, although the company has become more responsive to its critics, it still lacks experience in its communication with stakeholders and lags behind what is considered to be best practice in public relations terms. What is more important though is the lack of insight Vedanta exhibits in terms of its actions, its roles and responsibilities – and its impact in the broader sense. I was quite surprised by the almost frantic passion with which the Chairman spoke about 'his' company and my impression was that even the changes at company level that have been achieved so far should be considered as quite remarkable given the board's apparently firm belief in the impeccability of their actions.

I was also present at Vedanta's 2014 AGM to track progress and provide up-to-date information on the development of the campaign. At the onset of the meeting, accidentally forgetting to talk about housekeeping items, it was noticeable that the Chairman Mr. Agarwal could not wait to mention the company's 10 year anniversary at the FTSE 100 stock exchange. There were giggles in the room every time a board member said something that could be considered as 'green wash'. Moreover, unlike BP's AGMs where each word of the board members is followed by an approving applause from the audience, the voices of Vedanta's Chairman and newly appointed CEO Mr. Albanese faded in complete and awkward silence. One point came across strongly during the meeting – a reaffirmation of the company's commitment not to mine in the Niyamgiri without the consent of the indigenous communities. However, the new CEO announced that obtaining bauxite from other parts of Orissa for ramp-up of the Lanjigarh refinery remains a key priority. In response to concerns about the environmental effects of the refinery, Mr. Albanese said that Vedanta hopes to achieve the world's first zero waste refinery at Lanjigarh by engaging in a range of programmes such as Green Concrete and the red mud disposal system. He also mentioned the closure of the Scott Wilson recommendations (see Section 10.1, p.209) stating that these have now become part of Vedanta's framework [*Fieldwork Notes(25)*, 2014].

Questions from the floor were on subjects such as the chimney disaster at Balco in 2009, illegal mining in Goa and compensation for communities, the fatality rates across Vedanta's operations, the veracity of the company's commitment to environmental sustainability and safety, changes in India's democratic system since the elections, and the profitability of Sesa Sterlite's operations in Goa. A member of Amnesty International UK talked about the need for cultural change in the company and questioned the results from the public hearing held on 30th July regarding the expansion of the Lanjigarh refinery (Table 20) (see Appendix 11 for a transcript of the question). Overall, the tone of Vedanta has changed favourably compared to the previous year (2013) and the new CEO seemed willing to work with stakeholders to address their concerns [*Fieldwork Notes(25)*, 2014]. Having discussed the dynamics of NGO-company interaction at Vedanta's AGMs, the next section draws on participant observation data from the 2013 BP AGM.

8.3. Tax – BP

Although campaigning on tax since 2008, it was not until 2012 when ChristianAid began targeting FTSE 100 companies by attending their AGMs and asking a tax related question. The organisation enlisted the support of ShareAction, the NGO with specific expertise in capital markets campaigning, and members of both ChristianAid and ShareAction joined forces to put tax on the agenda of company boards during the 2012, 2013 and 2014 AGM seasons (for a list of all the company meetings attended by the NGOs see Appendix 12). Of all the NGOs campaigning on tax and discussed here, the only one which has not focused on incorporating the tactic of AGM attendance into its broader strategy is ActionAid. For those involved in AGM activity, however, the decision to adopt such an approach was motivated by the realisation that: ‘Going to AGMs can be really useful in putting issues on the agenda of companies, in bringing issues to the attention of directors and other shareholders, and also asking similar questions at a number of AGMs could create a ripple effect across companies. Therefore, we thought tax was ideally suited to AGM activity’ [*Fieldwork Interview*, ShareAction, 2013b].

Nature of Questions Asked

ShareAction and ChristianAid attended the AGMs of a total number of fourteen companies during 2012. The questions asked during this AGM season can be broadly grouped in two main categories – questions that sought reassurance that the board has good oversight of the company’s tax practices and questions that had to do with calling for more transparency and more detailed information on taxes borne and collected in different countries of operation. The latter type of questions, examples of which are provided in Table 21 below, predominated.

Table 21: Tax Questions Asked During the 2012 AGM Season

AGM	Question
Schroder	Transparency in revenues, profits and taxes is fast becoming a hot issue for companies regarding sustainability and reputation. And, I can see that revenues are reported by country on page 93 of the annual report. However, we can only see tax split by UK and non-UK in the taxation section. Given the company's good work reporting revenue by country, can you explain why we do not also report tax in the same way, by country?

BT	Transparency in revenues earned and taxes paid is fast becoming an important corporate social responsibility and reputational issue for companies (...) It seems from the annual report that no breakdown is provided with respect to overseas taxes – either in terms of the countries in which tax is paid, or the type of taxes paid. Could you let us know in what countries other than the UK we pay corporation tax and can you confirm whether the company would be open to providing more detailed information on the type of taxes borne and collected in countries other than the UK?
BP	I know that BP was a founding member of EITI and submits relevant information to EITI compliant countries. Nonetheless, we still lag behind some of our peers when it comes to tax information included in one centralised place such as our Sustainability Review. The most readily comparable peer given the composition of our board of directors is Anglo American who on page 45 of its sustainability report provides much more detailed information on taxes borne and collected in many of the countries in which it operates. Will the Board raise with BP's reporting team the possibility of including more detailed information on taxes borne and collected in various countries in our Sustainability Review 2012? I'm sure Ms Carroll as CEO of Anglo American could share useful insights on the business benefits of doing so.

Source: ShareAction (2012c)

As can be seen from the questions above, the focus is very much on embedding an idea within the culture of corporations – the idea of tax as a central reputational risk that should form part of the corporate social responsibility agenda of each company.

During the 2013 AGM season the researcher was present at BP's AGM held on the 11th of April at the ExCel centre in London and had the opportunity to witness first-hand how a tax campaigner from ChristianAid raises the issue of tax on the agenda of the board, as well as how other campaigning organisations operate in an AGM setting. Speaking confidently, calmly and with complete control over her voice which emanated strength, ChristianAid's member asked about BP's response to a specific legislative change in the EU:

In response to a question at the AGM last year on the issue of increasing our level of transparency on our tax reporting it was said that we would continue to report 'right up against the law'. Earlier on this week in the EU, agreement was reached on a new set of tax payment reporting style. Do you see these new standards as a limit to our reporting or merely the bar to which we will then look to move further on? Also, in light of legal challenges in the US on similar new legislation, can you

confirm if BP is contemplating a legal challenge here in the UK? [*Fieldwork Notes(5)*, 2013].

The above mentioned quote exemplifies one type of questions asked during the 2013 AGM season – namely, questions regarding the risk of policy framework change. Other questions sought information about companies’ views and practices with respect to country-by-country reporting (RBS, Aviva), increased transparency and visibility of tax information (Tesco, Tate & Lyle) and tax havens (Lloyds, HSBC).

Putting the tax campaign aside for a moment, there was an interesting situation that took place at the BP AGM which deserves mentioning as it is an example of vehement NGO campaigning combined with indoor demonstration. Halfway through the meeting one by one different members of the Tar Sands Network⁷³ took the microphone and asked questions about BP’s tar sands operations. Prior to asking their question, some of them spoke for a really long time, providing a lot of detailed information to the meeting about the issues they campaigned on, resembling a speech. The growing impatience of the board and other shareholders in the room could be felt easily. Finally, one of the women talking at the moment was told to shorten her monologue and deliver the question. Not distracted by this request, she argued that shareholders have a right to know about the problems she was talking about and continued with her speech. The public did not seem to agree with this statement as, shortly after, a ‘boo’ followed from some people in the room. The Chairman repeated his request to hear a question, but the woman seemed not to notice. He then gave the word to another shareholder who introduced himself, but his words were accompanied by the now quieter voice of the woman who continued to stand in front of the microphone at the other end of the room. Following another ignored request of the Chairman asking the woman to show respect and let the shareholder deliver his question, security stepped in and escorted her out of the meeting. Clapping all around in the room followed as the two security guards stood next to the woman and led her towards the exit. A few questions later, around six people from the UK Tar Sands Network ‘died’ symbolically by lying down in protest about the company’s contribution to climate change and human rights abuses and had to be carried out of the room by security. The implications of such NGO behaviour are discussed in Section 8.4. which summarises general observations from the AGMs.

⁷³ The Tar Sands Network campaigns in partnership with indigenous communities affected by the Tar Sands oil developments in Canada and targets companies, governments, banks, and investors operating in the Alberta Tar Sands.

Company Response

The specific response of BP to the question asked by a member of ChristianAid was short, vague, and rather defensive. The Chairman argued that:

We are supporting the level of transparency in how we report taxes around the world. We have no problem about how we pay taxes over the world [*Fieldwork Notes(5)*, BP's Chairman, 2013].

The Chief Financial Officer added that BP will completely comply with the new legislation introduced by the EU and that they will continue to work with various jurisdictions around the world regarding transparency of tax information. However, he noted that the law in some jurisdictions is an impeding factor which halts BP's desire for tax transparency and accountability.

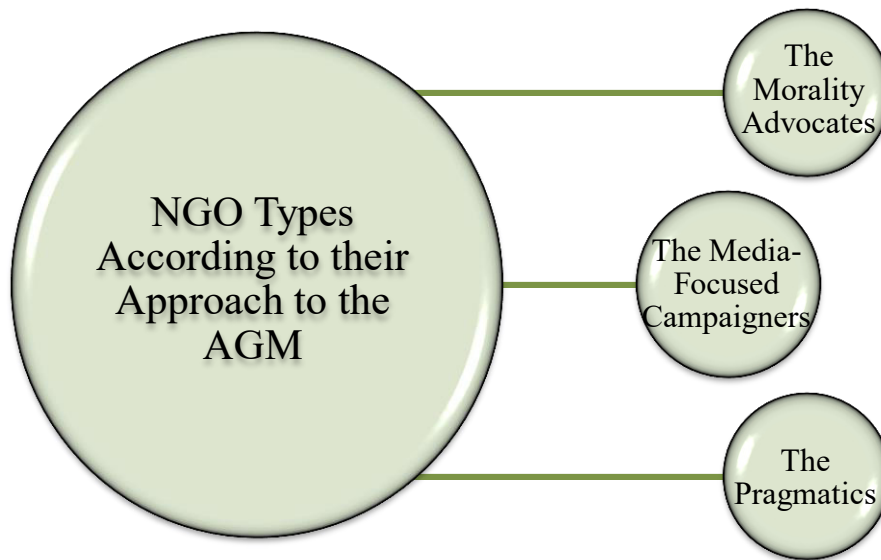
The AGM activity can be considered as the main shareholder activist tactic used in the tax campaign. Therefore, an assessment of companies' responses to campaigners' questions at AGMs forms an essential part of ascertaining the impact of the intervention. This section focuses only on the specific response of BP at its 2013 AGM, but Chapter 10, Section 10.2., which discusses the changes to corporate policy and behaviour introduced as a consequence of NGOs' activities, provides a more detailed examination of FTSE 100 companies' position on tax.

8.4. NGOs at AGMs – General Observations

Based on field notes compiled during the three AGMs described above and on empirical data from the interviews, this section considers to what extent NGOs have managed to use the AGM as a forum for channelling their ideas, what are the common mistakes in their approach, and which practices could be carried forward due to the impact they have achieved.

To begin with, NGOs differ in the way they perceive the role of the AGM. Based on the participant observation carried out at a number of company meetings, a model, which distinguishes between NGOs on the basis of their behaviour at AGMs, is created. The model posits that the voluntary sector can broadly be categorised in three groups – the morality advocates, the media-focused campaigners, and the pragmatics (see Figure 11 below).

Figure 11: A Model of NGO Types at Company AGMs



To begin with, *the morality advocates* see the AGM as their one opportunity to make their moral case heard by the people who run the company – they stand up from the floor to ask a question with a voice full of emotion and speak passionately about the injustices caused by the targeted firm. Question four from Shell’s AGM (Table 19), question one from Vedanta’s AGM (Table 20), and the questions delivered by the UK Tar Sands Network at BP’s AGM are all examples of this situation. Second, *the media-focused campaigners* engage in high-profile demonstrations inside and outside the AGM designed to attract media and shareholder attention. An example is the demonstration staged by the UK Tar Sands Network inside BP’s AGM. One interviewee has an interesting way of describing this approach to AGMs: ‘Some NGOs go at it quite, not aggressively, but using more radical methods. Some NGOs come to AGMs and then begin shouting off about stuff’ [*Fieldwork Interview*, FairFood International, 2013]. Third, *the pragmatics* comprise this group of NGOs who, when speaking at an AGM, direct their efforts towards gaining the sympathy of those who can be their greatest allies, namely, investors. These campaigners engage in frame blending (see Chapter 5) and speak in business case terms when approaching investors, adopt the role of real shareholders in the company, and deliver clear, short and financially-oriented questions. Questions one and two from Shell’s AGM (Table

19), as well as question three asked at BP's AGM (Table 21) provide an example of this group of NGOs⁷⁴.

The first two NGO types tend to predominate but, as third sector organisations' experience and involvement in shareholder activism are growing at an increased pace, there is a tendency towards a shift in behaviour as more and more organisations begin to adopt the pragmatic approach. When it comes to the effectiveness of each of these three tactics, the participant observation undertaken revealed deficiencies in the first two – the board, investors present at the meeting and other members of the audience were much less likely to be sympathetic to the cause of the person asking a question when s/he was either looking to highlight the moral case or to generate media attention. As one interviewee suggests:

If you are doing it to speak truth to power, there is a value in that, but if everybody is just there to do that, then you are not really achieving much. Or even just speaking quite passionately about something that matters to you, the board would just sit and listen to you and you will go on and they will ask you what your question is and you would have some questions tucked at the end of it and the board is bored, everyone else in the room is bored [*Fieldwork Interview*, ShareAction, 2013b].

Similarly, the empirical evidence reveals that demonstrations inside the boardroom were seen negatively by investors and served to build a bad image for the NGO community in the eyes of shareholders:

Shell shareholders have felt the AGMs have been hijacked by NGOs and there is no real discussion of serious issues [*Fieldwork Interview*, ShareAction, 2013b].

NGOs tended to be slightly more confrontational and arguably some of the investors were rather annoyed because they were trying to make too much of a circus out of it and not enough of constructive conversation. While investors do sometimes appreciate that NGOs do have to be more assertive, more aggressive, there is sometimes a danger that, if they do it that way, they'll end up alienating the investors whom, if they have on their side, they can achieve greater things [*Fieldwork Interview*, EIRIS, 2013b].

Evidence from the participant observation also suggests that, as discussed previously, the demonstration organised by the UK Tar Sands Network at BP's AGM and the way

⁷⁴ The case of the Tar Sands Network explored above reveals that the NGO has acted simultaneously as a moral advocate and as a media-focused campaigner. Therefore, it should be noted that the campaigning organisations can adopt more than one role at a given AGM. In addition, as NGO tactics are being changed in the light of success and failure, an NGO which was traditionally characterised as a morality advocate, can later begin to adopt a pragmatic approach.

members of the organisation acted served only to alienate shareholders present in the room and to evoke pro-tar sands sentiments in them. These findings only emphasise the importance of moving towards a pragmatic approach to AGMs which is characterised by shorter questions delivered in a natural tone, lacking in reprimanding comments: ‘The questions that are generally asked, they are not questions for starters, they are speeches and they are ‘everything is wrong and it’s awful and you are bad’ and the company kind of goes ‘well, we don’t agree with you’ and we are nowhere’ [*Fieldwork Interview*, ShareAction, 2013b].

The Vedanta campaign has proven that there is a way through which the emotional message can be delivered to the board but, rather than via NGOs, this happens via members of the affected communities who attend the AGM to ask a question and deliver valuable information about the conditions on the ground. Their story is more credible, more influential and more moving than any passionate long speech an NGO member can ever deliver. And the role of the third sector is to make sure that these community representatives are always present at the AGM so that they keep the pressure on the company in question.

In summary, based on the information that has been discussed so far, six recommendations detailing how NGOs can maximise their impact at an AGM can be outlined. To begin with, as BP’s and Vedanta’s AGMs have demonstrated, it is important to keep demonstrations outside the remits of the annual meeting, using the AGM forum for fostering productive dialogue with the company and for gaining alliances among the investor community. Second, speaking to investors in terms of legal, financial and reputational risks, as well as shareholder value ensures that campaigners have their attention. Third, the way in which the question is asked during the meeting is of importance – contrary to what Bianca Jagger did at Vedanta’s AGM, the presenter should speak with a natural, calm voice which does not reveal any emotions. Fourth, the questions would have the greatest impact if they are short and clear. The situation in which a member of the UK Tar Sands Network delivered a speech at BP’s AGM showcased the inadequacy of adopting a strategy of listing everything the company has done wrong – this just wastes precious time and annoys the audience. Fifth, as seen in the case of Vedanta, bringing representatives of affected communities can be helpful as they are in a good position to deliver the emotional message more successfully than a representative of an NGO. Last but not least, as observed in the case

studies, it might be a productive idea for civil society organisations to adopt proactive strategies designed to make the AGM unpredictable and to limit companies' attempts to evade or downplay NGOs' questions (for example, ShareAction's tactic for asking questions adopted at Shell's 2013 AGM). All the recommendations discussed here contribute to the literature on shareholder activism and NGOs as previous research on the topic has not relied on participant observation to explore in such detail the interaction between NGOs and companies in the context of the AGM.

Conclusion

This chapter has examined the use of one specific direct tactic – the AGM, by drawing on participant observation notes from a number of company meetings which correspond to the three case studies – the AGMs of Vedanta (2013, 2014), the AGMs of Shell (2013, 2014) and that of BP (2013, the tax campaign). For each of these events, the nature of questions and the company response to those questions have been analysed. In terms of company response, it is interesting to note that Shell and Vedanta have adopted two contrasting roles in their attempts to address criticisms – in the former case, the role of the 'victim' of circumstances and actors which impede its every effort to do good and, in the latter case, the role of the 'saviour' who brings prosperity and opportunity to a region stricken by poverty and underdevelopment. In terms of the nature of questions asked and the way NGOs behave at AGMs, a model has been devised which groups NGOs into three categories: the 'morality advocates', the 'media-focused campaigners' and the 'pragmatics'. The evidence suggests that the first two categories still predominate, but a shift towards the third is beginning to emerge as NGOs become more experienced in the AGM arena. The urgency with which this shift needs to take place is exacerbated by the fact that the first two types of NGOs are not perceived as legitimate actors with whom relationships can be built. The chapter also summarises six recommendations that will maximise NGOs' impact at an AGM. The next chapter analyses another direct strategy from the repertoire of NGOs – the filing of a shareholder resolutions.

9. The Shareholder Resolution

Proxy resolutions open the door to corporate management – private-sector opinion makers whom social activists could not otherwise reach.

(Kinder *et al.*, 1993, p.8-9)

The shareholder resolution is the main legal tool available to investors – a tool used much more extensively in the US than in the UK (Becht *et al.*, 2010; Buchanan *et al.*, 2012). In the UK, resolutions, or motions, are binding on companies if passed and are governed by the Companies Act 2006 (Part Thirteen, Chapters 1 – 3). The successful tabling of a resolution requires at least one hundred shareholders, with shares having an aggregate value of minimum £10,000 in nominal value, who are prepared to file (Sparkes, 2002). Investors can also propose a motion if they hold at least five per cent of the total voting power of all the outstanding shares of a company (will involve large sums of money). By contrast, in the US, shareholders are eligible if they hold one per cent of the total voting power of the corporation or \$2,000 in shares which they have had for at least one year⁷⁵, but resolutions are non-binding (Logsdon and Van Buren, 2009; Santella *et al.*, 2009). As Buchanan *et al.* (2012) conclude, although UK proposal rules are more onerous on proposal sponsors, UK resolutions are more powerful for initiating real change as they are binding, if they achieve a 75 per cent of shareholders' votes in favour. In the UK shareholders also have the right to call special meetings and elect directors. Two resolutions are the focus of this chapter – both tabled at Shell's AGMs during 1997 and 2006 and both concerning the company's operations in the Niger Delta. These proposals represent the only instances out of the three case studies where this tactic has been used by NGOs. The chapter provides information on the wording, results and effectiveness of the proposals, as well as the main challenges encountered when relying on this strategy.

9.1. The 1997 and 2006 Resolutions Presented at Shell's AGMs

Once a tool used only by investors dissatisfied with the way their corporation has been governed, increasingly more and more third sector organisations have started to put pressure on companies by filing shareholder resolutions on social, environmental and ethical issues (see chronology in Appendix 1 and Sjostrom, 2007). Although NGOs in the

⁷⁵ For further information, see the SEC Shareholder Regulations Rule 14a-8 (17 Code of Federal Regulations (CFR) Ch. II, Sec. 240.14a-8), which governs shareholder resolutions rules.

US have used this shareholder activist tactic much more frequently than their counterparts in the UK, the phenomenon exists here as well⁷⁶. The two shareholder resolutions discussed in this section are based on Shell’s operations in the Niger Delta and are both initiated by ECCR with almost a decade separating one from the other. The exact wording of the two resolutions is outlined in Table 22 below:

Table 22: Wording of the 1997 and 2006 Resolutions Tabled at Shell’s AGMs

1997 Resolution
<p>‘In recognition of the importance of environmental and corporate responsibility policies, (including those policies relating to human right), to the company’s operations, corporate profile and performance, the directors are requested to:</p> <ul style="list-style-type: none"> • Designate responsibility for the implementation of environmental and corporate responsibility policies to a named member of the Committee of Managing Directors. • Establish effective internal procedures for the implementation and monitoring of such policies. • Establish an independent external review and audit procedure for such policies. • Report to shareholders regularly on the implementation of such policies. • Publish a report to shareholders on the implementation of such policies in relation to the company’s operations in Nigeria by the end of 1997’ (PIRC, 1998, p.8).
2006 Resolution
<p>‘The shareholders request that, in the interests of the good reputation of the Company, and the avoidance of costly delay to, or interruption of, production, and for the present and future peace, safety, environment and prosperity of local communities directly affected by the Company’s operations:</p> <ol style="list-style-type: none"> 1. the Directors undertake, in all the Company’s international exploration and development operations, to collaborate with local stakeholder communities in order to reach, before project works begin, a mutually acceptable Memorandum of Understanding based on an independently conducted and transparent Social and Environmental Impact Assessment; 2. the Directors undertake on the acquisition of companies (or assets and operations of other companies) to exercise due diligence in respect of risk, by subjecting social and environmental reports relating to business operations and activities to qualified independent assessment, and to revise the Company’s plans or adopt alternative methods

⁷⁶ Examples include the 2001 resolution filed at Balfour Beatty’s AGM by the Ilisu Dam Campaign, the 2007 resolution filed by War on Want at Tesco’s AGM (intervention 22 from the chronology in Appendix 3), the 2010 resolutions filed by Greenpeace, ShareAction and WWF at Shell and BP’s AGMs (intervention 48, Appendix 3) and others.

- of extraction and refinement in the light of such assessments;
3. the Directors institute rigorous policies in risk assessment and community consultation particularly when proposing to use unproven techniques such as untested gas production and processing on peat and in proximity to occupied dwellings, or when operating in ice-congested waters;
 4. the Directors ensure, through proper oversight by the Board's Social Responsibility Committee, that all policies, procedures and standards on environmental and social issues are rigorously enforced at all stages of project planning and operation;
 5. the Directors report to the shareholders by the 2007 AGM how the Company has implemented these measures' (ECCR, 2006, p.1).

Source: PIRC (1998) and ECCR (2006)

Voting Results of the Two Resolutions

This section discusses how Shell's shareholders have voted when presented with the two Niger Delta-related shareholder resolutions filed in 1997 and 2006. These voting results are then compared with the level of support achieved for other socio-ethical resolutions as discussed in US-based academic papers and with some recent examples of socio-ethical proposals tabled in the UK. The resolution in 1997 was coordinated by PIRC and supported by ECCR, Amnesty International and WWF-UK. Some 10.46 per cent of Shell shareholders voted in favour of the proposal (altogether 39.9 million shares), while 6.52 per cent of shareholders (representing 24.9 million shares) withheld their vote. In total, 16.98 per cent of votes cast did not support the company's management and either voted for the resolution, or abstained from voting.

The result is comparable, although slightly higher in 2006, when altogether one in six of voted or withheld shares, or 17.16 per cent, refused to back management's recommendation to oppose the resolution. In 2006, 19.9 million shares (or 6.07 per cent) were voted in favour of the resolution and 36.4 million shares (or 11.09 per cent) represented abstentions (ECCR, 2006b). Aberdeen, F&C, the Environment Agency Pension Fund, the Church of England's (CoE, hereafter) central funds, and Henderson were among the major UK funds that either backed up the proposal or abstained from voting (ECCR, 2006b).

Upon analysing these figures, it seems that both resolutions have achieved comparable results – at both AGMs around 17 per cent of shareholders did not support management. What is interesting is that, although the overall figure is similar, for the 2006 resolution the

withheld votes have increased at the expense of the votes in favour which have diminished in comparison to the 1997 resolution. Therefore, it could be argued that investors have become more cautious about expressing openly their disapproval of management's practices. However, the level of support achieved in 1997 is high compared to what is reported as average in the literature. In a paper that analyses the results of resolutions on SEE issues throughout an eleven-year period (1992-2002), Tkac (2006) reveals that the average level of support was 8.2 per cent. Looking at the results of the 1997 proxy season in the US, Campbell *et al.* (1999) contends that, on average, 6.6 per cent of votes were cast in favour of social policy proposals. In a similar US-based study encompassing the period 2000 – 2003, Monks *et al.* (2004) calculate that the average support for all CSR resolutions is 7.7 per cent.

Although there is no study discussing the support for SEE shareholder proposals from a UK perspective, a few examples from other resolutions filed at the AGMs of UK companies can serve to put the results from the discussed resolutions into perspective. As an example, the recent tar sands shareholder proposals tabled at Shell and BP's AGMs in 2010 resulted in, respectively, 11 and 15 per cent of shareholders either voting for, or abstaining from voting (Williams, 2010). This result, although significant, is lower than the two resolutions discussed here. Another more recent UK shareholder proposal on socio-environmental issues which made history was the resolution tabled on April 16 2015 at BP's AGM. It called for increased annual reporting on climate change risks and an overwhelming majority (98 per cent) of investors voted in favour.

Assessing The Effectiveness of The Two Resolutions

However, what do these voting percentages mean in real terms? The empirical findings, secondary literature and documentary evidence all suggest that the first resolution tabled in 1997 was very successful. According to PIRC (1998, p.32) 'Shell has, in a relatively short period of time, moved as requested by the resolution 'to the head of the movement for corporate responsibility'. Similarly, when discussing the effectiveness of the resolution, Waygood (2004, p.139) suggests that in the eighteen months that followed its tabling, 'Shell was to take action that substantively met the five requests contained in the resolution'.

By contrast, when asked about the tangible results of the 2006 resolution, interviewees found it difficult to give a concrete answer and expressed an overall scepticism with regard to the outcomes:

The objective was to get the company to change its culture and the way it dealt with human rights and environmental problems. Was that achieved? Not really, no. Maybe some incremental cultural change and maybe some improvements in the way it tackled the problems – that would be a fair judgement, but incremental change is the best that we achieved [*Fieldwork Interview*, ECCR, 2013b].

The one in 2006 got virtually no publicity at all, largely because it happened in The Hague. I would have to say the 1997 one was taken much more seriously by the company than the 2006 one which, I think, disappeared without a trace [*Fieldwork Interview*, individual supporter, 2013].

Arguably the most significant change taking place as a result of the 2006 resolution was the appointment of a new managing director of Shell in Nigeria who was reported to show ‘more humility and more willingness to listen to civil society and admit mistakes’ [*Fieldwork Interview*, ECCR, 2013b]. A senior Shell director, shortly before retirement, also showed a genuine willingness to hear civil society voices. However, no specific report detailing how the five requests contained in the most recent resolution have been implemented was produced by Shell because the votes cast in favour of the resolution were not sufficient for it to be passed.

The reason behind the greater effectiveness of the 1997 resolution lies in the fact that it was the first shareholder resolution in the UK that a large company had ever faced on an ethical and environmental issue. As a result, it generated a lot of media and academic attention. Sparkes (2002, p.34) singles out the resolution as a turning point for shareholder activism on social and environmental issues: ‘The real beginnings of UK shareholder activism on SRI issues can be precisely dated to 14 May 1997. This was the date of the 1997 annual general meeting of the Shell Transport and Trading Company. Shell had already received negative publicity in 1995-96 over its planned disposal of the Brent Spar oil platform, and concern over human rights abuses in Nigeria culminating in the execution of Ken Saro-Wiwa. In 1997 an NGO led-coalition was able to assemble enough support from local authority pension funds (coordinated by PIRC) and church investors led by ECCR to file a shareholder resolution’. Marinetto (1998a, p.125) also emphasises the unique nature and importance of the resolution: ‘The intervention made at Shell’s AGM was quite different

(...) This was a rare event when investors actively took up these grievances, questioning the company's commitment to its wider social responsibilities'.

9.2. General Observations

The empirical data collected has provided some valuable insights when it comes to the nature of the resolution as a shareholder activist tool and the challenges faced by filers. Filing a shareholder proposal entails placing the issue on the formal agenda of the company and on the engagement agenda of the investment community. 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, 2011a). However, the process has a number of challenges that should not be overlooked.

To begin with, campaigners involved in gathering the support of shareholders for the two resolutions have highlighted the difficulty of finding who the actual owners of the company are as a barrier to effective advocacy work:

Generally, it is very difficult to know who investors are. In 1996 I went to the Registrar's Office in Worthing and I wasn't allowed to see the shareholders' register⁷⁷ [*Fieldwork Interview*, individual supporter ECCR, 2013].

Therefore, to gather support for the resolutions, ECCR relied on 'word of mouth' and publicity – the interest of Shell's shareholders was sparked via talks and events organised by ECCR, whereby the future plans of the organisation for filing the resolutions were discussed.

Similar problems with getting access to information about the shareholders in Vedanta were encountered by ActionAid when the organisation endeavoured to compile a short list of investors who were concerned, or could be persuaded to take action on ethical issues, and who had sufficient shareholdings to make an impact:

Getting information about who the investors are can be quite difficult. You would think that you just go to the Companies House⁷⁸ and it is all there, but that is sometimes harder than it sounds [*Fieldwork Interview*, ActionAid, 2013b].

⁷⁷ Companies use registrars to keep a register of who owns their shares. The shareholder register provides a list of active owners, detailing their name, address, and number of shares held.

⁷⁸ The Companies House is an executive agency of the Department for Business, Innovation and Skills (BIS, hereafter), whose main function is, among other things, to examine and store company information delivered under the Companies Act.

According to a former employee of ActionAid involved in the early stages of the Vedanta campaign, two pieces of information are crucial when aiming to engage with investors – to know who the shareholders of the targeted company are and how much they have invested in order to maximise impact. The BIS Committee launched an open consultation in September 2013 (see intervention 105, Appendix 3) aimed at discussing a range of proposals for making company ownership more transparent. A number of NGOs such as ChristianAid and ECCR took part in the consultation and submitted their responses. Following the consultation, in October the same year, the UK government announced that it will compile a public register of company ownership in the UK (ECCR, 2013a) – a measure that would facilitate the future efforts of NGOs to gather support for resolutions and to engage with investors.

A second hurdle when it comes to resolution filing relates to the difficulty of gathering enough individuals (who each own at least £100 worth of shares) to reach the one hundred threshold. The problem is exacerbated by the limited time that NGOs have for coordinating the support of those one hundred individuals who would co-file the resolution:

The major challenge for shareholders who want to table a resolution is that you need over a hundred individual co-filers with a considerable number of shares and you need to have got those all signed by the end of February for a meeting in May. There was a situation where, for instance, my wife and I shared our holding so that we can have two people to sign. In another case, a sympathetic stock broker who had a large number of shares held as nominees persuaded 20 of their shareholders to put some of their shares in their own name so that they could co-file [*Fieldwork Interview*, individual supporter, 2013].

Apart from the high legal threshold in terms of the amount of shares needed to table a resolution, it can be very difficult to generate sufficient support for a resolution:

The whole process of getting sufficient support to go through the requirements of tabling a resolution is very, very difficult [*Fieldwork Interview*, individual supporter, 2013].

Trying to get support for a shareholder resolution is very, very difficult [*Fieldwork Interview*, Amnesty International, 2013].

Part of the decision of Aviva Investors to engage with Vedanta in a public way by asking a question at the AGM, as opposed to filing a resolution, was motivated by the realisation that it would be much more difficult to get the resolution on to the ballot paper. In

comparison, proposal filing rules in the US, as mentioned earlier, are much more relaxed when it comes to the signatories required and the percentage of company shares they own.

Third, as has been mentioned above, the 2006 resolution differed from the 1997 one in that, although the overall percentage of shareholders who did not back management was almost the same, a greater number of investors decided to abstain, rather than to vote for the resolution tabled in 2006 – ‘that appears to have been the furthest that they would go if they didn’t support the company’ [*Fieldwork Interview*, ECCR, 2013b]. This finding alludes to another challenge when it comes to resolutions – the reluctance of British investors to adopt a more public approach to shareholder activism. The literature postulates that, compared to US activism, 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). Such a difference in the approach of British and American investors can be explained by cultural factors. Traditionally, UK investors have been ‘reluctant to be seen to be reacting aggressively against companies that they own’ [*Fieldwork Interview*, ShareAction, 2013a] and ‘unwilling to rock the boat’ [*Fieldwork Interview*, Amnesty International, 2013]. By contrast, American shareholders have been ‘more assertive and aggressive and more activist traders in the market’ [*Fieldwork Interview*, EIRIS, 2012].

Despite the above mentioned challenges to the shareholder proposal as an activist tactic, it is important to discuss a theme that emerged from the empirical findings. On a number of occasions, interviewees talked about the existence of people within the targeted companies who sympathise with the ideals of campaigners:

When we initially had the resolution in 1997 people within the company thanked us because within the company there are debates on these issues and it helped them to raise the sorts of issues that we wanted to raise [*Fieldwork Interview*, individual supporter, 2013].

Another interviewee, talking about his first visit to the Shell Centre⁷⁹ in London, says:

I arrived on my bicycle which is an earlier version of this one [points to his bike]. That was 8-9 years ago and, to my astonishment, there was another bike like this. They were quite rare then, and it was one of the non-executive directors of Shell

⁷⁹ Shell’s headquarters in London.

who was on it, whose bike it was. So, it's quite interesting, there are good people, there are good people [*Fieldwork Interview*, ECCR, 2013a].

The role of people in big institutions has also been discussed by interviewees and has been pinpointed as an essential factor that contributes to raising awareness for a specific issue among the investor community:

There are quite good people within organisations who are gently agitating, or not so gently, depending on their personality, agitating from within to change the system. While it wouldn't be seen as a campaign, they have an NGO at their heart and they are trying to change things from within. Those are such powerful voices and you should recognise the need for those kind of people in position within the system, as well as the need for campaigning from outside, because the influence they can have is much much greater I would say [*Fieldwork Interview*, Forum for the Future, 2013].

These people who can either be working for companies targeted by NGOs such as Shell and Vedanta, or for institutional shareholders such as pension funds and fund managers, are the crucial link between the world of investors and that of NGOs – they help make the conversation between the two happen. As Soule (2009) argues, open political systems where there are sympathetic elites are more responsive to movement demands than closed systems in which elites are hostile to the movement (see also evidence from Weber *et al.*, 2009). Similarly, Raeburn (2004) believes that alliances between the elite and others outside the corporation can lead to favourable outcomes for a given movement's goals. King (2008), like Raeburn, suggests that certain characteristics of a corporation such as new officers, changes in corporate leadership and supportive allies in governance positions can shape the effects of mobilisation. As the quotes below from members of ShareAction and Platform reveal, such elite allies can translate NGOs' concerns in a way that resonates well with the institutions in which they are working, raise the legitimacy of a particular issue and can be regarded as powerful actors whose good will should be gained:

Many of the people who we get best connections with are people who themselves are driven by the moral case, maybe people who work in finance but think they want to do something good with it. There's no doubt that that's what makes it possible for us to have a conversation with them. If they were people who weren't concerned about that on a personal level, then they probably wouldn't bother to meet with us [*Fieldwork Interview*, Platform employee involved in the Niger Delta campaign, regularly asking questions at Shell's AGM, 2013].

They are not all the same there and part of what we want to do is fuel a debate inside the company – you will always have people who support a progressive position and they need animation [*Fieldwork Notes(3)*, ShareAction, 2013].

The number of evil people I have met in the City is very small. The majority of people are good people. They may be trapped in the system, but we should see them as potential new recruits. We should draw the boundary as far as we can – people in the City, individuals, etc. as they are important for moving things internally [*Fieldwork Notes(15)*, ShareAction, 2013].

These findings are substantiated by arguments made by social movement scholars. According to the political mediation model, successful mobilisation by social movement actors is dependent on the existence of sympathetic elites as their presence is critical in determining policy outcomes (Cress and Snow, 2000). The argument can be extended to cases of private politics where, as revealed by this study, the involvement of elite allies occupying important positions within organisations is also critical in realising movement objectives and in pushing for change in corporate behaviour. Such individuals can be a great ally to the third sector community.

9.3. NGOs As Investors – A New Direct Approach?

Although on the rise, the current chapter has suggested that shareholder resolutions are not widely used and investors often choose to adopt a passive stance as revealed by the results of the 2006 proposal at Shell's AGM. However, there might be an alternative, more informal way of engaging with companies which also uses the power of direct share ownership – this new method forms the subject of this section.

Sometimes NGOs engage in communication with targeted companies outside the remit of a formal AGM meeting. They strive to secure a private meeting that will facilitate a more in-depth discussion of the issue. Throughout their interaction with companies, NGOs can leverage the power of their own investments by speaking from the point of view of a shareholder who owns shares in a particular corporation through its pension savings or equity investments. There could be a great potential in the adoption of such a strategy, as an interviewee working for a large fund management firm argues:

NGOs collectively do own quite a lot of companies – tens of billions worth of. I think last time I looked it was about 80 billion in the UK in joint investments by charity world institutions and, if they were to collectively mobilise themselves, they could be a very powerful entity but they don't really do that [*Fieldwork Interview*, 2013, Aviva].

In reality, despite this potential, NGOs have indeed largely refrained from using their influence as shareholders in corporations. ChristianAid, for example, held a number of

bilateral meetings with companies at the beginning of its tax campaign but, during those conversations, the NGO was speaking from the point of view of a third sector organisation as opposed to an investor. The reason behind this decision is explained by a former employee who worked on writing the advocacy strategy for the organisation:

Our finance director is very nervous about starting to use ChristianAid's pension fund as a leverage tool, partly because there were problems with the pension, there was a major pension deficit. He just wanted to manage the risk that there was with the pension fund financially and not diversify into those other issues, aside from the risk screening and ensuring that we weren't investing in companies that were involved in tobacco or armed manufacturers [*Fieldwork Interview*, 2014b, ChristianAid].

However, one NGO – ShareAction – started addressing this missed opportunity for changing the dynamics of interaction between civil society and companies by creating the Charities Responsible Investment Network in the Spring of 2013. The aim of the project is to compile a membership base⁸⁰ of organisations that fulfil their charitable purposes through shareholder engagement with the companies they are invested in. The engagement takes the form of letters and meetings and network members meet twice a year to discuss progress, receive training from ShareAction and agree on next steps. The current engagement themes that network members are working on are: living wage standards, tax transparency, lobbying and political donations, and tackling executive pay.

Conclusion

This chapter has examined another shareholder activist tool – the shareholder resolution. The 1997 and 2006 proposals filed at Shell's AGMs, regarding the company's involvement in the Niger Delta, have been taken as an example of how this tool works in practice – their wording, results and effectiveness have been discussed at length. It is worth noting that, although receiving a similar level of support, the more recent resolution saw more investors abstaining rather than voting in favour. This could be a sign that investors are becoming more cautious about expressing their concerns on the topic, or a sign symptomatic of a general lack of interest of UK shareholders to express disapproval of management publicly – something which can be attributed to cultural factors.

⁸⁰ At the time of writing seven organisations were participating – namely – Barrow Cadbury Trust, Friends Provident Foundation, Lankelly Chase Foundation, Joseph Rowntree Foundation, Joseph Rowntree Charitable Trust, Holly Hill Charitable Trust, and Polden-Puckham Charitable Foundation.

The section has also discussed the main challenges experienced by NGOs who file resolutions. These include: difficulty of identifying the owners of a corporation, high support threshold necessary to submit a resolution; high threshold of share ownership; and challenges associated with gathering investor support for the proposal. The chapter has also revealed the crucial role that individuals with progressive views working within targeted companies and investors can have for advancing the campaign goals of NGOs.

A new tactic for direct engagement which makes use of the position of charities as shareholders in investee companies has been outlined, with the argument being that the tactic is currently underused, but the future offers potential for change. This chapter marks the end of the discussion of all the indirect and direct campaigning tactics used by NGOs and analysed in Part One and Part Two respectively. The next section of the thesis evaluates the impact the three case studies have had on the targeted companies and on the investor community.

**PART FIVE: IMPACT, CHALLENGES
AND CONCLUSION**

10. Assessing the Impact of Campaigns on the Investor Community and the Targeted Companies

There are certainly a number of companies I have spoken to in the last year or two which I probably wouldn't have spoken to was it not for NGOs challenging us.

(Fieldwork interview with a mainstream fund manager)

Having outlined the main shareholder activist strategies employed by NGOs as part of the three case studies, this section of the thesis focuses on ascertaining the impact of the campaigns and the challenges faced by voluntary organisations. Measuring the effectiveness of a shareholder activist campaign can be difficult from a social movement perspective as it may take years or decades for the results of collective mobilisation to become discernible. Furthermore, as Edwards and Hulme (1995, p.11) suggest, assessing NGOs' performance poses challenges in itself: 'a great part of the dilemma...lies in the nature of the work that [NGOs] do and the messy and complex world in which they do it – measuring performance (...) is an extraordinarily difficult task... NGO evaluation (even more than evaluation in other organisations) is inevitably a matter of judgement and interpretation'. In this study, impact is measured by the extent to which the campaign: a.) motivates investors to engage with the targeted companies and b.) leads to changes in corporate policy and behaviour.

10.1. Investor Impact

The chapter first analyses the impact on the investor community through providing a detailed account of the actions taken by investors as part of each of the three campaigns (starting from Shell, then Vedanta, and lastly the tax justice intervention). Interview data based on accounts of staff members of financial institutions and SRI experts provides information on the role that NGOs have played for inciting responsible ownership and engagement with the targeted companies.

Shell and the Niger Delta

Ultimately, the aim of all NGOs engaging with the investor community was to persuade shareholders to engage with the company regarding the issues of concern in the Delta. Given the fact that the problems in the area are historic and long standing, prior to this most

recent stage of the campaign, ‘the investment community had gone a bit tired, they weren’t keeping an eye on it anymore, they were not really putting any pressure, they were quite happy with the fact that Shell makes lots of money out there’ [*Fieldwork Interview*, ShareAction, 2013a]. The following paragraphs examine the extent to which NGOs have managed to incite action by the investor community.

The empirical data suggests that investors have indeed started to put pressure on the company and have started asking questions related to Shell’s operations in Nigeria:

With Shell we know that investors have taken up issue with regards to various things in the Niger Delta and went back to the company and asked questions, sought answers, had further follow-up meetings so that sort of pressure has increased on Shell in terms of having to deal with better informed shareholders [*Fieldwork Interview*, Amnesty International, 2013].

We know that shareholders are interested and have asked Shell how they are going to deal with the issue of clean-up [*Fieldwork Interview*, FoE Netherlands, 2013].

We have helped ensure that the Niger Delta has become a topic of conversation for the Shell board whenever they are in a group of investors. I know from anecdotal evidence that a member of the board did come to a shareholder and asked why there was a sudden uplift in questions on the Niger Delta and we can take some credit for that [*Fieldwork Interview*, ShareAction, 2013b].

We’ve just played a role in nudging the investment community back into a slightly more challenging perspective, sort of engagement with the company [*Fieldwork Interview*, ShareAction, 2013a].

Given the culture in the UK, which tends to favour behind the scenes dialogue (Becht *et al.*, 2010; Goranova and Ryan, 2014, see p.192), it is difficult to say with certainty how many and which investors are engaging with Shell. However, the documentary evidence available substantiates the claims made by NGO members. For four consecutive years (2010-2014) Shell has organised a special event for its SRI investors in which it discussed the most pressing of issues related to sustainability, and the Niger Delta has occupied a central stage in all these investor briefing events. The 2011 SRI investor briefing transcript reads: ‘One issue that has received much attention throughout the last year is Nigeria’ (Shell, 2011a, p.11), while the 2012 briefing says that ‘for 2012 the CSRC (corporate and social responsibility committee) will sustain a focus on the ongoing challenges in Nigeria’ (Shell, 2012a, p.5). Nigeria has also featured as a prominent topic in all of Shell’s annual sustainability reports which have discussed issues such as gas flaring, oil spills and remediation of affected sites, the recommendations of the UNEP report, oil theft and illegal

refining, the security situation in the Delta, community development initiatives, and Shell's economic contribution. A number of the latest sustainability reports (Shell, 2010, 2011b and 2012b) have also featured open letters from Mutiu Sunmonu – Chairman of Shell companies in Nigeria and managing director of SPDC.

Despite the increase in dialogue between shareholders and the company that has taken place as a result of the campaign, some investors are sceptical about the extent to which NGOs have managed to maximise their effect and question the way they have approached the investor community:

I don't think that campaign has been high quality at all. I don't think it recognises the complexities of the situation in Nigeria, the ownership structure of Shell's operations there in terms of it being a joint venture with the Nigerian government, the problems of criminality in the Niger Delta. Many NGOs have pursued a very simplistic strategy of trying to portray Shell as irresponsible and that really doesn't have much credibility with the investor community [*Fieldwork Interview*, investor, 2013].

The problem may stem, in part, from the investor community itself which, as has been previously discussed when talking about the filing of a resolution as a shareholder activist tactic, tends to be quite conservative and inclined towards agreeing with the company. This is a widely held view among members of different campaigning groups such as Amnesty International, ShareAction and FoE Netherlands:

UK investors want to believe that the companies they invest in are fundamentally sound and straightforward, doing the best they can [*Fieldwork Interview*, Amnesty International, 2013].

Many shareholders say to NGOs 'we have to trust what a company tells us [*Fieldwork Interview*, ShareAction, 2013b].

Shareholders tend to be quite conservative so it's difficult to get them to the point where they really take a position that is opposite of the position of the company. They tend to trust the management of the company... [*Fieldwork Interview*, FoE Netherlands, 2013].

That being said, it is clear that, apart from the general perceived reluctance of investors to contradict management, there have been some deficiencies in the way the campaign has been ran that have to do with the inability of NGOs to be sufficiently flexible and sophisticated in their response to the defensive strategies adopted by Shell:

If a company is open about the problems it faces, that engenders trust. Conversely, if NGOs are not open about the complexity of the situation, that doesn't engender

trust, because it feels like they are hiding something or ignoring something and just trying to paint a particular picture [*Fieldwork Interview*, 2013].

An example that illustrates this point can be found when the trip to the Niger Delta that Shell organised for investors towards the end of 2012 is considered. The overall feeling within the NGO community was that, during the week investors spent in the Delta, the company had managed to convince them that Shell was the victim in the situation. In contrast, NGOs have not yet managed to come up with a way to sway shareholders' opinion in favour of their cause, without alienating investors. Reflecting on the reaction of some NGOs following the trip, a member of ShareAction argues that:

When the investors went on that trip, they came back with particular viewpoints, things they thought Shell had been unfairly criticised and it's very important to acknowledge those, to learn from those and to incorporate those within your strategy, rather than say 'we have a position that we are just going to keep'. I think that's sometimes an NGO feeling which is 'We have a position. You can keep saying what you want but we are just going to keep reiterating our position.' In the field that we operate in that just won't get you anywhere – you have to incorporate new information and move forward with that [*Fieldwork Interview*, ShareAction, 2013b].

Vedanta

In the case of the campaign against Vedanta, at first a number of high profile investors started engaging with the company – among these, the study will examine more closely the key figures in the UK, namely, Aviva Investors, The Church of England (CoE) and the Joseph Rowntree Charitable Trust (JRCT, hereafter). The table below provides summarised information for each of the shareholders in question:

Table 23: Profile of Active Investors in Vedanta

Overview		
Aviva	CoE	JRCT
Owned by Aviva plc, the UK's largest insurer, Aviva Investors is a global asset management firm, whose assets under management amount to almost £274 billion across a range of funds. With £21 billion of assets in UK equities, its London-based team manages almost 2 per	The CoE is both the largest church, and the largest church investor in the UK. Created in 1994, the Ethical Investment Advisory Group (EIAG) is an advisory body which supports the CoE's national investing bodies (the Church Commissioners, the Church of England Pensions Board	The JRCT is an independent foundation established by successful businessman and philanthropist Joseph Rowntree in 1904. A Quaker trust, JRCT aims to 'transform the world by supporting people who address the root causes of conflict and injustice' (JRCT, no date). Governed by 11

cent of all listed equities, making Aviva Investors one of the largest investors in the UK market. The company employs over 1,250 staff based in 20 offices across 15 countries (Aviva Investors, no date).	and the CBF Church of England funds) on ethical investment and works with assets under management of around £8 billion. It gives advice on ethical investment policies, engages with companies on behalf of the Church and oversees proxy voting at AGMs.	trustees and comprising of 7 full-time and four part-time staff, the trust has net assets of £177 million as of 2013 and invests in UK and European listed companies (JRCT, 2013).
Investment Approach		
Aviva	CoE	JRCT
The asset management firm has its own stewardship statement which describes how its policies and procedures are in compliance with the UK Stewardship Code and its seven principles. The document states that ‘engagement with companies is an integral part of our investment management process’ (Aviva Investors, 2013, p.6).	With a total membership that does not exceed 18 people, the EIAG has developed an ethical investment policy which embraces both screening and stewardship. During 2012-2013 the advisory body engaged with a total number of 50 companies in either face-to-face meetings, or video and tele-conference on a wide range of issues (EIAG, 2013).	The trust’s investment policy is governed by the need to: <ul style="list-style-type: none"> - Fund the grant making programmes over the long-term. - Invest in enterprises which reflect the organisation’s aim. - Avoid investing in firms whose activities contradict the organisation’s aims. - Encourage business to be ethical and environmentally and socially responsible. Each year the JRCT undertakes both direct and collaborative engagement with companies. Recent issues of interest include: banks and cluster bombs, hotel groups and sexual exploitation, and supply chain problems (JRCT, 2011).
Timespan of Engagement with Vedanta		
Aviva	CoE	JRCT
January 2010 – present	July 2009 – February 2010	August 2009 – February 2010
Holdings in Vedanta		
Aviva	CoE	JRCT
Tracker holding – around 0.3 per cent	Shares worth approximately £3.8 million	77,600 shares worth £1.9 million

When it comes to the impact of the campaign on the investor community, there are certain outcomes which are a direct result of shareholder activism and the campaigning efforts of the NGOs. To begin with, all interviewees seem to agree on one thing – it was initially very difficult to engage with the company, as it refused to discuss the allegations with both NGOs and investors. By pursuing an escalation strategy, when Aviva attended Vedanta's AGM in 2010 to ask a question, it managed to secure a response from the company and a public commitment which led to an increased dialogue over the years. Such an outcome was, in the words of an EIRIS official, one of the most significant changes that occurred because 'the communication with the company improved significantly in quantity, quality and frequency' [*Fieldwork Interview*, EIRIS, 2013c].

Second, the empirical data suggests that in all three of the cases of investor engagement, the campaigning NGOs played an instrumental role in investors' decision to initiate a dialogue with the company:

We used EIRIS' Convention Watch service to go through all our holdings and tell us what were the worst controversies, highlighted by different types of NGOs, in our holdings. And then we looked at those and took action accordingly [*Fieldwork Interview*, Aviva, 2013].

I would say that the focus by NGOs (ActionAid and then later on AI) on the company was instrumental in devoting our attention to the company. NGOs did bring to our attention the issues with Vedanta and that was when we started engaging with them [*Fieldwork Interview*, investor, 2013].

We were first alerted to the problems with the company by a campaigning NGO [*Fieldwork Interview*, Joseph Rowntree Charitable Trust, 2013].

The first quote gives an explanation of the criteria used by investors to select the companies with which they engage and alludes to one of the barriers to active ownership. Shareholders generally have diversified portfolios and hold shares in a variety of different companies, leading to what Scott (1985, p.51) terms a 'constellation of interests'. Owning an overall small stake in the company means that cooperation between shareholders is key to influencing corporate strategy (Marinetto, 1998b). But the empirical data suggests that this is not always easily achieved due to the divergent interests of investors:

If you organise yourself in a big group of shareholders, it's difficult to have a strong viewpoint because the position is the average of the position of all the members of the coalition. Therefore, to put it negatively, the company can have a divide and rule approach towards its shareholders [*Fieldwork Interview*, FoE Netherlands, 2013].

Collaboration by multiple investors is more persuasive to companies, since each investor has tiny portion (sometimes less than 1%) of shares issued by the targeted companies. However, this is not always that easy to achieve because in engagement activities each participant is different and has its own agenda and views [*Fieldwork Interview*, EIRIS, 2013b].

The other problem identified by interviewees and stemming from dispersed ownership is that investors have limited time and resources to spend on SEE issues and to ascertain exactly what the problems are on the ground. As a result, much like it is the case with Aviva and their engagement with Vedanta, both SRI and mainstream investors tend to devote their scarce time and resources to the most urgent of concerns:

They have hundreds of problem companies. There is a limit to what they can engage on, so they go after the big fires [*Fieldwork Interview*, ShareAction, 2013b].

Even the SRI shareholders or the SRI fund managers, they tend to respond only to more shocking, or urgent, or pressing issues of negative impacts of the companies they invest in because their time is limited [*Fieldwork Interview*, ECCR, 2013b].

Given the strain on resources that socio-ethical engagement can bring to investors, NGOs play another crucial role which has been exemplified in this case study. The campaigning groups were recognised by investors as a useful source of information once the engagement process had begun:

With ActionAid, they kept us updated on what Vedanta was doing. Because they were able to give us information about the company, background information that we would have found it very hard to find out for ourselves – it was very valuable, the information they could give us [*Fieldwork Interview*, Joseph Rowntree Charitable Trust, 2013].

The role of NGOs, particularly Amnesty, it has been outstanding entity in raising specific issues with direct evidence of on the ground issues which we don't have access to, we don't routinely go to these areas and decide for ourselves what is going on so....we have to rely on experts such as Amnesty International [*Fieldwork Interview*, Aviva, 2013].

As the extracts above reveal, NGOs are much better placed than investors to document the misdoings of a company. In the specific Vedanta case analysed as part of this study, both Amnesty International and ActionAid had regional offices in India which could collect valuable on-the-ground information and feed it back to the NGOs' UK branches. Additionally, both NGOs have collaborated with India-based local civil society organisations to produce their detailed reports. In a similar way, ECCR's 2010 report on the situation in the Niger Delta put together five case studies written by third sector

organisations that had worked and communicated extensively with local communities to collect the necessary information. These findings support Sjoström's (2007) claim that shareholder activism can serve as a powerful educational device, the argument being that through activism NGOs alert investors to problems with their companies that they might not have previously been aware of. By becoming more informed, shareholders have the potential to serve as allies to civil society organisations. However, as suggested in Chapter 5, informing investors is only the first step of the campaigning process and, while moral arguments are part of the portfolio of tactics used by a decreasing number of NGOs, ultimately only the business case has the potential to actually deliver change. As the next paragraph suggests the fact that Vedanta had problems in corporate governance terms, meant that investors were more willing to engage.

In general, it could be argued that, in the case of Vedanta, the level of shareholder engagement with the company was significant, especially when compared to other campaigns. However, it should be noted that this heightened investor interest had as much to do with the poor governance practices of Vedanta with respect to how it treated minority shareholders (i.e. it was unresponsive to their concerns and exhibited a lack of appetite for dialogue), as with the Orissa mine and refinery concerns that the NGOs were focusing on. Investors were worried that Vedanta was 'well behind best practice in governance terms' [*Fieldwork Interview*, EIRIS, 2013a], something which was reflected in its poor environmental and social records. The company's culture was not as transparent and as accountable as it should be, and Vedanta did not have the necessary policies and procedures in place on environmental and social issues. Therefore, some NGO respondents asserted that the fact that there were corporate governance, as well as environmental and social concerns, had made investors more open to engaging with Vedanta and facilitated NGOs' work. An example of this sort of viewpoint is detailed below:

Our campaign with investors was helped by the fact that Vedanta wasn't really a well-loved company by the investors in the UK themselves. Although they invested in it, they were not necessarily pleased with the way that Vedanta conducted itself in terms of governance, which made them relatively sympathetic to hearing what Amnesty and other NGOs had to say. I think that was quite important in terms of the relative success of the NGOs' shareholder activism in regard to Vedanta [*Fieldwork Interview*, Amnesty International, 2013].

Listed on the London stock exchange as recently as 2003, a respondent from Amnesty International said that, in their view, Vedanta was seen by UK investors as essentially an

Indian company and as ‘somewhat outside the establishment’ [*Fieldwork Interview*, Amnesty International, 2013] – a company which is a laggard compared to its peers from the sector and which is not used to engaging in productive dialogue with interested investors.

What differentiated the Vedanta campaign drastically from other campaigns was that the shareholder activism attracted a lot of media attention and was very high-profile due to the fact that it involved public expression of investor discontent via the AGM forum. As Becht *et al.* (2010) suggest, in the UK context, a lot of the activity takes place ‘behind closed doors’ or ‘behind the scenes’ as one of the interviewees from this study describes it. In other words, most UK asset owners tend to engage privately with companies via letters and dialogue. And that is certainly what the Church of England and the JRCT did between 2009 and 2010 before they decided to divest completely from Vedanta. However, there were other large and well-known shareholders such as Standard Life, Legal and General, Black Rock, Newton Asset Management, and Aviva who raised questions from the floor at the AGMs (Popham, 2012). Following a report produced by investor consultancy PIRC in 2010, which recommends that investors oppose certain key resolutions at Vedanta’s AGM, shareholders voted against the election of some of Vedanta’s non-executive directors, against the acceptance of the annual report and against the approval of the remuneration report (PIRC, 2010, Dawber, 2010a, Reuters, 2011). Although the data suggests that the culture in the UK is not conducive to public engagement, it is also believed that such public engagement is sending a strong message to companies and is very effective:

Activism tends to be behind the scenes, but public engagement by investors (i.e. at an AGM or a resolution) can be very effective [*Fieldwork Interview*, EIRIS, 2013a].

Apart from the AGM activities described above, interested investors also engaged with Vedanta privately via letters, emails and face-to-face meetings with company officials. An interesting approach was the collaborative engagement undertaken by shareholders via the Principles for Responsible Investment (PRI, hereafter) engagement Clearinghouse⁸¹. All three investors discussed in this case study joined the engagement group. The aim was to ‘not only seek an improvement in the company’s management of environmental and social issues, but to also improve governance at the company generally, especially in terms of

⁸¹ The Clearinghouse is an opt-in online platform for investors who are signatories of the PRI to propose and be involved in collaborative engagements.

responsiveness to the concerns of minority investors' [*Fieldwork Interview*, CoE, 2013] and the expectation was that adding more financial muscle to engagement would help achieve change.

Considering the role of organisations such as the PRI and their Clearinghouse platform for enabling collective action, Gond and Piani (2012) argue that they facilitate collective action emergence, diminish incentives to free ride, enhance the processes of investors' influence, and maintain conditions for constructive dialogue, among other benefits. Interviewees have mentioned two main advantages of the collaborative action undertaken via the Clearinghouse, namely, exchange of information that facilitated the sharing of different members' engagement experiences and increased access to the company: 'it did help provide some further access to the people we weren't speaking to at the company through other channels' [*Fieldwork Interview*, CoE, 2013]. However, the Clearinghouse platform does not help alleviate one of the main problems of collaborative investor engagement mentioned above – the difficulty of reaching a consensus and united view, given the variety of shareholders and interests involved:

One of the things we struggled with with the Clearinghouse engagement was the fact that, because UNPRI has so many different members all having very different approaches, it isn't possible to get a consensus on a position through UNPRI. (...) And we found over the years that where we worked with a smaller number of investors, that could be much more effective, because you can get aligned much more easily, you can get a consensus of opinion which then can be articulated to the company [*Fieldwork Interview*, Joseph Rowntree Charitable Trust, 2013].

After undertaking collaborative engagement through the Principles for Responsible Investment, the next step for some investors such as the CoE and the JRCT was to divest from Vedanta. Their decision to sell their shares in the company, following a seven months (CoE) and six months (JRCT) long process of engagement, attracted a lot of media attention (see *The Economic Times*, 2010; Hopkins, 2010a; Hopkins, 2010b, Dawber, 2010b; *The Indian Express*, 2007). This decision in both cases was motivated by the same two main reasons. First, it was felt that the engagement process wasn't yielding any results: 'our sense was that the company wasn't really up for engagement' [*Fieldwork Interview*, Joseph Rowntree Charitable Trust, 2013]; 'we felt that we did not achieve anything with the engagement that we conducted and we didn't think we were likely to achieve anything by continuing to engage' [*Fieldwork Interview*, Church of England, 2013]. Second, the investors decided that Vedanta's behaviour was incongruent with their ethical investment

criteria: ‘We did not want to remain invested in a company if we think it’s not ethical to keep our capital invested with that company’ [*Fieldwork Interview*, Church of England, 2013]; ‘Our objective was to reposition our portfolio in a way that we felt represented our ethical values’ [*Fieldwork Interview*, Joseph Rowntree Charitable Trust, 2013]. By the words of one investor, the campaigning groups were very helpful in maximising the publicity around the divestment decision and gave advice on the press release and its timing.

However, some critics of divestment contend that this tactic is much less effective than adopting an active ownership approach. For example, Statman (2000) claims that any significant effects on the cost of capital of organisations are only possible in conditions of inelastic capital supply – in other words – when there are not numerous other investors ready to buy the shares of the unethical company. However, as Statman’s (2000) empirical observations reveal, capital supply functions are almost perfectly elastic. Statman’s viewpoint is shared by a member of Amnesty International who disapproves of the approach of some NGOs who have encouraged Vedanta’s shareholders to sell their shares: ‘I think some NGOs don’t necessarily understand finance very well. Some NGOs, or their own supporters, think that if someone sells their shares in Vedanta, for example, then that reduces Vedanta’s money, but it doesn’t, because all you are doing is selling a second hand ownership certificate’ [*Fieldwork Interview*, Amnesty International, 2013].

Even investors seem to favour the approach of Amnesty International, i.e. calling for shareholder activism and dialogue with the company: ‘Amnesty – their approach is more nuanced. They’ve got more experience in focusing on shareholders. I think they were just trying to get the issues addressed. (...) I don’t think Survival International particularly understood how investors work’ [*Fieldwork Interview*, 2013]. The decision of some investors to sell rather than to engage can be explained by the cultural aversion towards public engagement mentioned above, which is extensively recognised as existing in the corporate governance literature (see Solomon, 2007):

Also, many investors, if they try to engage with the company and the company pays no attention to them, they have no further strategy to escalate their engagement process, so often there may just not be the mechanisms within the investor engagement toolbox that enable something to go beyond a dialogue. And that is potentially a failing of the way investors work. There are the barriers in terms of

what they are prepared to do to rock the boat or not [*Fieldwork Interview*, Amnesty International, 2013].

Nevertheless, the divestments did play their role in securing the success of the campaign in this case, because they were numerous and involved high-profile shareholders (Norwegian State Pension Fund (NSPF, hereafter), Church of England, PGGM⁸², JRCT). Their importance can be seen when we consider an article written in *The Indian Express* in 2007, following the divestment of the NSPF. On 24 November 2007, the Supreme Court said it could not take ‘the risk’ of handing such a national asset – the Hills – to the company and demanded that Vedanta came up with a new proposal along with the Orissa government. The article suggests that, in its judgement, the Supreme Court referred to the decision of the NSPF to sell its shares. Therefore, shareholder action undertaken in the UK has had an effect on the legal and political processes in India.

Following the divestment, banks started reassessing their lending to the company and Standard Chartered, on behalf of Vedanta’s lenders, appointed Scott Wilson Ltd. to review the company’s strategic approach to sustainable development and to assess the social and environmental issues in relation to the alumina refinery in Lanjigarh and its proposed expansion (Scott Wilson, 2010). Vedanta was to provide its lenders with implementation progress reports every six months until all the recommendations in the report were met and all the problems mitigated.

The Tax Justice Campaign

Overall, the empirical evidence unequivocally suggests that, over the last couple of years, investors have come to recognise the material importance of tax as an issue. As a result, they have started engaging with investee companies, have established a dialogue with the NGO community, and have come to regard tax as an important responsible investment issue:

Both SRI and mainstream investors started to look at tax more seriously. (...) They have acknowledged that irresponsible tax practices pose risks to investors [*Fieldwork Interview*, ChristianAid, 2014a].

Tax is now something investors realise they need to get their heads around [*Fieldwork Interview*, ShareAction, 2014].

⁸² A large Dutch pension fund.

I don't think the investment community is surprised to see tax turning up on the agenda when we talk about responsible investment anymore [*Fieldwork Interview*, ActionAid, 2014].

Since what happened with Starbucks⁸³, we have seen investors thinking there is a reputational risk here. This does mean tax could have material impact on our investments and so we've seen those conversations develop a bit more. We are finding there's more people who want to have the conversations now, whereas before we were knocking on the doors and saying: 'Can we please come and talk to you?'. We are finding a lot more people are getting in touch with us and saying: 'We are looking into this area now, can you come and please have a chat to us and tell us what your thinking around this is?' [*Fieldwork Interview*, ChristianAid, 2014b].

Tax has occupied its rightful place in the repertoire of responsible investment topics and this is exemplified by the increased frequency of investor events on tax (see events 11, 14, 24, and 27 from Table 6), as well as by the fact that, when attending SRI events and RI conferences, tax usually has its own panel discussion (an example is the 2013 RI summit, see event 10 from Table 6). However, there is more to be achieved since tax has not been mainstreamed into investment processes and priorities:

If you go and talk to the more responsible mainstream players, they tell you that women's rights, ethical supply chains and water management have been identified as three strategic priorities for the year. I haven't heard any investor tell me that tax has been identified as a strategic priority, so there is much more distance to cover, but it is certain that tax and responsibility are now quite interlinked issues [*Fieldwork Interview*, ActionAid, 2014].

Two main reasons can explain the upsurge of investor activism in the area – namely – media and public interest, and these factors have already been discussed in relation to the previous two case studies. To begin with, the existing regulatory reforms in the area of tax, as well as the fear of further government intervention in the future, have been identified as factors driving investor engagement.

Anecdotally it appears that investors are beginning to ask more questions and a chunk of that is because of both the fear of further regulatory change and the knowledge that there will be some regulatory change [*Fieldwork Interview*, ChristianAid, 2014b].

When explaining the criteria for engagement with companies, an analyst from Standard Life argues that one of the factors taken into account is the materiality of an issue, in other

⁸³ After the news broke that Starbucks had been avoiding taxes in the UK, the company's sales fell drastically, and Starbucks made an agreement to pay £20 million in tax to the UK.

words, ‘whether there is regulatory pressure from government’ [*Fieldwork Interview*, Standard Life, 2014]. As mentioned earlier, NGOs have been involved in the public policy debate around tax and have been lobbying politicians at both national and international level for the introduction of changes to the current tax system. Therefore, similarly to the Vedanta campaign, by the words of one analyst working for a big UK institutional investor, NGOs’ efforts in the public policy arena have served as an indirect trigger of shareholder engagement by investors:

The efforts of NGOs have been important to a certain degree. They have an indirect effect whereby, for example, EU regulation on tax is influenced by an NGO and I am influenced by EU legislation. A point in case is the recently introduced directive on extractive companies [*Fieldwork Interview*, Standard Life, 2014].

The second reason behind investor activism has to do with the media and public interest generated around tax:

The media interest has made investors begin to shift their views a little bit [*Fieldwork Interview*, ChristianAid, 2014b].

One of the reasons why we started engaging was because the tax practices of companies have come under increased scrutiny from the public [*Fieldwork Interview*, Standard Life, 2014].

NGOs have raised the issue in terms of getting it in the media and educating the consumer more broadly about this being a meaningful issue, particularly as we see it in emerging markets [*Fieldwork Interview*, Arisaig Partners, 2013].

The paragraphs above suggest that regulatory reform, alongside with media and public interest in tax, have incited investor action on the topic. Furthermore, campaigning NGOs have played an instrumental role in generating this public attention and in pushing for government legislation in relation to tax. However, much like it was the case with the Vedanta campaign (see previous section), according to an investment analyst at Arisaig Partners, third sector organisations have played a role in educating the investor community and providing valuable information:

When we were looking at the issue we read a number of their reports that had highlighted this as a social development issue. So, some of the work from ChristianAid was some of the research that we read. The reports were very useful in quantifying the impact on emerging markets, because our interest wasn’t company specific. They had done some quite tangible research. They seem to have done a good job of identifying some of the financial impacts at a country level [*Fieldwork Interview*, Arisaig Partners, 2013].

ShareAction's (2014) most recent investor briefing on tax also serves an educational purpose as it not only summarises the key developments in terms of legislative changes, but it makes the issue of tax less complicated for investors by providing them with a set of sample questions to ask companies:

Investors previously would be like 'If I ask a tax question and they give me a really detailed PowerPoint with numbers, how do I know if that's good or bad?'. Whereas now if you look at the briefing, the questions are much more towards the lines of 'If this rule changed, what's your plan, what would that do?'. And an investor can ask that question, the answer they will get on that topic would give them an insight into governance and into risk assessment, it won't be a numbers answer. You don't need to be an accountant to know whether that's a good answer or a bad answer [*Fieldwork Interview*, ShareAction, 2014].

In summary, the findings reveal that investor engagement in the area of tax has increased over the past years and shareholders have recognised the regulatory, financial and reputational risks associated with aggressive tax planning. NGOs have played a role for inciting and keeping alive the public interest in the topic, campaigning for changes in legislation, and facilitating engagement through providing information to investors. The next step is for the campaign to become more solutions-focused and there are signs of that beginning to happen:

Businesses have been called out on the problem, investors have now been told this is an issue they should be worried about, NGOs having raised the problem, now everyone involved is sitting down thinking 'what is next, what is the answer, what can we do?' [*Fieldwork Interview*, ActionAid, 2014].

Having discussed the impact of NGO activity on the investor community, the following section considers what influence have NGO actions had on the behaviour of the targeted companies.

10.2. Company Impact

A discussion of changes taking place at company level is another prerequisite for a comprehensive assessment of the overall impact of campaign activities. Companies' responses to activists could be examined through the use of legitimacy theory as a theoretical lens. Since 1995, the body of research on legitimacy has grown rapidly and in a variety of directions. Weber (1987) is most widely credited as the author to introduce legitimacy into sociological theory and organisation studies (Johnson *et al.*, 2006; Ruef and Scott, 1998). Suchman (1995, p. 574) offers the following broad-based definition of

legitimacy as ‘a generalised perception or assumption that the action of an entity are desirable, proper, or appropriate within socially constructed system of norms, values, beliefs, and definitions’’. The strategic, rather than the institutional, perspective on legitimacy advanced by Suchman (1995) is of relevance to this study as it emphasises how organisations manage legitimacy to help achieve their goals. Legitimacy is a resource that a business requires in order to operate and certain actions and events either decrease or increase that legitimacy.

Legitimacy theory could be adopted as a theoretical basis for understanding voluntary social and environmental disclosures made by corporations and a number of different models can help explain the targeted companies’ responses in the current study. For example, Ashforth and Gibbs (1990) distinguish between two general approaches by which organisations seek legitimacy – substantive management and symbolic management. The first entails real, material change in organisational goals and processes, whereas the second results in the organisation symbolically managing or portraying its actions so as to appear consistent with social values and expectations. Ashforth and Gibbs (1990) further subdivide these two broad categories into a total of ten specific actions, or legitimising practices adopted by companies. One of these practices is *role performance*, or meeting the performance expectations of those societal actors upon which the organisation depends. To give an example with the case studies discussed here, Vedanta adopted a human rights policy and a new sustainability framework in 2011 and 2012 as a result of pressure by its lenders. The company also engaged in the *denial and concealment* tactic (Ashforth and Gibbs (1990), which aims to suppress information about activities which are likely to undermine legitimacy. *Coercive isomorphism*, or conformity to the values, norms and expectations of constituents can be observed in the behaviour of Lloyds and HSBC which announced that they are in the process of reviewing their tax haven business structures and are closing subsidiary companies operating in tax haven countries (see Table 27).

Apart from Ashforth and Gibbs’ (1990) classification discussed above, Suchman (1995) advances another theoretical framework that could be used to examine the targeted companies’ responses to campaigning NGOs. Suchman (1995) distinguishes between three types of legitimacy (pragmatic, moral and cognitive) and a number of subtypes within each major category. Pragmatic legitimacy relies on the self-interested calculations of an organisation’s immediate constituents, moral legitimacy translates into a positive moral

evaluation of the organisation and its activities and cognitive legitimacy involves either backing for an organisation or acceptance of the organisation as necessary based on some taken-for-granted cultural account. Legitimacy based on the taken-for-granted principles is regarded by Suchman (1995) as the most subtle and powerful form of legitimacy. The author went on to incorporate two cross-cutting dimensions into this basic framework – the first of which reflects the focus of legitimation (organisational actions versus organisational essence) and the second captures the temporal aspect of legitimation (episodic versus continual).

Despite the relevance of legitimacy theory, Zadek's (2004) five stages of organisational learning model was adopted to assess the targeted companies' response to activists because of its layered organisational schema which provided a coherent narrative structure for analysing the vast empirical material that was gathered across the three key case studies of NGO-led shareholder activism. Zadek's (2004) framework provides a closer fit with the context of the study. It is specifically designed to explore how companies address CSR challenges, depicting the various steps through which an organisation passes when handling corporate responsibility. In addition, this model is of particular relevance for exploring the Tax Justice campaign as it was originally used for tracing changes in corporate behaviour in the context of the sweatshop movement which, as suggested earlier in the thesis (see p.118) bears resemblance to the tax justice movement. The advantage of this theoretical framework lies in its ability to trace a company's journey through not only the organisational dimension of learning, but also the societal dimension, assessing whether organisations have engaged in civil learning and evaluating the specific stage of issue maturity. In comparison to legitimacy theory, Zadek's model provides an effective way of measuring the impact of a campaign in a qualitative way. The framework is applied to each of the three case studies, with the aim of determining the extent to which a campaign has been successful in triggering changes in corporate behaviour.

Shell and the Niger Delta

Zadek (2004) believes that, when it comes to social responsibility, organisations pass through five stages as they progress along the learning curve. These stages are shown in the table below and Shell's progress is evaluated based on evidence from interviews, company reports, and adopted practices.

Table 24: Zadek’s (2004) Framework Applied to the Case of Shell

Stage (What Organisations Do and Think?)	Shell Being At That Stage? When?	Evidence
<p><i>Defensive</i></p> <p>Deny practices, outcomes, or responsibilities. ‘It’s not our job to fix that’.</p>	<p>Yes, until present.</p>	<p>Numerous references in all Shell’s annual reports, as well as during the company’s AGMs in 2013 and 2014, citing the difficult operational environment as the main culprit. Shell maintains that between 2010-2012 85 per cent of the volume of oil spilled from SPDC facilities was the result of sabotage and theft (Shell, 2012b).⁸⁴</p> <p>A common theme summarised in the following sentence is reiterated in Shell’s annual reports – ‘SPDC is responding positively to the findings of the UNEP report. But there are multiple parties involved in Ogoniland... (Shell, 2011b, p.20). In the words of an interviewee: ‘Shell is claiming that they want to clean up, but that they are waiting for the government’ [<i>Fieldwork Interview</i>, FoE Netherlands, 2013].</p>
<p><i>Compliance</i></p> <p>Adopt a policy-based compliance approach. ‘We will do just as much as we have to’.</p>	<p>Limited evidence, but largely not addressed</p>	<p>SPDC has supported and adopted the Voluntary Principles of Security and Human Rights in Nigeria. It has done so in order to address in some way the allegations regarding armed security forces discussed above.</p>
<p><i>Managerial</i></p> <p>Embed the societal issue in their core management processes. ‘It’s the business, stupid’.</p>	<p>No</p>	<p>ShareAction’s briefing (2012a) urges investors to ask Shell whether the remuneration of SPDC’s middle and senior managers is linked to spill reduction in the delta. However, no known improvements regarding this point are made.</p>
<p><i>Strategic</i></p> <p>Integrate the societal issue into their core business strategies. ‘It gives us a</p>	<p>No</p>	<p>There is no evidence to suggest that Shell has integrated the issue into its core business strategies.</p>

⁸⁴ However, ShareAction’s first briefing argues that, while compensation is payable only if the cause of a spill is not sabotage, Nigerian law stipulates that the responsibility for cleaning up oil spills, irrespective of their cause, lies with the company.

competitive edge’.		
<i>Civil</i>	No	Shell has not urged other companies operating in the Delta to take action on the issue.
Promote broad industry participation in corporate responsibility. ‘We need to make sure everybody does it’.		

Source: Adapted from Zadek (2004)

The results from Table 24 suggest that Shell occupies predominantly the defensive stage of organisational learning – there is no noticeable shift in company stance and no progress up the hierarchy invented by Zadek (2004). The motivation for Shell’s firmly adopted defensive position can be inferred when the context in Nigeria is considered. As one interviewee argues:

In the Nigerian context it is extremely easy for Shell to present itself as being the victim, being at the mercy of corrupt Nigerian government and military, and being at the mercy of people who live there, making it impossible for them to work in the way that they would like to. Now, I don’t think at all that that is the case (...) they’ve basically run, they’ve had a major hand in running that state. But they were able to present themselves as the victim in that situation (...) [*Fieldwork Interview, Platform, 2013*].

Another reason for the apparent lack of progress might have to do with the fact that the strategy of targeting and engaging with investors was introduced by NGOs comparatively recently – in late 2009 by Amnesty International. ShareAction was enlisted to help with their expertise in 2012. As has been mentioned before, investor work is time consuming and it might take years of engagement before the objectives of a campaign are realised. However, in the case of the Niger Delta, there are a lot of challenges that make this difficult (see Chapters 11 and 12 for details).

Some other changes in corporate practice which cannot be categorised under the headings of Zadek’s model deserve mentioning. To begin with, interviewees have claimed that, as a result of the increase in investor scrutiny, Shell’s transparency and disclosure of information had improved, as well as the company’s readiness to answer questions. For example, in 2011 Shell launched a website that enables people to track details of oil spills and how SPDC deals with them. Similarly, according to Shell’s 2010 sustainability report, SPDC published the impact assessments of its main projects on its website. Second, in 2011

SPDC began a programme to reduce flaring of associated gas and started investing in the acquisition of more gas gathering equipment. During its 2013 AGM, the company's CEO said that, by 2014-2015, the company should be either at, or below the current worldwide industry average flaring intensity which is at some 1.5 per cent of production [*Fieldwork Notes(8)*, 2013].

Third, in March 2012 Shell commissioned Bureau Veritas⁸⁵ to review SPDC's spill response and initial clean-up procedures. However, as the second briefing of ShareAction reveals (ShareAction, 2012b), there are still a lot of questions left unanswered surrounding the process and findings of this review. Fourth, seeking to address the recommendations made by the UNEP report, Shell announced that SPDC and the IUCN would set up an independent scientific panel to advise the organisation. The first report of the IUCN – Niger Delta panel was published in July 2013 (IUCN, 2013).

Shortly after, the managing director of SPDC announced that the company is to pull out of its oil activities in the Delta. CEO Peter Voser also mentioned 'divestment' in Nigeria during a presentation of Shell's second quarter results and stated that the focus will now be placed on gas drilling in Nigeria and oil drilling off shore (Dutch News, 2013). In summary, although there are some welcomed steps in the right direction such as increased transparency and a reduction in gas flaring, the problems in the Niger Delta are historic, persistent and deep-rooted, and the prospects of Shell taking action to alleviate the environmental and social damage caused are unclear, with the company still adopting a defensive position when confronted by activists.

Vedanta

Similarly to the campaign against Shell discussed above, the impact the NGOs have had on Vedanta is evaluated by applying Zadek's (2004) five stages of organisational learning framework. That being said, drawing on interviews, reports and participant observation, the table below assesses the extent to which Vedanta's behaviour has changed as a result of the campaign. All interviewees seem to agree that it was initially very difficult to engage with the company, as it refused to have a dialogue with both NGOs and investors. The former could not convince the company to comment on drafts of their written reports (for example, Amnesty International), and the latter found it challenging to arrange a private meeting with

⁸⁵ An independent international standards verification agency.

company officials: ‘With the Vedanta case we weren’t able to get a private meeting with the company’ [*Fieldwork Interview*, Aviva, 2013]. Therefore, to reflect Vedanta’s unique situation, another category is added to the model – ‘the unresponsive’ stage, which precedes the defensive one:

Table 25: Zadek’s Framework Applied to the Vedanta Case

Stage (What Organisations Do and Think?)	Vedanta Being At That Stage? When?	Evidence
<i>Unresponsive</i> Fail to respond to letters, emails and calls for meetings in relation to allegations. ‘If we keep quiet it will just blow over’.	Yes – between 2006 and 2009.	EIRIS wrote to the company on 24 May 2006 and on 15 November 2006. Vedanta responded on 15 April 2009. In 2009 Amnesty wrote to Vedanta to request an interview, seeking answers to allegations and comments on their first report – no response received. Investors unable to schedule a meeting with company officials.
<i>Defensive</i> Deny practices, outcomes, or responsibilities. ‘It’s not our job to fix that’.	Yes – between 2007 and 2012.	‘Contrary to these allegations which we know to be baseless’ (Vedanta, 2007, p.1). ‘We disagree with the suggestion that the company has infringed the rights of indigenous tribal people’ (Vedanta, 2009 cited in EIRIS, 2010, p.7). ‘There are factual errors in the report and we do not agree with the insinuations made...’ (Vedanta, 2012a, p.1).
<i>Compliance</i> Adopt a policy-based compliance approach. ‘We will do just as much as we have to’.	Yes – 2010 till present.	‘They’d written back and we got the impression that, because what they were doing was legal within the definitions of legality, they felt justifying what they were doing’ [<i>Fieldwork Interview</i> , JRCT, 2013]. ‘Our processes, planning and consultation have been in line with all Indian national laws’ (Vedanta, 2012b, p.11).
<i>Managerial</i> Embed the societal issue in their core management processes. ‘It’s the business, stupid’.	Yes – 2010 till present.	‘They are much more responsive to questions about having proper oversight of these issues at board level and senior management level’ [<i>Fieldwork Interview</i> , EIRIS, 2013]. Vedanta appointed a chief sustainability officer in 2010 who ‘certainly improved the dialogue with investors and also Vedanta’s responsiveness to stakeholders in terms of seeing NGOs’ [<i>Fieldwork Interview</i> , Church of England, 2013].

<p>Strategic</p> <p>Integrate the societal issue into their core business strategies. ‘It gives us a competitive edge’.</p>	<p>No – maybe some early signs but the company is far from adopting this approach.</p>	<p>Pressured by its lenders, Vedanta adopted a human rights policy and a new sustainability framework during 2011 and 2012.</p>
<p>Civil</p> <p>Promote broad industry participation in corporate responsibility. ‘We need to make sure everybody does it’.</p>	<p>No</p>	<p>No evidence to suggest that Vedanta promotes broad industry participation in corporate responsibility.</p>

Source: Adapted from Zadek (2004)

The table reveals that a company’s attitude towards CSR does not shift in a straightforward and uniform way as suggested by Zadek (2004), as there is an overlap between the various stages – while exhibiting progress in its approach to CSR, Vedanta has also continued to show signs of adhering to the defensive and compliance stages of organisational learning. Altogether the company has passed through four of the six stages – a result that can be considered to some extent satisfactory given its initial position. However, for the transformation to be complete, there has to be a full transition away from the defensive and compliance approaches and a higher emphasis on the strategic approach. One of the most significant changes that occurred was, in the words of an EIRIS official, that Vedanta became much more willing to talk to investors and ‘the communication with the company improved significantly in quantity, quality and frequency’ [*Fieldwork Interview*, EIRIS, 2013a]. In summary, the application of Zadek’s (2004) model reveals that Vedanta has gone a long way from how it used to behave initially, but there is still scope for change.

Another way of assessing the impact of the campaign on the company would entail looking at EIRIS’ final report on the progress made against its seven recommendations which was published in July 2013. Below is a summary table of Vedanta’s performance during the four years since the initial report in 2010:

Table 26: Summary Results – Vedanta’s Progress (2010 – 2013)

Recommendation	Initial Report 2010	EIRIS Assessment Jul-11	EIRIS Assessment Jun-12	EIRIS Assessment Jul-13
1. Board level oversight	Red	Amber	Light green	Light green
2. Board responsibility and training	Red	Amber	Amber	Light green
3. Remuneration link to ESG performance	Red	Amber	Light green	Light green
4. Grievance mechanisms	Red	Amber	Amber	Light green
5. Risk management	Red	Red	Light green	Light green
6. International Norms	Red	Amber	Light green	Light green
7. Monitoring compliance	Red	Amber	Light green	Light green

Unaddressed					Fully Addressed
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Source: EIRIS (2013)

The table above suggests that Vedanta has made progress and has undertaken steps to address each of the seven recommendations. However, not one of the seven recommendations is assessed as ‘green’ (fully addressed), indicating that there are still issues that need to be addressed across all recommendations. Positive developments during the 2012-13 financial year include training on sustainability issues and on grievance mechanisms at board level, as well as strengthening systems for overseeing compliance with ESG issues. However, the report claims that: ‘Vedanta is still to set up a panel of external experts to assess its operations in Orissa against international standards; its EIAs may not identify all indigenous communities as impacted by its operations; its grievance mechanisms (and especially the one in Lanjigarh) are lagging behind best practice standards’ (EIRIS, 2013). A representative of Aviva uses the following words to summarise Vedanta’s progress over the years:

They are going in the right direction but not at the right speed. I would far rather they were much quicker at dealing with some of the things that we have highlighted. For example, they still haven’t properly dealt with our request for them to have a complaints process and an arbitration mechanism. These things take only a matter

of weeks to implement, so I am irritated that that hasn't happened. But they are going in the right direction [*Fieldwork Interview*, Aviva, 2013].

Nevertheless, all the developments mentioned in EIRIS' report relate to changes in the way Vedanta governs itself. The question remains as to whether the changes at company level have been translated on the ground with real impacts for local communities and the environment. Interviewees from EIRIS, ActionAid and the Joseph Rowntree Charitable Trust remain sceptical:

This doesn't mean the company is perfect, it doesn't mean there aren't any risks involved, on the ground it still has better things to do. In performance terms on the ground it's hard to know, some of this stuff is historical stuff, it's legacy stuff, you can't really undo the damage that has been done. There should be slightly better dialogue with local communities... [*Fieldwork Interview*, EIRIS, 2013a].

My suspicion is that they haven't changed much [*Fieldwork Interview*, ActionAid, 2013a].

As far as I am aware Vedanta is still doing what it is doing. In terms of the position of the people and the environment being affected, I suspect that, by applying that pressure on the company, it would have had an impact, but I am not sure how great an impact [*Fieldwork Interview*, Joseph Rowntree Charitable Trust, 2013].

In its latest briefing paper entitled 'Vedanta's Perspective Uncovered: Policies Cannot Mask Practices In Orissa' (2012), Amnesty International alleges that the shortcomings of the environmental impact assessments have still not been addressed, that Vedanta has failed to address the risks posed by the refinery's red mud ponds and to disclose relevant information to local communities on the impacts of pollution. Furthermore, no remedial action has been taken with respect to the contamination already caused by the refinery operations and Vedanta has still to recognise the rights of the indigenous communities and to respect the views of the Dongria Kondhs. The report argues that the company 'has wrongfully assumed that it knows better than the Dongria Kondh what is in their best interests' (Amnesty International, 2012, p.9).

However, ultimately, on the 18th April 2013, the Supreme Court gave a verdict that the gram sabhas (the assemblies consisting of all adult voters) are to decide whether they are against the building of the mine or not. The verdict delayed once again the opening of the mine. In August 2013, all twelve gram sabhas unanimously opposed mining in the hills (Patnaik, 2013). Following their decision, in January 2014, the MoEF rejected Vedanta's proposal for bauxite mining in Orissa. The refinery, which relied on the bauxite supplies

from the mine to function, stopped operating on the 5th December 2012 as a result of inadequate supply of raw material. It resumed operations at sixty per cent capacity on 11 July 2013 after a gap of seven months. Based on these events, the campaign can be classified as being successful.

The reasons behind this success are varied and complex and cannot be attributed to the actions of one organisation, one investor, or one newspaper article. Rather, what made the campaign so effective was the fact that it was an international campaign with pressure from the UK, as well as within India; there was sustained criticism over a long period of time coming from different NGOs and high-profile investors; the campaigning organisations have used a variety of different tactics – detailed research, targeting of investors, attendance at AGMs, telling the personal stories of the Dongria Kondh, creating media attention, and others. All these tactics which were well documented in the media (both in the UK and in India) helped create the right political environment for the Indian government to intervene. One of the interviewees gives an interesting explanation of what might have been the reason behind the Supreme Court's judgement:

You have to remember that, in India, the Supreme Court was very aware of every investor that was pulling out, of every press release and every article that was being published about Vedanta, and how it was affecting, not just the community, but the image of India as a place to do business. I think there was a political dynamic to it as well – it became a lightning rod for how development was trampling over human rights in India, and that sits uncomfortably with a country's image of a modern democracy, so that was quite an important aspect of it as well [*Fieldwork Interview, ActionAid, 2013b*].

Due to the complexity of the Vedanta campaign and the fact that it span over a number of years, involving a variety of different actors and campaign tactics, shareholder activism by NGOs and investors should be seen as a piece of the overall puzzle, but nevertheless a significant one, as suggested by a former campaigner from ActionAid:

You could argue that shareholder activism by NGOs and the media and publicity around what was going on did have an indirect impact that ultimately forced Vedanta to at least pay more attention to its policies on corporate and social responsibility in a way that it may not have done otherwise [*Fieldwork Interview, ActionAid, 2013b*].

The Tax Justice Campaign

As the tax campaign is a broad campaign that targets all FTSE 100 corporations, there should be a general discussion of how they have addressed NGOs' demands. Specific examples of companies which can be categorised under one of Zadek's five stages of organisational learning are provided in the table below. The data gathered is based on fieldwork interviews, live documents, company documents, and analysis of firms' responses to the AGM questions asked over the years. These responses are publicly available and are published on ShareAction's website.

Table 27: Zadek's Framework Applied to the Tax Case Study

Stage (What Organisations Do and Think?)	Examples of Companies Being At That Stage? When?	Evidence
<p><i>Unresponsive</i></p> <p>Fail to respond to letters, emails and calls for meetings in relation to allegations. 'If we keep quite it will just blow over'.</p>	<p>AstraZeneca 2012</p> <p>Shire – 2014</p>	<p>When asked during its 2012 AGM of the possibility for reporting taxes on a country-by-country basis, the company said it had no plans to provide more detailed reporting.</p> <p>When asked about the reputational risks of aggressive tax practices such as moving your headquarters in Dublin for tax purposes, Shire responded 'by saying, first of all, that they were not Starbucks, and then said they did not think it had a reputational impact' [<i>Fieldwork Interview</i>, ShareAction, 2014].</p>
<p><i>Defensive</i></p> <p>Deny practices, outcomes or responsibilities. 'It's not our job to fix that'.</p>	<p>BP – 2012 and 2013</p> <p>In General</p>	<p>At both AGMs, the company mentioned that in some countries BP's desire to report on tax was hampered by the law.</p> <p>'We asked a question about country-by-country reporting (during the 2014 AGM season) and the general tenor of those answers was 'We don't have to so we are not going to' [<i>Fieldwork Interview</i>, ShareAction, 2014]</p> <p>Some companies 'would fundamentally disagree with our analysis and suggest that, while there might be some companies that are causing problems in developing countries, that wasn't them and the discussions we were having were irrelevant to the work that they were doing' [<i>Fieldwork Interview</i>, ChristianAid, 2013].</p>

<p>Compliance</p> <p>Adopt a policy-based compliance approach. ‘We will do just as much as we have to’.</p>	<p>Schroders 2012</p> <p>Severn Trent 2012</p> <p>British American Tobacco 2014</p> <p>In General</p>	<p>Asked why it does not report taxes on a country-by-country basis, the company responded that it complies with all statutory requirements.</p> <p>‘We give full disclosure of everything that is required of us by the laws applicable in every country in which we operate (...) (Michael McKeon, Finance Director of Severn Trent) (ShareAction, 2012c).</p> <p>When asked about undertaking country-by-country reporting, the CEO said there is no obligation to report globally.</p> <p>‘Quite often I would find that tax directors would either be accountants or tax lawyers, so they take quite a technocratic view to the problem and just say ‘This is the law. We are complying with the law’ [<i>Fieldwork Interview</i>, ChristianAid, 2013].</p>
<p>Managerial</p> <p>Embed the societal issue in their core management processes. ‘It’s the business, stupid’.</p>	<p>Lloyds and HSBC following questions at their 2013 AGMs</p> <p>HSBC, Uniliver, Lloyds, RBS, GSK – 2014</p> <p>Tullow Oil 2014</p>	<p>Both banks announced that they are in the process of reviewing their tax haven business structures and are aiming to close subsidiary companies operating in tax haven countries (Wilson, 2013; Rankin, 2013).</p> <p>All announced that they were closing their operations in tax havens.</p> <p>‘Tullow Oil for the first time this year published a full country-by-country report and they are leading in the FTSE 100 companies on disclosure now’ [<i>Fieldwork Interview</i>, ShareAction, 2014].</p>
<p>Strategic</p> <p>Integrate the societal issue into their core business strategies. ‘It gives us a competitive edge’.</p>	<p>Shell – since 2011</p> <p>Stagecoach, the Co-operative, Greggs - 2014</p> <p>Diageo May 2013</p>	<p>Since 2011 Shell have started to publish a document entitled ‘Revenue Transparency’ which provides a country-by-country breakdown of tax payments made to governments in some of the main countries the company operates.</p> <p>A number of companies who have engaged with the fair tax mark here in the UK. They’ve proactively chosen to go that way because they see a reputational benefit from it’ [<i>Fieldwork Interview</i>, ChristianAid, 2014b].</p> <p>Published a global tax policy in 2013 detailing Diageo’s approach to tax planning (see Diageo, 2013).</p>

	Unilever 2013	Unilever outlined on their website eight main tax principles they abide by (see Unilever, 2013).
Civil Promote broad industry participation in corporate responsibility. 'We need to make sure everybody does it'.	No	No evidence of a FTSE 100 company promoting broader industry adoption of responsible tax planning practices.

Source: Adapted from Zadek (2004)

The information provided in the table showcases a true diversity in companies' responses to the tax campaigners, with examples for almost all of the five stages described by Zadek (2004). It is interesting to note that, despite the early stages of the campaign, there are already some companies which have realised the potential reputational and competitive advantages that could be accrued upon the adoption of a responsible approach to tax, and which have become leaders in their field with the creation of their own tax policies and principles (for example, Vodafone, SABMiller, Unilever). At the same time, this proactive approach contrasts with another group of more conservative companies which state that they will change their practices only if legislation demands it. The empirical evidence suggests that there is indeed a differing degree of progress across companies: 'Some companies are trend-setters and are way ahead of the rest of the group, really making an effort, while others are laggards' [*Fieldwork Interview*, ChristianAid, 2014a].

The main achievement of the campaign so far has been a gradual 'shift in corporate attitudes to tax' which is evident when we consider that 'companies' responses to the questions have improved significantly compared to when the AGM action first began' [*Fieldwork Interview*, ShareAction, 2014]. Tax has become a standard campaigning issue and more and more companies are starting to publicly recognise in their annual reports that tax practices pose a serious risk. Examples include Glaxo-Smith-Kline, RSA and AstraZeneca. In addition, some companies such as Tullow Oil (mentioned in Table 27), Vodafone and Statoil are already performing well in terms of country-by-country reporting. The next steps in the campaign will involve a continuation of the AGM action in 2015, training of supporters to attend the AGMs, more engagement with investors, and a

collaborative project between ChristianAid and ActionAid aimed at producing a report which details a set of tax and business principles for companies to adopt. One of the main aims would be to try ‘to discern what practices lie beneath the principles, how are companies implementing the principles’ [*Fieldwork Interview*, ChristianAid, 2014b].

Zadek (2004) argues that there are four stages of issue maturity – the first being characterised by a largely dismissive position adopted by the business community, a position which gradually changes as businesses start to experiment with approaches to dealing with the issue and to develop voluntary standards. Ultimately, these new business norms become embedded into corporate culture. Similarly to the fair trade movement and the living wage movement, with the maturation of the tax campaign, tax justice and transparency can also become one of these embedded norms. Only time can tell whether this will happen but, as mentioned in the introduction to the study, the outcomes of shareholder activism should be regarded in the context of delayed gratification, as opposed to the achievement of short-term or immediate goals.

Conclusion

The chapter has explored the impact of NGOs’ shareholder activist strategies on the investor community and on company practices and behaviour. In terms of investor impact, the main outcome of the campaign against Shell lies in the heightened awareness among the investor community regarding the issue and in the increased scrutiny that investors have placed on the company as a result of NGO activity. However, as mentioned in Chapter 6, Section 6.1., the majority of shareholders engaging with the company are SRI investors, raising the question of whether their smaller shareholdings, in comparison to mainstream investors, limit their ability to push for actual changes on the ground. In addition, the empirical evidence suggests that the lack of flexibility in NGOs’ campaign arguments and approach has meant that some investors felt alienated from the demands of campaigning NGOs.

Similarly to the Niger Delta campaign, investors in Vedanta expressed their concerns via engaging in behind the scenes dialogue with the company. However, they also used other avenues for action, including asking questions at the AGM, voting against resolutions, divesting, and undertaking collaborative engagement via the PRI Clearinghouse. The findings revealed that the NGOs played a crucial role in alerting investors to the problem in

the first instance and were also a useful source of information for busy shareholders who have limited time and resources to dedicate to SEE issues. However, the campaign style of some NGOs, who were insisting that investors divest from Vedanta, was regarded as not nuanced enough by shareholders who preferred to engage in dialogue.

When it comes to the tax campaign, NGOs have been instrumental in generating media and public attention, as well as in lobbying the government for the introduction of tax reforms. The public interest and regulatory reform, in turn, have triggered action by investors in the form of engagement with investee companies. NGOs have also played an important role in providing information to the investor community through the production of high quality reports. So far the campaign has managed to incite more dialogue on the topic, but the issue is still not a core engagement priority for shareholders. The next step for ChristianAid and ActionAid would be to publish the report detailing the set of tax principles to be adopted by companies and to engage with investors based on that information.

The chapter also explored the impact of campaigns on company behaviour. To facilitate and provide structure for the assessment process, Zadek's theoretical framework was applied. Shell's response to campaigners was evaluated first, revealing a predominantly defensive approach adopted by the company – an approach characterised by denial of responsibility and shifting blame to other parties. The reasons behind this position could be various: the complex situation in Nigeria which makes it easy for the company to assume the role of a victim; the comparatively recent introduction of investor engagement as a tactic and the fact that it takes time for the outcomes of shareholder activism to become visible, or some strategic mistakes in the way NGOs have communicated with the investor community (see Chapter 12).

Second, in terms of the Vedanta case, it was concluded that the company's progress can be considered as satisfactory given its initial unresponsive position. However, there is still a lot more to be accomplished and some commentators were sceptical about the existence of actual changes on the ground, while investors disapproved of the pace with which Vedanta was implementing EIRIS' recommendations. Albeit the changes in company behaviour are somewhat disputed, some of the campaign goals (not building the mine and delaying the refinery expansion) have been achieved as a result of a mixture of campaign tactics that include generating media attention, asking questions at the AGM, targeting investors, and

others. The Vedanta case study has enabled the refinement and advancement of Zadek's model in two distinct ways – by adding an additional stage portraying the 'unresponsive' company attitude and by identifying that the progress through the various stages is not sequential, but rather there could be overlap between two, three or more stages at any given time.

Third, the analysis of company responses in relation to tax showed a mixture of different positions being adopted, with some companies taking a proactive stance, while others expressing a conservative outlook. However, with the maturation and progression of the campaign, which is still very much in its early stages, a responsible approach to tax could become embedded into corporate culture.

11. Cross-Case Analysis and External Challenges

Brick walls are there for a reason. They are not there to keep us out. The brick walls are there to give us a chance to show how badly we want something. Because the brick walls are there to stop the people who don't want it badly enough. They're there to stop the other people.

(Randy Pausch, 2008)

While the previous chapter focused on the intraorganisational levels of analysis, Chapter 11 and 12 consider the macro institutional phenomena, the structural conditions that have an impact on NGOs' shareholder activist campaigns. Much of the research and theoretical insights on social movement outcomes stem from a focus on state-oriented outcomes. But, as Soule (2009) argues, the findings from this prolific literature can be applied to the study of the impact of social movements on corporations. The social movement literature identifies factors that explain how actors achieve their campaign outcomes and in a seminal essay, Zald and Ash (1966) distinguish broadly between environmental factors, or features of a movement's external environment, and internal organisational characteristics. Chapters 11 and 12 use the distinction between internal and external factors proposed by Zald and Ash (1966) in order to group conceptually the challenges faced by campaigning NGOs with reference to the three case studies. Chapter 11 discusses the external challenges (or those which are not in the control of voluntary organisations) that threaten to diminish the impact of NGO shareholder activist tactics. Drawing on examples from the three case studies, the present research identified four main external challenges: short-termism among investors, misinterpretation of fiduciary duty, the ownership structure of companies, and dispersed ownership. It should be noted that, notwithstanding the context-specific nature of the campaigns, most of the challenges outlined are also applicable to other NGO-investor interactions. Prior to analysing the external challenges, the chapter brings together the findings from the three case studies and opens with a section which compares and contrasts the interventions, as well as their relative success. Such analysis facilitates an exploration of the factors that have contributed to the effective realisation of campaign goals.

11.1. Overall Comparison of the Case Studies

The three case studies incorporate a variety of different shareholder activist tactics and were chosen to provide a range of examples of tactical approaches. The interventions were a

small minority of the overall capital markets campaigns underway at the time the present study was begun. While a small sample, the interventions were representative of strategies typical of NGOs and there is therefore sufficient evidence to enable insights to be derived based on the comparison of the chosen campaigns.

When it comes to the campaigns against Vedanta and Shell, both targets were large FTSE 100 companies. However, the predisposition of investors towards these two firms appears to be different. Shell is an established presence in the market and prides itself on being considered as a pillar of the establishment, one of the great British companies, loved and respected by shareholders. Meanwhile, Vedanta is a newcomer to the stock exchange (listed in 2003) and, as an Indian company with very different cultural and corporate governance traditions, it faces more of a challenge in convincing UK investors of its reliability and status. The way the two companies have responded to allegations has also been quite different. Shell, on the one hand, having previous experience with campaigning organisations, has been very polite and professional during its AGMs, and has managed to sway investors' opinion in its favour by emphasising the existing problems in the Niger Delta. Vedanta, on the other hand, has initially been unresponsive to allegations and has adopted a dismissive and confrontational attitude during its AGMs, demonstrating a reluctance to meet and discuss the issue with investors.

In terms of campaign objectives, the Vedanta intervention was always about one single, uncomplicated issue – to stop the building of the mine and prevent the expansion of the alumina refinery. By contrast, the campaign against Shell was all-encompassing, consisting of a multitude of complex environmental and social problems that needed to be addressed. Vedanta is an example of a proactive campaign which is trying to prevent something from happening, while Shell is an example of a reactive campaign which is attempting to address environmental pollution which has been occurring for more than five decades. The campaigning organisations targeting Vedanta have managed to generate considerable media and public attention both in the UK and in India. This, however, has not been the case for campaigners against Shell where, the dangerous security situation in the Delta, and a low level of public interest in the topic, might explain the lack of television cameras and news reports. Media and public interest in the Vedanta case have in turn played a role in sparking regulatory pressure from India, which ultimately contributed significantly to achieving the campaign aims. By contrast, the UK and Dutch governments have made no attempts to help

alleviate the situation in the Delta. It should be noted that the UK and Dutch governments' powers in this case were more restricted because the Indian government was regulating in India in connection with an Indian firm. While the UK and Dutch governments probably exercise a great deal of influence behind the scenes, there may be limits to what they can achieve due to the fact that they have no direct regulatory power in the Niger Delta.

The tax campaign was quite different from either the Vedanta or Shell cases, being focused on all FTSE 100 companies as opposed to just one corporation, and involving the comparatively recent introduction of shareholder activism as a tactic (since 2010). Media attention and public interest in tax justice has become increasingly apparent, especially following the controversies around companies such as Google and Amazon who have been accused of aggressively avoiding taxes in the UK. Although there has been news coverage of ActionAid and ChristianAid's reports which deal with the development angle of the problem⁸⁶, the media and public interest has been predominantly focused on tax avoidance in the UK, and regulatory pressure has been partly driven by the policy work of NGOs. Thus, both UK and international politicians have expressed an interest in tackling aggressive tax management. For example, in 1998 the OECD initiated a project aimed at eliminating harmful preferential tax regimes in member countries – the progress report concluded that out of 47 preferential tax regimes identified as potentially harmful, 18 had been abolished, 14 have been amended and 13 were found not to be harmful when analysed further (OECD, 2006). In addition, there has been a recent initiative at the OECD on reconsidering international corporate tax rules (the so called Base Erosion and Profit Shifting project). What is more, following discussions at the meeting of the G8 nations in June 2013, tax havens have committed to being more transparent through signing instruments like the multilateral convention on mutual administrative assistance on tax matters. Having noted all these factors which distinguish the tax campaign from the other two campaigns, it nevertheless bears one key similarity to the Vedanta campaign in the sense that it revolves around a single, uncomplicated issue – namely – embedding tax justice in the CSR agenda and increasing tax transparency.

The use of information provision strategies (discussed in Chapter 5), which form the basis for each campaign, is present in all three case studies. However, each of the three campaigns has placed an emphasis on the various shareholder activist tactics to a different

⁸⁶ Reports which discuss the effects of aggressive tax avoidance on developing countries.

extent. The Vedanta intervention has relied on a mixture of both indirect and direct strategies; the Shell intervention, although having an element of direct action, has predominantly been focused on indirect investor engagement and the tax campaign, to date, has utilised the direct route of the AGM as a main strategy.

The cases can also be compared by considering their impact on the investor community and the targeted companies. Based on data from Chapter 10, the following table presents the investor and company impact, as well as the overall outcome of each of the case studies.

Table 28: Overall Comparison of the Impact of the Case Studies

Intervention	Investor Impact	Company Impact	Overall Outcome
Shell in the Niger Delta	Investors started to put pressure on the company and ask questions as a result of NGO activity. However, NGOs' strategy and response has not been flexible enough in view of the elaborate strategies via which Shell has defended itself. Instead, NGOs have tended to reiterate their initial position.	The company notably increased its transparency and accountability. Progress has been made in the area of gas flaring. However, Shell is still in the defensive stage of organisational learning and historic oil pollution and social problems are not adequately addressed.	Although progress has been made over the recent years since shareholder activism was introduced as a tactic, there are no concrete solutions and considerable change in the situation in the Delta. Overall, it could be argued that the campaign is less successful compared to the Vedanta case.
Vedanta Resources in India	Numerous investors engaged with Vedanta both publicly and privately, individually and collaboratively. NGOs have been instrumental in alerting shareowners to the problem and have been the reason for them taking action. NGOs were also a useful source of information once the engagement process had begun and	Vedanta has gone a long way – from refusing to have a dialogue with investors and NGOs, to exhibiting signs of being at the strategic phase of organisational learning. Although it has implemented strategies at the governance level, it is early to say how these will translate on the	Considerable change in company practices and policies. Regulatory intervention, sparked in part by investor and NGO activism, has led to the decision for the mine not to be built. It is still unclear whether the refinery expansion will go ahead or not. Overall, given the

	<p>have helped maximise media impact. However, some investors were critical of NGOs' call for divestment as opposed to continued engagement.</p>	<p>ground. Problems with existing pollution related to the refinery still persist.</p>	<p>changes Vedanta has introduced as a result of the campaign, and the fact that the construction of the mine was ultimately rejected, the intervention can be considered as successful.</p>
<p>Tax Justice Across FTSE 100 companies</p>	<p>Over the recent years, investors have begun to engage more with companies on tax. They have also become more open to speaking with NGOs on the topic. Their interest has been sparked by public attention and regulatory pressure, which in turn have been driven by NGO activity. Voluntary organisations have played a crucial role in informing and educating shareholders through detailed reports and company exposés.</p>	<p>There has been a mixture of divergent company responses. However, the overall opinion is that companies have come to recognise the risk associated with aggressive tax planning and have started addressing it through being more transparent, engaging with NGOs, publishing their tax principles and committing to closing tax haven operations.</p>	<p>There have been some notable changes in both the corporate and investor world but, since the campaign is in its early stages, it would be premature to make conclusions about its overall outcome.</p>

In summary, it could be argued that the NGO intervention that has achieved the greatest overall impact is the campaign against Vedanta. The campaign against Shell has been successful in persuading investors to engage with the company, although there is no evidence of considerable changes taking place on the ground. The tax campaign has been marked by a gradual shift in corporate approach to tax and an increasing investor interest in the area, but it would be hasty to make judgements about the overall effectiveness of the intervention.

The next section considers the external challenges encountered by NGOs who engage in shareholder activism. Such external challenges can shed light on the variability of outcomes observed under the three campaigns. Section 11.3. discusses what constitutes a successful engagement according to the literature and proposes an alternative way of thinking about the impact and effectiveness of shareholder activism.

11.2. External NGO Challenges

The barriers to building an effective shareholder activist campaign are numerous and some of them are inherent in any form of capital markets campaigning. These include, but are not limited to, internal factors (or those related to the strategic choices and organisational characteristics of NGOs) over which NGOs could perhaps exert control, such as unrealistic expectations, short-termism and lack of collaboration – all discussed in the next chapter. Nevertheless, some of the barriers stem from external factors that are beyond the control of NGOs. The empirical findings reveal that the effectiveness of a shareholder activist campaign is greatly diminished in the presence of four external barriers: short-termist investor behaviour, misinterpretation of fiduciary duty, the ownership structure of a company, and dispersed ownership. These factors are all discussed in turn in the sections that follow.

Short-Termism

Two opposing views of institutional investors exist in the literature. For lack of a better terminology, they can be broadly labelled as monitoring on the one hand, and short-termism on the other. Shleifer and Vishny (1986, 1997) argue that the large shareholdings of institutional investors serve as an incentive for them to gather information and discipline management as their potential gains from monitoring the organisation are far greater than those of minority owners. Similarly, according to Dobrzynski (1993) and Monks and Minow (1995), institutions tend to monitor management with the view of ensuring that a company's investment strategy reflects the objective of maximising long-term value, as opposed to generating short-term gains.

However, there are those who believe that, in cases when monitoring is costly or time consuming, institutional investors would respond to a poor performance by just selling their shares instead of engaging in activism (Coffee, 1991; Manconi *et al.*, 2012). The recent financial crisis is an example of such behaviour. Callen and Fang (2013) suggest that the strategy adopted by many institutional investors in the US is to invest in a large variety of different equities in order to diversify risk. However, as many critics claim, by exhibiting such trading behaviour, a great number of investors place emphasis on short-term performance, causing managers to be concerned that earning decreases in the immediate future will lead to stock selling by investors (Graves and Waddock, 1990; Bushee, 2001;

Jacobs, 1991). The empirical evidence suggests that such a fixation on trading is characteristic of UK equity markets as well. According to a senior member of staff at ShareAction:

Investment portfolios are very high turnover and investors can't be bothered to take the trouble to have a whole interaction and engagement with a company. They'd rather just think: 'Well, if it's a big enough problem, then let's just not hold that company anymore' [*Fieldwork Interview*, ShareAction, 2013a].

The case study analysis has revealed that short-termism can be identified as one of the most important factors deterring investors from engaging actively with Shell:

Investors think they will sell their shares in Shell on time [*Fieldwork Interview*, Amnesty International, 2013].

Short-termism, on the part of investors, as a barrier to engagement exists when it comes to the tax campaign as well and it is being acknowledged as an issue by both NGOs and some investors active in the area of tax justice:

We are very long-term minded in our approach for many of these companies, but if you are a short-term investor, then you would not necessarily think this is an issue that you should be engaging with companies on [*Fieldwork Interview*, Arisaig Partners, 2013].

However, the problem extends beyond the immediate remits of these particular case studies as short-termism is a general characteristic of investor behaviour:

I used to think that the whole concept of risk ought to be able to bring long-term thinking into how financial institutions behave (...). What I have realised is that the expectation of the financial institutions is that, as the long-term becomes the short-term, if they see something very likely to happen in the immediate future, they will be able to divest [*Fieldwork Interview*, Forum for the Future, 2013].

Despite the widespread adoption of short-termism in the capital markets, there is evidence in the literature which suggests that institutional stewardship in the form of shareholder activism has an effect on corporations and enhances shareholder value (Gillan and Starks, 2000, 2007; Klein and Zur, 2009; Helwege *et al.*, 2012). In a recent study conducted by Callen and Fang (2013), the authors evaluate the monitoring versus short-termism hypotheses by reference to stock price crash risk. They conclude that stable institutional investors who play a monitoring role pre-empt managerial bad news hoarding behaviour,

which in turn leads to a reduction in future stock price crash risk. By contrast, short-termism has an adverse impact on public firms as it increases the risk of stock price crash.

Transient institutional investor ownership is a barrier to NGO shareholder activist campaigns, because it results in shareholders who are less willing to listen to the concerns of the third sector, it makes it harder for charities to know who to target from the investor community, and it creates a market very much focused on short-term financial performance at the expense of wider factors such as the environment and society. In response to the problem, some NGOs have already started campaigning on the issue. Examples include Forum for the Future and their ‘Overcoming the Barriers to Long-term Thinking in Financial Markets’ report (Forum for the Future, 2011a), as well as ShareAction’s ‘Our Money, Our Business’ report (2013b). The former explains why short-term thinking is a problem and proposes steps for tackling it. The latter makes the case that creating short-term gains through high-risk financial engineering or through discarding the costs of environmental damage serves ultimate owners (the pension savers) worse than generating sustainable wealth. This type of campaigns target the public policy makers and aim to transform the financial system through information provision and advocacy (the reports), roundtables with industry leaders, meetings with government officials, and submission of responses to government reviews (for example, ‘The Kay Review of UK Equity Markets and Long-Term Decision Making’ (2012)).

Fiduciary Duty As A Strategic Barrier

There is a body of law stating that trustees have a ‘fiduciary duty’ – in other words – a legal obligation to act in the best interest of the people whose money they are managing (beneficiaries). However, it has traditionally been regarded that investors are in breach of their fiduciary duty if they consider social, environmental and ethical issues as these are thought to undermine investment returns. Acting in the best interests of beneficiaries is often taken to mean their best financial interests (Sandberg, 2013). The empirical findings substantiate this assertion. As observed in Chapter 6, in 2009, Wandsworth Borough Council, one of the local authorities targeted by ActionAid, refused to engage with Vedanta stating that the council has a fiduciary duty to obtain the best possible financial return on its pension fund investments (see Stewart, 2009). As has been revealed by the empirical evidence, investors who, for various reasons, do not wish to engage with a company, use the term ‘fiduciary duty’ as an excuse not to, posing challenges for campaigning NGOs.

Commentators, from both academia and the SRI movement, have struggled to find a way around the problem of fiduciary duty. One proposed solution has been to reinterpret fiduciary duty by making reference to the financial relevance of social and environmental considerations (for a review of the literature on the link between CSP and financial returns, see Orlitzky, Schmidt and Rynes, 2003). The report by leading UK law firm Freshfields Bruckhaus Deringer (2005) has advocated this view. The paper concludes by refuting the proposition that the incorporation of SEE issues in investment decisions does not necessarily breach trustees' fiduciary duty: 'Integrating ESG considerations into an investment analysis so as to more reliably predict financial performance is clearly permissible and is arguably required in all jurisdictions' (Freshfields, 2005, p.13). Proponents of the reinterpretation of fiduciary duty have advanced a second solution – focusing on the welfare interests of beneficiaries. For example, Lydenberg (2014) and Joly (2002) insist that institutional investors should perform their duties in such a way that they attend to the 'broader welfare interests of their principals' (Joly, 2002, p.294), interests such as the state of the natural environment, the cost of healthcare, and the prospects of security and peace abroad (Lydenberg, 2014).

ShareAction has embraced the findings of the Freshfields report, alongside with the theoretical ideas mentioned above, and has built a policy campaign centred on lobbying the government to introduce statutory clarification of the role of institutional investors. The main aim is to ensure that trustees, when deciding on issues such as where to invest or whether to engage with a company, are not strictly confined to taking into account only financial returns, but they also have the legal right to consider environmental and social impacts as long as they are in the best interest of savers (ShareAction, 2012d). The organisation is trying to achieve its campaign aims through research (two reports on the issue published to date – 'Protecting our Best Interests: Rediscovering Fiduciary Obligation' (2011b) and 'The Enlightened Shareholder: Clarifying Investors' Fiduciary Duties' (2012d)) and advocacy (attending Party Conferences, holding roundtables with ministers, lobbying key policy figures, responding to consultations). Professor Kay's review of UK equity markets took on board ShareAction's concern that the inadequate interpretation of fiduciary duties hinders responsible investment and recommended that a Law Commission review be carried out. The report summarising the findings of the Law Commission confirmed that fiduciaries are free to consider all factors that influence the

financial performance of a firm, but denied there is a need for statutory codification of this principle (The Law Commission, 2014).

The Tax Justice Network has also done work on fiduciary duties in relation to the tax campaign. In 2013, they commissioned legal firm Farrer and Co to advise whether failure to engage in tax avoidance constitutes a breach of fiduciary duties. The legal assessment states: ‘The proposition that there might be a strictly fiduciary duty to avoid tax is wholly misconceived’ (Farrer and Co, 2013). The Tax Justice Network also dispatched a copy of the legal opinion to the CEO of every FTSE 100 company (Macalister, 2013).

However, Sandberg (2013) contends that none of the two above mentioned solutions for reinterpreting fiduciary duty with a view of justifying shareholder engagement would work. Relying on the results of a comprehensive study by Margolis *et al.* (2009) which compares 192 statements in 167 previous papers on the link between CSP and corporate financial performance (CFP, hereafter)⁸⁷, Sandberg (2013) argues that, in the majority of cases, there is no clear evidence that social and environmental considerations have financial relevance. The author concludes by stating that, although according to the justification proposed by the Freshfields report some pension funds may be allowed to act based on social and environmental considerations under certain circumstances, they have no lawful right to do so continuously and, therefore, will not embrace wholeheartedly SRI and shareholder activism. Sandberg (2013) continues by claiming that the beneficiaries’ welfare thesis is flawed due to the heterogeneity of beneficiaries who all have different welfare needs and due to the fact that doing the right thing will not always be in the interests of pension fund members. Based on these criticisms, it can be concluded that, although necessary, a legal clarification of fiduciary duties alone may not be sufficient for encouraging shareholder activism. What follows is a discussion of the implications that the ownership structure of a company and its dispersed shareholder base can have for NGO shareholder activism.

The Ownership Structure of A Company

A significant majority of interviewees have cited the ownership structure of Vedanta as a major challenge for the campaign. Vedanta has a dominant shareholder – fifty one per cent of the company is owned by the Agarwal family. As such, Anil Agarwal – its founder, acts

⁸⁷ The results show that the overall link between CSP and CFP is ‘positive but small’ (p. 2). 58 per cent of the studies found no statistically significant relationship between CSP and CFP (Margolis *et al.*, 2009).

as Chairman and ‘the views and values of that family do govern the firm’ [*Fieldwork Interview*, Aviva, 2013]. This meant that, as mentioned before, it was difficult for both NGOs and investors to engage with the company. Having Mr. Anil Agarwal as a majority shareholder also played a role in Vedanta’s resistance to change and the company’s propensity to deny allegations of wrongdoing:

They were so so unconcerned and so unmoved by any social, environmental, or human rights issue. That family was in no way, shape, or form inclined to really pay attention to what the Kondh⁸⁸ were saying or what NGOs were saying and so that was the brick wall [*Fieldwork Interview*, ActionAid, 2013b].

The biggest challenge was the lack of appetite from the company for dialogue with minority shareholders and the lack of appetite of the company to change [*Fieldwork Interview*, Church of England, 2013].

In a study that investigates the impact of controlling owners⁸⁹ on CSR, Rees and Rodionova (2013) suggests that rather than institutions, which are attracting greatest attention in terms of responsible investment, other types of owners such as families have a stronger negative impact on CSR projects as they are found to actively oppose those. Similarly, Mackenzie and Rees (2011) analyse the FTSE4Good CSR scores of 1,825 firms in 25 countries and hypothesise that CSR imposes costs on the firm’s owners. Their findings reveal that firms with controlling employee/family groups (who hold more than 10 per cent of the shares) perform significantly worse in a number of indicators such as corporate governance, environmental management and human rights. Overall, the impact of entrenched ownership is regarded as being strongly and significantly negative. The results are consistent with the current study’s findings which demonstrate that the excessive influence of one family has had forestalling effects on the campaigning efforts of both NGOs and investors.

It should be noted that the governance structure of Vedanta is very typical for India where family owned companies are more common. However, interviewees spoken to in the course of this research seemed to regard it as somewhat peculiar for the UK context. This goes to show that factors such as the corporate governance system and the legal environment within a country can bear a great impact on shareholder engagement. Corporate governance can be defined as ‘the structure of rights and responsibilities among the parties with a stake in the firm’ (Aoki, 2001, p.11). The Anglo-American model of corporate governance (the UK

⁸⁸ As mentioned on p.100, the Dongria Kondh are the local indigenous communities living in the Nyamgiri Hills.

⁸⁹ Owners who hold shares for strategic reasons as opposed to trading.

being an example of a country that adopts it), is often contrasted to the Continental European corporate governance model (Becht and Roell, 1999; Hall and Soskice, 2001, La Porta *et al.*, 1998). The former is depicted in terms of financing through equity, active markets for corporate control and dispersed ownership, while the latter in terms of long-term debt finance, weak markets for corporate control and concentrated ownership by large block-holders. Goergen (2007) reports that only about two per cent of listed US and UK companies have a majority shareholder compared to Australian, German and Italian firms where the percentage is 68, 64 and 54, respectively.

The case study suggests that the stark divergence in norms and culture is not only evident when we compare the Anglo-American and Continental models, but also when we look at UK and Indian companies. Therefore, for UK investors and NGOs, who are accustomed to engaging with UK companies, Vedanta's ownership structure and culture posed a challenge. Despite these problems, the campaign against Vedanta was very successful and paradoxically, the reason behind this success can be partly explained by the company's cultural and corporate governance differences. These differences stirred investor action against the company and made shareholders sympathetic to listening to the arguments of NGOs.

Dispersed Ownership

As mentioned above, dispersed ownership is one of the characteristics of the Anglo-American model of corporate governance. Drawing on the idea of resource dependency as a critical lever of power, Useem (1993) argues that the greater the reliance of company A on the resources of organisation B, the greater the power of B over A. Therefore, in a situation of dispersed ownership, there are so many shareholders that the corporation is dependent on no one in particular.

Bakan (2005) explains how large publicly traded corporations came into being at the end of the nineteenth and the beginning of the twentieth century when New Jersey and Delaware sought to attract business by removing unpopular restrictions from their corporate laws.⁹⁰ This resulted in the absorption of a considerable number of small and medium-sized

⁹⁰ Among other things they abolished the rules that required businesses to incorporate only for certain specified purposes, to exist for limited periods of time, to operate in particular locations, and loosened controls on mergers and acquisitions.

corporations into a relatively few big ones, each owned by many shareholders. Bakan (2005) argues that, in these large corporations, the thousands, or even hundreds of thousands of shareholders, have little influence and control over managerial decisions. As individuals, their power is diluted and their broad dispersion also precludes them from acting collectively. The latter statement is substantiated by the empirical findings of the study – for example, the problem of finding a common ground when engaging with Vedanta Resources as part of a broader investor coalition was discussed in Chapter 10, Section 10.1.

Similarly to any other company in the UK, minority shareholders in Vedanta hold only a fraction of the total shares. Consequently, dispersed ownership can pose other hurdles, apart from problems with collective action, to both campaigning NGOs and engaged investors. For example, in the Vedanta case, securing the support of a large number of dispersed investors for tabling a resolution has proven a more challenging endeavour and Aviva chose the AGM as a preferred option for expressing its discontent. Furthermore, shareholders in Vedanta confessed that the effect they could have had on the company has been diminished by their small amounts of shareholdings:

But we as minority shareholders, even if we come together with all the other shareholders, we can only own a third of the company or thereabouts. So there's that challenge [*Fieldwork Interview, Aviva, 2013*].

The level of share dispersal at Shell also emphasises the challenges associated with minority control:

Investors also always tell us that, while they speak with Shell, they are, even as a big investor, just small investor from the viewpoint of Shell. It's difficult to find enough shareholders to really have an impact on Shell, because the company has so many shareholders in many different countries [*Fieldwork Interview, FoE Netherlands, 2013*].

In summary, the phenomenon of dispersed ownership has implications for NGO shareholder activism as it dilutes the influence of shareholders and makes it more difficult for the voluntary sector to organise a critical mass of owners who can trigger change.

11.3. Discussion

At first sight, the findings in this chapter might give the impression of shareholder activism as a rather ineffectual exercise. Here the question, at a philosophical level, revolves around how does one judge success and what constitutes success. In attempting to tackle these questions, the academic literature tends to be very goal-orientated and, while there are a lot of NGO shareholder campaigns running at any given time, evidence of success in terms of ultimate achievement of desired outcomes is often not apparent. Such academic scepticism, demonstrated more often than not, towards the ability of third sector organisations to effect change in corporate behaviour, has been met with an ever more growing uptake of shareholder activism as a tactic. The situation can be metaphorically compared to Gramsci's (1978) famous remark – 'pessimism of the intellect and optimism of the will'. Harvey (2000) argues that precisely the inability to find an 'optimism of the intellect' has become a powerful inhibitor to action and a serious barrier to progressive politics. He calls for a reinvention of the phrase in such a way as to 'seek an optimism of the intellect that, properly coupled with an optimism of the will, might produce a better future ... and open up ways of thinking that have for too long remained foreclosed' (p.17). According to one staff member of a large charitable foundation, academia has a role to play in encouraging investors to recognise the benefits of taking a long-term responsible approach to their shareholdings:

My sense is academia hasn't really embraced responsible investment as a way forward and sometimes I am not sure that the academia or some of the academics are the best advocates for responsible investment. I think that there could be a lot more work done in terms of supporting the arguments for responsible investment from a financial perspective [*Fieldwork Interview*, Joseph Rowntree Charitable Trust, 2013].

Despite its many challenges (some of which are being tackled by NGOs which run campaigns aimed at changing the regulatory and cultural environment), a more practical way of thinking about shareholder activism is to perceive it as a form of delayed gratification in the sense of delayed achievement of goals. As has been previously discussed in the introduction, an effective shareholder activist campaign takes a long time to be realised due to the need for building strong, long-term relationships with the investor community and the need for sustaining pressure over an extended period. Before this can happen, the NGO community needs to fully realise and embrace the enormous potential of

share activism – a process which, judging by the increased use of the tactic throughout the past decade (see Chapter 4), is already underway, albeit uncompleted.

Another important point to mention is that, even when a campaign such as the one against Shell seems quite ineffective overall, there are still changes being implemented as a result of it – albeit small and incremental, they do alter the world as we know it in a positive way. And here comes a philosophical dilemma – should activism be discarded as ineffective due to its inability to, at times, lead to the predefined goals, or should we account for the fact that, even when it results in small changes, it still makes the world a better place than it would have been if engagement did not exist at all? The study argues for the adoption of the latter perspective, suggesting that shareholder activism is about delayed gratification and the achievement of incremental change as opposed to meeting short-term campaign objectives.

Conclusion

This chapter has explored two important issues. To begin with, it has compared and contrasted the three case studies, evaluating their impact on the investor community and the targeted companies. It has been revealed that the campaigning NGOs have played a crucial role in alerting investors to the problem, inciting them to act, providing them with up-to-date relevant information, and helping them to maximise the media impact of divestment. However, there are certain strategic mistakes encountered in both the Niger Delta and Vedanta campaigns, stemming from the sometimes inflexible positions adopted by NGOs. The interventions have led to changes in corporate behaviour when it comes to both Shell and Vedanta, albeit more actions are needed for a discernible impact on the ground. The tax campaign has also seen mixed results, with some companies becoming leaders in responsible tax practices, while others resisting change. Overall, the Vedanta campaign is deemed as being more successful than the campaign against Shell as it has resulted in the realisation of campaign objectives. The tax campaign, on the other hand, is in its infancy and it is still early to make overarching conclusions about its impact.

Second, the chapter has examined the main external challenges to shareholder activism encountered in each of the three campaigns and has grouped them into four themes. It has been discovered that short-term attitude among investors, a narrow focus on equating fiduciary duties with maximising returns, an ownership structure characterised by one

controlling family, and dispersed ownership of corporations, are all conditions which diminish the ability of NGOs to run successful shareholder activist campaigns.

Finally, the chapter has provided a more nuanced interpretation of the answer to the philosophical question ‘What is understood by success?’. It has been argued that what is lacking in academic writing is an optimism of the intellect which can shift opinions in the NGO and investor worlds and can open new avenues for shareholder activism. Often hastily dismissed as ineffective, shareholder activism needs to be regarded as a form of delayed gratification. The Vedanta campaign has resulted in a successful outcome following years of campaigning and the tax campaign, although in its nascence, is already showing signs of favourable outcomes. The important point to consider is that small and incremental changes should not be neglected as they still make a difference.

12. Internal Challenges and Campaigning for Change

...the power of large corporations is far from unchecked. At the very heart of organisational life is the ongoing struggle between those in the corporation who seek to assert power and those who seek to resist and perhaps destroy this power.

(Fleming and Spicer, 2007, p.3)

To begin with, this chapter explores the internal challenges faced by third sector organisations and groups them into two broad categories – organisational impediments (to do with the characteristics of an NGO) and strategic impediments (relate to the strategic choices made by NGOs). Six main organisational and strategic impediments are identified: insufficient resources, internal inconsistency, unrealistic expectations, short-termism, the potentially negative consequences of relying on an instrumental case for action, and lack of collaboration (this point about lack of collaboration is specifically discussed in Chapter 5). These challenges are ranked and discussed according to their importance, starting with the one that deserves most attention. Second, based on the cross-case analysis and the examination of both external and internal challenges to NGO shareholder activism, the chapter advances an explanatory theoretical framework, developed with the aim of highlighting the causal mechanisms at play in the researched campaigns. When explaining the effectiveness of a campaign, two set of factors are considered and depicted in the framework – namely – NGO factors (for example, approach to engagement, behaviour at AGMs, level of resources) and campaign-specific factors (for example, the nature of campaign issue, the type of campaign and others). Finally, since campaigns do not unfold in a vacuum, the influence that the broader economic and political environment can have on them is briefly discussed.

12.1. Organisational Impediments

What makes the exploration of internal challenges worthwhile is the fact that they are within the control of the campaigning organisations and, as such, NGOs can take steps to address them. Academic analysis of social movements often considers the internal characteristics of the movement itself, such as the structure of the organisation, its tactics and strategies, the use of collective action frames, and the level of resources, when evaluating the outcomes of a particular campaign (Soule, 2009). For example, Gamson (1975) analysed a historical sample of challenging groups active between 1800 and 1945 in

order to identify factors contributing to movement success or failure and concluded that a movement's choice of tactics, goals and organisation all had a significant effect on the probability of success (see also McCarthy and Zald, 1987). The empirical findings of the current study reveal that the effectiveness of a shareholder activist campaign is greatly diminished in the presence of three organisational impediments: insufficient resources, internal inconsistency, and unrealistic expectations. These factors are discussed in turn in this section.

Insufficient Resources

To begin with, as has been discussed in Chapter 6, Section 6.5., when campaigning, NGOs have tended to dedicate insufficient financial resources, staff and time to their shareholder activist endeavours. Money, along with human time and effort, are the most widely appreciated kinds of resources available to collective actors (Snow *et al.*, 2004) and precisely these types of resources lie at the heart of the analysis presented here. Contemporary analysts of social movements (see Zald, 1992; Cress and Snow, 1996) are unanimous in their view that the first and foremost precondition associated with the enhanced likelihood of collective action and success is resource availability.

Although the topic of NGO resource allocation for CM campaigning has been scarcely explored in the academic literature, there are studies which reveal a similar lack of adequate resources when it comes to other campaigns. For example, analysing the case study of Friends of the Earth's opposition against the operations of Freeport – McMoRan Copper and Gold, Emel (2002) reports that only one person, Michele Chan-Fishel, ran the campaign for FoE. The paper argues that shareholder activist strategies put an enormous strain on the scarce resources of NGOs and such tactics can only be expanded as a result of a considerable increase in the capacity of the NGO community. Fitzduff and Church (2004) stress the importance of securing sufficient resources as their scarcity creates numerous problems such as frustration and demoralisation of personnel, missed opportunities and negative impact on the overall dynamic of the campaign.

For small NGOs which are poorly funded, the need to prioritise limited resources means that a strategic decision to restrict aspects of activity such as shareholder activism is understandable. However, even big organisations such as Greenpeace and WWF have refrained from dedicating cash and capacity to shareholder activist tactics. Respondents to

the present study – such as an interviewee at ChristianAid – confirmed that it was difficult to gain internal support from within the organisation for the idea of using the AGM as a central tactic of the corporate tax campaign:

The challenge was getting internal buy in for something that basically you are going to a room to ask a Chairman a question about tax and for some people internally they found that quite difficult. (...) Being a big organisation and having to manage risks, that's what it was really. I've done a lot of lobbying work internally to get people to see how incredibly valuable this project is [*Fieldwork Interview*, ChristianAid, 2013].

The quote suggests that the value of the AGM as a powerful device for getting access to and initiating a dialogue with company directors had not been widely recognised, despite the already established successes of previous campaigns such as the 'Living Wage' campaign (see Ivanova, 2012) which have relied almost exclusively on the AGM tactic. One could go as far as to argue that the value of shareholder activism itself as a campaigning tactic has not been acknowledged by large international NGOs. However, considering the external challenges discussed in the previous section, it could be concluded that there are huge pressures against all third sector organisations engaging in shareholder activism. Therefore, the fact that they are not investing enough resources in the tactic should always be considered in the context of the numerous setbacks they face. It can be argued that the odds against NGOs are so great that they need a 'repertoire of opposition' (Tarrow, 2001). The possibility that not engaging in more shareholder activism is a rational decision on the part of campaigning organisations should be considered.

Internal Inconsistency

Second, it is hard to deny that nothing tarnishes more the reputation of an NGO and, most importantly, the credibility of its campaign, than the realisation that the charities' internal procedures and behaviour are at odds with its ethos and campaign demands. As an example, in 2013, at a time when media and public attention was fixated on high executive pay in the UK and when NGOs such as the Fair Pay Network, Oxfam, ShareAction, and the High Pay Commission were campaigning against excessive executive compensation, the NGO community's pay practices at the top were exposed and criticised in the media (see Hope, 2013; Jennings, 2013). As the empirical data suggests, inconsistencies also occur when the investment strategy of the NGO is at odds with its campaigns and policy work:

Often charities and NGOs are made up of the mission side of the business that does all of the good work, then the administration and finance side of the initiative, and a lot of the time they don't talk to each other. What you can find is that someone from the mission side of the charity is saying that something in particular is immoral and then you will find that the finance side of the charity has actually invested in that thing, which creates this contradiction between what the charity is trying to achieve, and what the charity is doing with its money. There are lots and lots of examples of issues where charities have caused themselves embarrassment, because they are invested in things that they shouldn't have been when you take into account the mission of the organisation [*Fieldwork Interview*, CCLA, 2013].

However, the data implies that there is huge potential for those charities which manage to harmonise the actions of their different departments and to draw upon the capital market expertise of financial professionals within the organisation:

It's much more productive to be able to have that holistic conversation between what the charity is trying to achieve and what the investments are there to do and make sure the two are together. The charities that are doing that are the most leading organisations, they are few and far between but really special [*Fieldwork Interview*, CCLA, 2013].

We have all the policy staff that just use the money that comes out of the finance team and all the finance team that helped do the fundraising, but they never really look together and say: 'Ok, how do we use your knowledge of finance to help move our programmes further forwards?'. So I think there is an internal consistency question within many NGOs [*Fieldwork Interview*, Aviva, 2013].

The existence of internal inconsistency cannot only result in what could have been an easily avoided undermining of campaign efforts, but it is a missed opportunity for the NGO to put its pension savings or equity investments to good use by gaining more leverage via talking to companies and pension funds as an investor (see Chapter 9, Section 9.3.).

Unrealistic Expectations

Third, a number of interviewees have expressed concern that the NGO-investor relationship is being damaged by the lack of consensus about what constitutes a successful engagement with a company:

Most investors' definition of what success means is very different from what an NGO might see as success. A lot of investors believe that success in terms of engagement, is achieving a good conversation with the company and, if they are having a good conversation and are able to make their feelings or concerns known, then that gets the big tick and they have succeeded, irrespective of whether or not there is any change, whereas from an NGO's point of view, that's nothing [*Fieldwork Interview*, Amnesty International, 2014].

According to Logsdon and Van Buren (2009), as a method of engagement, the dialogue between a shareholder activist group and a company is more nuanced and predicated upon a willingness to seek incremental change, without which the dialogue will end. The authors suggest that dialogue plays a crucial role in changing corporate policies and practices. Although this shareholder activist strategy has not received much attention in the academic literature, some authors argue that, in many cases, dialogue and collaboration can prove to be more effective than confrontation for achieving activist goals (see Calton and Lad, 1995 and Calton and Payne, 2003). The dissonance in views stems from a robust debate among shareholder activists with regard to dialogue. Logsdon and Van Buren (2009) argue that, while some activists (in this case the NGOs) believe that a more confrontational approach is more likely to lead to long-term change, others (in this case investors) are in favour of a more incremental approach, which makes use of dialogue as a tool for pushing some companies to change their behaviour.

The reluctance of some NGOs to adopt a more conciliatory approach could stem from their fear of becoming captured or incorporated by the other negotiating party. However, the main argument here is that, in the context of shareholder activism and engagement with investors, my research suggests that an oppositional approach would not necessarily achieve the desired results. In order for NGOs to retain their credibility with their supporters, it is important that their actions are driven by an underlying moral imperative to initiate change. However, this does not preclude the possibility of them being more flexible and nuanced in their approach to investors because, as has been suggested earlier in the present study, those campaigning organisations who talk on the market's terms are more likely to be successful with their shareholder activist tactics.

The reason behind the investor preference in relying on the dialogue tactic has been discussed in Chapter 9, Section 9.2. This tendency has been attributed to the culture of UK shareholders which favours behind-the-scenes intervention as opposed to more confrontational and public action. However, the empirical data reveals another crucial factor driving this tendency – namely – the existence of the British ‘establishment’, or what Useem (1984) labels ‘the inner circle’⁹¹:

⁹¹ Useem (1984, p. 13) defines the ‘establishment’ as: ‘a social network of established wealthy families, sharing a distinct culture, occupying a common social status, and unified through inter-marriage and common experience in exclusive settings, ranging from boarding schools to private clubs’.

Many large investors in the UK are themselves a part of the establishment and are therefore much less willing to be critical of a company like Shell than they would be of Vedanta [*Fieldwork Interview*, Amnesty International, 2013].

The findings suggest, however, that NGOs need to be cautious when it comes to the demands they put forward to shareholders. Having very high expectations can jeopardise an NGO's intent to leverage the power of institutional shareholders invested in a targeted company, because they will be more reluctant to engage, as one interviewee explains:

There is an incredible frustration between NGOs and investors. There is a sense that the most passionate people sometimes are the most demoralising people, because no matter what you do for them, because their standards are so high, you can never achieve that. And that gives you the sense of 'Why do I even bother?'. That can come down to some of the frustration between investors and NGOs – that NGOs think investors are looking for excuses and not doing enough and investors feel that no matter what they do, NGOs won't be happy, because it's not got to where they want to be. It is about having that realism and understanding what is a genuine effort and trying to realise that anything is better than nothing [*Fieldwork Interview*, CCLA, 2013].

McCabe's (2000) paper, which analyses four shareholder resolutions reported by the IRRC regarding international workplace and labour standards, emphasises the importance of having realistic expectations for the ultimate achievement of campaign goals. Relying on direct quotes from the resolutions to exemplify his findings, McCabe (2000) concludes that activists' demands are often discarded by the executive board, because they call for multinational companies to have complex HRM policies investigated and reported back to shareholders in a short-period of time.

12.2. Strategic Impediments

Apart from organisational challenges, NGOs also face strategic impediments to do with the campaign choices they make. Three main strategic impediments to NGO shareholder activist campaigns can be identified. These are: short-term attitude towards campaigning, the limits of using an instrumental case for action, and lack of collaboration between civil society organisations.

Short-Termism

It is interesting to note that, while NGOs often campaign against, or simply criticise the short-term attitude to investment adopted by many shareholders, they fail to realise that

they too inadvertently fall prey to the same behaviour. As discussed in Chapter 6, Section 6.5., NGOs have tended to adopt a short-term approach to their shareholder activist strategies, focusing on merely delivering a message to the investor community, as opposed to engaging in dialogue and proposing long lasting solutions. When it comes to the Vedanta campaign, the chapter has identified inefficiencies in the NGO-investor engagement process, which have led to one investor deciding to discriminate between NGOs with which it is worthwhile to have a sustained dialogue and those with which it is not. Furthermore, the empirical data has revealed that, across the board, charities, for a variety of reasons (see Chapter 6 for possible explanations), are often reluctant to invest the time necessary to understand the capital markets and develop relationships with fund managers and institutional investors. In addition, the chronology (see Chapter 4) shows that the majority of NGO capital markets interventions have been in the form of short-term instrumental use of shareholder activism for corporate campaigning. Such results are similar to the situation a decade earlier, as revealed by Waygood's (2006) chronology. However, there is evidence of things starting to change, with campaigns aimed at long lasting public policy change growing in popularity.

Based on the data from the two subsections on short-termism and lack of resources, it could be concluded that NGOs tend to treat shareholder activism as an add-on to pre-existing campaigns, without giving due consideration to the possibility of developing the relationships and the networks that are absolutely essential for long-term change⁹². If things are to change for the better, third sector organisations should reconsider the way they perceive shareholder activism and the way they use the tactic. Numerous success stories have shown that shareholder activism, as a tool in the arsenal of NGOs' campaigning strategies, holds great potential. However, the third sector community needs to first recognise and embrace this potential. It then needs to dedicate more resources to it, be prepared to sustain engagement with investors and build relationships over a long term, and finally let it occupy an honorary place in the repertoire of strategies, alongside the well-known boycotts, stunts and demonstrations.

⁹² ShareAction is a pioneer in this area and has developed long lasting relationships with the investor community. Due to its expertise, it is treated with enormous respect by both the investor community and other campaigning NGOs. Its relational approach to engagement has delivered some notable successes, including: the Patents v. Patients successful campaign against Novartis, 19 FTSE 100 companies committed to paying all their workers the living wage, Shell announcing that it will 'pause' its Arctic drilling operations for 2013, overwhelming shareholder support for a climate change resolution at BP's 2015 AGM, among others.

The Paradoxical Limits of the Instrumental Case

Waygood (2006) has criticised the overreliance of NGOs on stripping an issue of its moral dimension and transforming it into a financial matter as this signals to companies that they only have to rectify ills when it is in their best interests to do so. However, the current case study findings have so far refuted Waygood's assertion and instead suggest that business case arguments are quintessential for moving mainstream powerful investors who will most certainly not be persuaded to take action based on the moral story. Gifford's (2010) study, which examines the factors that enhance shareholder salience, confirms this idea by concluding that a strong business case is one of the two most important contributors to salience. An increased use of business case arguments by NGOs over the last decade (see the chronology in Chapter 4) demonstrates that NGOs have realised the power that this tactic can yield.

However, Sullivan (2003) suggests that getting human rights onto the business agenda may, in the long-term, result in weakening of the moral force of NGOs' arguments and in an altogether reduced likelihood that corporations would address human rights concerns as these are seen as part of a cost-benefit calculus. What is more, Sjoström (2007) expresses concern 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.

The case studies in this paper refute Sjoström's (2007) assertion and reveal that NGOs still campaign on SEE issues which do not pose clear financial risks for investors. To take an example with the Niger Delta campaign, the voluntary sector has experienced difficulties in persuading investors to engage as it has resulted problematic to highlight the business case for action:

It hasn't really affected Shell financially so the Niger Delta isn't a priority issue for mainstream investors who are really busy [*Fieldwork Interview*, ShareAction, 2013b].

When an issue does not pose a straightforward financial risk, NGOs can attempt to incur damage on the company's reputation as a proxy way of diminishing share prices, or they can mobilise pension savers to write to their pension funds asking them to take action. However, as observed by a commentator from Greenpeace, even this method has failed:

Fundamentally, what happens in Africa to Africans, if it doesn't have a significant effect financially on shareholders around the world – it has no leverage. And Shell has done a very good job at limiting the reputational impact which has therefore isolated the economic impact and so they have basically been able to work through the challenges they face there [*Fieldwork Interview*, Greenpeace, 2013].

Similarly, gaining the support of investors in relation to the tax campaign has proven more difficult compared to other ESG issues because of the general perception among the investor community that clever tax practices equate with more profit for the company and more dividends for shareholders. Although NGOs have started emphasising the various advantages of an enlightened approach to tax, all while warning against the consequences of tax avoidance (see Chapter 5), shareholders initially were reluctant to embrace a view that goes beyond the simple maxim that less tax equals more dividends:

Many investors merely see tax as something that companies pay and there has been a discussion about the fact that you maximise profits and minimise tax in the interest of your shareholders [*Fieldwork Interview*, ChristianAid, 2013].

It's a problematic issue for investors because, arguably, it is in investors' interests that companies minimise their tax payments [*Fieldwork Interview*, Scottish Widows Investment Partnership, 2013].

Therefore, if an investor was to engage with a company on the issue, it would be more difficult to talk using the rhetoric of business risk. Apart from the lack of a financial incentive to act, there was another hindrance to investor engagement – namely – a lack of investor expertise in tax matters, which hinders their communication with companies:

Shareholders felt that tax was very, very complicated, that they weren't experts in neither tax planning, nor accountancy and therefore if they raised questions, they might get back an answer that they wouldn't be able to rebut because of its complexity and mathematical basis [*Fieldwork Interview*, ShareAction, 2013b].

Both mainstream investors and SRI investors are reported to be facing this problem:

One of the biggest challenges in terms of investors who work in the SRI space is that tax is quite a technical and complicated issue in comparison to some other SRI issues. So often the teams that are responsible for ethical investment engagement and screening are not tax specialists, feel a bit uncertain about engaging with companies on tax [*Fieldwork Interview*, ActionAid, 2013c].

What renders making the business case for action when it comes to the tax campaign challenging, is the fact that tax planning is very much embedded within the business models of many MNCs. As one interviewee actively involved in the campaign explains:

We have always seen tax as an issue that is very difficult to get rapid and sustained behaviour change out of companies. This might be because it is a more fundamental part of many companies' business models than say human rights and labour in the supply chain, or environmental issues. (...) We are talking about a set of behaviours that is core business practice for almost all companies and for that reason it's very difficult to split the pack when everybody is doing it and the opportunity costs of doing it don't seem to be very high [*Fieldwork Interview*, ActionAid, 2013c].

Any realistic analysis of the outcomes achieved by a campaign has to consider the campaign goal and position it in the context of a company's business model. For example, it will be unrealistic to expect a tobacco company to stop selling cigarettes or an arms company to stop producing weapons – these asks are at odds with their core business strategy. Therefore, whilst NGOs certainly campaign against companies when the financial motive for action is not so clear, the case studies reveal the limits of making an instrumental case for shareholder activism in cases when company profitability is not affected by its moral wrongdoings (the Niger Delta campaign) and when the campaign topic contradicts the core business model of an organisation (the tax case study).

To sum up, the five NGO dependent factors that preclude civil society organisations from maximising their impact are: insufficient resources dedicated to shareholder activism, internal inconsistency between values and practices, unrealistic expectations, short-term approach to investor engagement and campaigning, and the limitations of the instrumental case for action noticeable under certain circumstances. We can add to these a very crucial sixth challenge discussed in earlier chapters (see Chapter 5) which relates to the lack of collaboration between the voluntary sector when it comes to campaigns – many organisations often campaign on the same issue, but have their own agenda, communicating divergent demands to investors and companies. The empirical data suggests that they are also missing an opportunity in not making use of one another's vast pool of supporters when launching an e-action tool or a petition. As Edwards and McCarthy (2004) argue, the co-optation of social-organisational resources is one of the most effective ways for accomplishing mass mobilisation. The idea is to exploit existing relationships with organisations that were not formed for specific campaigning purposes, but 'whose memberships include a large number of adherents who can aid in mobilising their own constituents' (2004, p.141; see also Gerhards and Rucht (1992)).

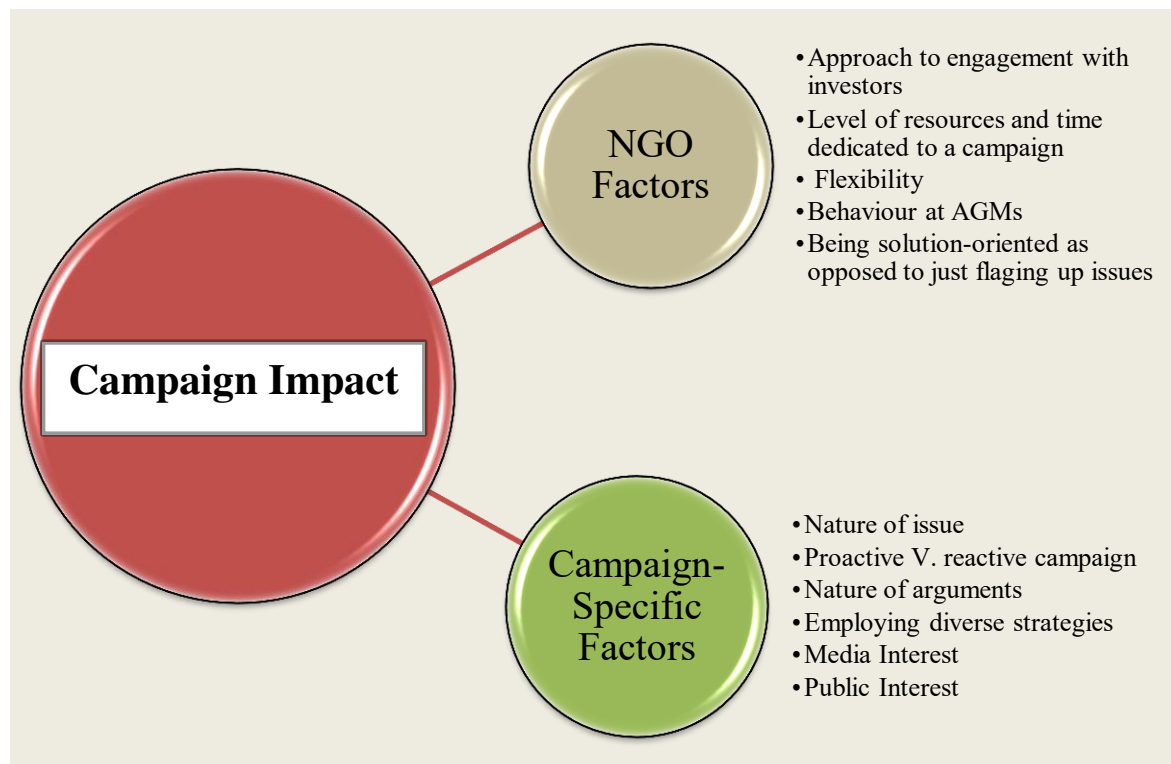
Chapter 11 and Chapter 12 have explored the external and internal challenges faced by NGOs who use shareholder activism as a campaign tactic. The following section draws on

the insights discussed so far and creates a theoretical model which aims to shed light on how can third sector organisations overcome these challenges and maximise their campaign impact.

12.3. Building A Theoretical Model That Explains Campaign Effectiveness

To this date, numerous empirical studies have made a passing reference to one or two issues which, based on research observations, have served to enhance the influence of campaigners vis-a-vis companies. However, the literature on shareholder activism has made no attempt to systematically analyse and consolidate the factors which explain campaign effectiveness. The current section aims to expand the knowledge in this area by summarising and grouping all the insights discussed previously in the thesis to create a theoretical model aimed at shedding light on the factors which have contributed to a successful intervention when it comes to the case studies. The model (see Figure 12 below) comprises of two sets of factors – namely – issues to do with the NGO’s strategy and issues related to the nature of the campaign.

Figure 12: The Effect of Different Factors on the Overall Impact of A Campaign



To begin with, if the first set of factors is considered, the framework suggests that the approach to engagement with investors adopted by the campaigning civil society organisations has an effect on the ultimate success of the interventions. Both investors and some members of NGOs felt that a relational, long-term approach to engagement would yield better results than a sporadic, short-term interaction. At the same time, the higher level of resources and time dedicated to a specific campaign were also associated with improved chances of success. These results are substantiated by a study which analyses the attributes of power, legitimacy and urgency to determine those factors that enhance shareholder salience (see Gifford, 2010). Gifford (2010) argues that a high level of intensity in the engagement process, characterised by a high degree of persistence (with actors engaging with companies over a number of years) and by significant resources dedicated to the engagement process (most notably in the form of staff time), is associated with enhanced shareholder salience.

Second, the flexibility of NGOs, in terms of their readiness to change their strategy and to adopt a more nuanced view regarding the problem at hand, is also an important factor in securing success (see analysis of the Niger Delta case study). Van Cranenburgh *et al.*'s (2013) paper, which presents findings from a longitudinal case of managerial responses to NGO social activism targeted at Heineken⁹³, showcases how an entrenched position on the part of the campaigning organisation can stall both the dialogue with the company and the overall development of the campaign. The authors argue that, driven by activist pressure, Heineken sought to promote field level change involving multiple other competitors as it thought that the problem was stemming from the field and societal levels. However, the focus of the campaigning NGO Sirchesi was not changed as a result of these actions and Heineken remained the main campaign target. The ultimate outcome was that company and NGO diverged more and more from each other in terms of the way they framed and responded to the issues. A similar process can be observed if the campaign against Shell is considered (see Chapter 10, Section 10.1 where it is discussed how NGO and investor opinions began to differ significantly following an investor trip to Nigeria organised by Shell). Van Cranenburgh *et al.* (2013) highlight the fact that there are studies on disputes between companies and the opponents of infrastructure projects which reveal that, on

⁹³ Heineken was targeted by the Cambodia-based NGO Sirchesi over the often precarious working conditions of beer promoters selling Heineken beer in Cambodia. The main argument was that alcohol over-consumption fuelled by competition between promoters of different brands led to serious health risks, including contraction of HIV.

certain occasions, the activists do not seek to converge on mutually agreed solutions and instead become ‘entrenched’ (Lewicki *et al.*, 2003). The authors suggest that such a phenomenon may occur because the identities of the NGOs are shaped by their opposition to the company as a result of considerable time and resources spent on building knowledge on the issue and the opponent.

Furthermore, going back to the model, it has been discovered that the way voluntary organisations act at AGMs can have an effect on how they are perceived by the company and the investor community – in that sense, there is a need for a higher rate of adoption of the ‘pragmatic’ approach to AGM attendance (see Chapter 8). The final factor, when it comes to NGO strategy, refers to the ability of third sector organisations to propose solutions and clear steps that investors need to follow, as opposed to being inclined to just flag up an issue they are concerned with. This solution-oriented approach to tackling problems is favoured by shareholders and secures their attention much more easily.

The second category in the model comprises of factors related to the campaign per se which also have a significant effect on campaign outcomes. To begin with, the nature of an issue is of relevance – the simpler, single issue campaigns such as the living wage, the tax and the Vedanta ones have a greater chance of realising their goals. Not without importance is also whether the intervention is proactive (i.e. trying to prevent an event from happening, much like the building of the mine in Orissa) or reactive (i.e. trying to address and remedy a situation which has already happened, for example, the historic oil pollution in the Delta). In the latter case, as the research has revealed, the situation is more complicated as activists are faced with historic problems and the unwillingness of Shell to address these.

The nature of arguments put forward by the NGOs is another element of the puzzle and evidence suggests that shaping the concerns in financial and business case terms is more effective at attracting the attention of investors. Although the importance of business case arguments for enhancing the salience of campaigners has been documented (see Gifford, 2010), some academics remain sceptical about the potential of this tactic for realising campaign goals (see Waygood, 2006, Sullivan, 2003 and Sjostrom, 2007 discussed in Chapter 12).

What is more, as evidenced by the Vedanta campaign, the use of many diverse strategies such as targeting policy makers, the company, investors, and consumers all at the same time, increases the overall pressure and the chances of success. One of the main themes in Soule's (2009) book aims to emphasise the importance for scholars to focus on the full repertoire of tactics used by anti-corporate activists, because the tendency in the literature is to focus solely on boycotts, or solely on protest, or solely on shareholder resolutions. The thesis has gone some way towards addressing this point by looking at a wide range of different shareholder activist tactics.

Finally, the model suggests that campaign effectiveness is maximised when a topic is able to attract substantial media and public interest. Various studies from the secondary literature confirm the idea that media and public attention are instrumental for realising campaign goals. For example, Anderson *et al.* (2007) discuss a number of shareholder resolutions put forward by Australian trade unions. The findings suggest that, although the resolutions were not passed, they played a crucial role as they managed to exert influence on the targeted companies by drawing public and media attention to the issues that were of concern to the unions. In another study conducted by Gifford (2010), the use of the media by activists is considered as a strong contributor to shareholder salience as the results reveal that companies would take steps to avoid negative publicity. The link between publicity and corporate actions is explored by Zyglidopoulos *et al.* (2012) who investigate the impact of media attention on the CSR behaviour of firms and concludes that a heightened media awareness of an issue is positively associated with an increase in a firm's CSR-strengths (the additional benefits that a company provides to its stakeholders beyond those required by law). Evidence of the validity of this claim can be found when we consider the Tax Justice campaign. As one interviewee explains:

Generally what you see is those companies who rely on reputation and have had adverse publicity have gotten very engaged on this. Companies that have had adverse publicity but don't really rely on reputation have not really engaged. Glencore is a good example – they've had all kinds of questions raised about their tax affairs, but the man on the street does not decide: 'I am going to buy some stuff from Glencore', so Glencore's approach is 'We don't really need to get engaged in this. The public could think what they like of us, but they are not the ones who buy from us, so it doesn't really matter' [*Fieldwork Interview*, ChristianAid, 2014b].

The Importance of the Wider Economic and Political Context

However, despite all the factors summarised above, any discussion of success as seen in the three case studies, would be incomplete without a consideration of the impact of the broader environment in which the campaigns take place. Probably the most crucial macro-environmental consideration to be taken into account is the state of the economy at the time of a given campaign. The financial crisis of 2008 and the subsequent austerity measures provided fertile ground for the development of non-environmental related interventions such as the tax and high executive pay campaigns. At the same time, the start of the recession marked the demise of many other campaigns:

You always need a bit of luck in campaigning. To win a campaign, you can do everything right, but if the timing is wrong or something else happens, there is a tsunami, or something financial crisis kind of thing... Trust me, a lot of campaigns sunk when the financial crisis hit [*Fieldwork Interview*, 2013b, ActionAid].

Another important macro-environmental factor, commonly cited in the social movement literature as shaping the chances of success for mobilising actors, is the political environment, or the political opportunity structure. Tarrow (1994, p.85) defines the political opportunity structure as the ‘consistent...dimensions of the political environment that provide incentives for people to undertake collective action by affecting their expectations for success or failure’. For example, an interviewee from ActionAid argues that, in the case of Vedanta, ‘it was a good time, because my personal belief is that the Supreme Court was wanting to try and set an example about India being a modern democracy where the rule of law respected the rights of people and not just favoured big companies’ [*Fieldwork Interview*, 2013b, ActionAid]. In a case study where the Amoco Corporation is faced with a coalition of shareholders demanding the adoption of a number of environmental principles, Hoffman (1996) also highlights that the probability of a successful shareholder campaign depends upon the political environment in which the intervention takes place. At the time of the campaign, the political climate was such that some of the NGO’s demands could be expected to be interjected into the policy debate. Seeking to forestall regulation, Amoco was prompted to act by establishing internal structural changes and an external programme designed to gain broad support for its own initiatives. Similarly, researching the prerequisites for shareholder salience, Gifford (2010) concludes that a supportive political environment for a certain campaign is a crucial factor. Altogether, the factors explored in

this section all make up the model that attempts to explain the conditions under which campaigns thrive.

Conclusion

Six NGO organisational and strategic impediments have been identified, which impact negatively on the realisation of campaign goals – namely – allocation of insufficient resources to projects, internal inconsistency between campaign ethos and actual internal practices, unrealistic expectations of what can be achieved, a short-term attitude towards campaigns, limitations of using business case arguments, and lack of sufficient collaboration between organisations. Based on these factors, it could be concluded that, at the time of conducting the research, NGOs (with the exception of ShareAction) were using shareholder activism as an auxiliary tool for pre-existing, broader campaigns and the tactic has not yet occupied its deserved place in the repertoires of contention, alongside well-established mechanisms such as boycotts, demonstrations and picketing.

An explanatory theoretical framework is presented, based on the findings from the three case studies. The framework consists of two sets of factors – NGO factors, or those which relate to the internal characteristics of a third sector organisation, and campaign-specific factors. The impact of the broader economic and political environment on campaign outcomes has also been analysed. It is hoped that the exploration of the factors that contribute to campaign effectiveness in the context of NGO shareholder activism will provide additional explanatory power for those striving to improve corporate social and environmental performance through leveraging the influence of investors and engaging in shareholder activism.

13. Conclusion

When we are trapped by the wellness syndrome, we become what Simon Critchley calls passive nihilists. 'Rather than acting in the world and trying to transform it,' he explains, 'the passive nihilist simply focuses on himself and his particular pleasures and projects for perfecting himself' (...) instead of forever dwelling on our own sickness, we would do better to look at and act on the sickness of the world'.

(Cederström and Spicer, 2015, p.8, p.135)

13.1. Main Findings

What the current study set out to achieve was to explore a relatively new and under-researched type of NGO strategy – shareholder activism – and to determine whether it provides an alternative method for effective corporate campaigning. It was discovered that shareholder activism is potentially a very effective tool, which has been underused and under resourced by NGOs.

When evaluating the impact of the interventions (Chapter 10), it was revealed that NGOs raised investor awareness of certain issues when it comes to all three case studies, which led to an increased investor scrutiny placed on the targeted companies. On certain occasions such as, for example, the Vedanta case study, campaigning organisations were directly responsible for investors' decision to engage with the company in the first instance as NGOs alerted shareholders to the existing problems on the ground. Once investors had started engaging with the targeted companies, third sector organisations served as a useful source of information and advice, as well as a point of additional leverage. When it comes to company impact, Shell has increased its transparency and disclosure of information and has undertaken steps to reduce gas flaring. Vedanta, in turn, has significantly improved the way it deals with investors and NGOs, has introduced new policies addressing EIRIS' seven recommendations, as well as the Scott Wilson report's requirements and has committed to respecting the opinion of the Dongria Kondh in relation to the mine. The tax campaign has had an impact on company culture which has slowly began to shift as more and more companies have started to recognise tax as a risk and to address the problem (Chapter 10). All the above mentioned changes in company and investor behaviour suggest that NGO shareholder activism has the potential to serve as an effective strategic tool in activists' campaigns.

Despite this potential, the study discovered that shareholder activism has been under-resourced by NGOs, which have also regarded it as a short-term strategy, neglecting the need to focus on building relationships with key actors and on sustaining dialogue. Internal inconsistency between NGOs' beliefs and their actions, high demands being placed on investors and a lack of sufficient collaboration between campaigning organisations are all factors which have impeded the progress of share activist interventions (Chapter 12). However, the study argued that the efforts of NGOs in the shareholder activist arena should be considered in the context of a number of broader external challenges such as short-term thinking among investors, misinterpretation of fiduciary duty, the ownership structure of a company, and dispersed ownership, which also have a negative impact on the realisation of campaign goals (Chapter 11). Based on the empirical findings from the three case studies, the researcher created a model encompassing those factors that explain campaign effectiveness (see Chapter 12). The model suggests that an impactful intervention is characterised by the ability of NGOs to: adopt a long-term approach to investor engagement, dedicate sufficient time and resources to shareholder activist campaigns, be flexible in their campaign strategy, propose solutions to problems, work on proactive campaigns, use predominantly business case arguments and a range of diverse strategies, adopt the 'pragmatic' approach to AGM attendance (see Fig. 11), and generate media and public interest in a topic.

To put these NGO-led campaigns in context, one of the main contributions of the study was the creation of a chronology of NGO shareholder activist interventions between the years 1990 and 2013, which traced the scale and nature of NGO share campaigns, outlining any changes in strategy throughout the years. An analysis of this chronology revealed that NGO activity in the sphere of shareholder activism more than doubled between 2003 and 2013 compared to 1990-2002 and that NGOs have used a broad range of strategies. Three important trends deserve mentioning: a move from indirect towards direct strategies, a continuation of the growth in long-term public policy campaigns, and a move towards business case arguments. The main campaign topics were also explored, placing the environment, human rights, and capital markets and public policy reform at the top of the list of NGO preferences.

The thesis also discussed the various strategies used by NGOs, grouping them into indirect and direct. It was discovered that using business case arguments, involving members of

affected communities in the campaign, adopting a relational approach to engagement with investors and gathering the support of the public, the media and governing political parties can facilitate the achievement of campaign goals. However, the long-term impact of NGO share activism depends on targeting more mainstream investors who, through their shareholdings, have a greater stake in companies. The empirical findings suggest there is great potential in leveraging the power of pension savers as fund managers tend to listen to their demands. In addition, through acting in collaboration and combining their equity investments, charity organisations can use the influence they have as investors in companies to bring about change. However, the full potential of these two strategies is not yet realised by the majority of the NGO community in the UK.

The interaction between NGOs and corporate representatives was observed first hand via attending the AGMs of a number of companies. Based on the findings, a model was created, which groups NGOs in three categories according to their behaviour at AGMs. The evidence suggests that a great number of voluntary organisations regard the AGM as an opportunity to express their moral stance ('the morality advocates' category) and attract media attention ('the media-focused campaigners'), as opposed to assume the role of shareholders and speak in business case terms in order to gain the attention of directors and investors ('the pragmatics' category). However, the pragmatic approach is considered to be more effective at generating results and a shift towards its adoption is beginning to emerge as NGOs become more experienced in the AGM arena. The chapter on shareholder resolutions considered the 1997 and 2006 proposals filed at Shell's AGMs regarding the devastation in the Niger Delta and summarised some of the main challenges experienced by third sector organisations who file resolutions: difficulty of identifying the owners of a corporation, high support threshold necessary to submit a resolution, high threshold of share ownership and challenges associated with gathering investor support for the proposal.

The next section outlines the contribution of the present research to the literature. What follows is an examination of the broader implications of the study, first for NGOs and then for society as a whole. Last but not least, the chapter discusses avenues for future research.

13.2. Contribution To The Literature

Shareholder activism is a topic which is not only of academic and theoretical interest, but has a wider significance. Conducting research on shareholder activism means exploring the

origins of a movement, whose importance and relevance is set to grow in the future. Evidence of this assertion can already be found in newspaper articles which talk at length about attending an AGM with the aim of ‘taking on the big boys’ and letting ‘the genie out of the bottle’ (Williams, 2014). The Guardian’s ‘Keep it in the Ground’ campaign is a recent example of activists trying to encourage action by actors who have a stake in companies’ affairs through their investments. The campaign on divestment from fossil fuels calls for the Wellcome Trust and the Bill and Melinda Gates Foundation (the two largest charitable funds in the world) to move their money out of fossil fuels (The Guardian, 2015). There is also evidence to suggest that pension funds are increasingly interested in responsible investment and the integration of ESG issues in their investment portfolios. In January 2015, sixteen of the UK’s largest pension funds⁹⁴, responsible for more than £200bn of assets, jointly published a guide to ensure fund managers deliver on the responsible investment promises they make when they are awarded a mandate. The main aim of the guide was to improve fund managers’ reporting on the way they integrate ESG factors into their investment decisions (Newlands and Dines, 2015).

However, academic social scientists are not always adept at addressing issues of emerging significance to society. For example, Wilner (1985) conducted a content analysis of major social science journals in America over a period of 46 years and found that most of them failed to address important political and economic issues such as the Cold War, or the Nuclear Arms Race. Part of the reason, Wilner (1985) argues, stems from the fact that the social science disciplines were becoming very narrow. What this research has achieved is to counteract this trend by developing a cross disciplinary analysis which brings attention to an issue that is important not just to academics, but to a broader public as well – an issue that cannot be neatly categorised as being part of the management discipline, as it also takes into account politics, sociology, corporate governance, psychology, and others.

This section discusses how the thesis contributes to the existing literature. The academic contribution can be subdivided into insights which engage with the existing literature to expand, refute or provide a new perspective on it, and insights which draw on the empirical evidence to create new conceptual and intellectual insights.

⁹⁴ Including BT Pension Scheme, the Unilever Pension Fund, the Environment Agency Pension Fund, BBC Pension Trust, USS Investment Management and Railpen.

Expanding, Refuting and Providing A Novel View on the Existing Literature

The study has made a number of significant contributions to the existing literature. To begin with, it has enriched the literature on NGOs by analysing a comparatively new, increasingly popular and scarcely studied in the UK, campaign tactic – namely – shareholder activism.

Second, the thesis has relied on the problematisation technique discussed by Alvesson and Sandberg (2011) (see Chapter 1, Section 1.5.) to challenge the existing literature which has been, by and large, critical of the ability of various NGO strategies to alter corporate behaviour. In view of this, the study has examined the propensity of shareholder activism for being a suitable avenue for achieving NGOs' goals. It has been concluded that, previous literature criticising the impact of NGOs' campaign tactics on business has relied mainly on quantitative methods and has been too quick to reach conclusions about success or failure, without taking account of time horizons. Based on the findings, it can be argued that, if used more consistently by the NGO community (i.e. more resources and time are dedicated to the tactic), shareholder activism has the potential to offer new and exciting opportunities for third sector organisations to achieve their aims.

Third, the thesis has elaborated on some of the existing literature. For example, in light of the context of one of the case studies, it has reworked Zadek's (2004) five stages of organisational learning framework to include a sixth stage characteristic of the behaviour of Vedanta at the beginning of the campaign – namely – the 'unresponsive' stage (see Chapter 10, Section 10.2.). What is more, the paper has criticised the rather linear approach to progressing through the stages proposed by Zadek, pointing to the fact that it is not unusual for a company to be at various different stages simultaneously.

The research has also contributed to the existing literature by building upon Waygood's (2006) chronology of NGO capital markets interventions. The study has extended the chronology, documenting the cases of NGO shareholder activist campaigns between the years 2003 and 2013. It has established the extent to which shareholder activist intervention has increased in the last decade and in comparison to the period between 1992 – 2002, it has analysed the evolution of the divergent shareholder activist strategies adopted and discussed the underlying trends.

Moreover, the thesis has created a refined version of Waygood's theoretical model, devised to provide a conceptual framework for classifying NGO strategies. The new version offers a more nuanced and more detailed view of campaigns. First, instead of dividing the category 'primary audience' into 'CM institutions' and 'public policy' as originally proposed by Waygood, the study proposes a new categorisation that breaks down 'CM institutions' into 'companies' and 'investors'. Thus, under the new model, the 'primary audience' of a campaign can be 'public policy' and/or 'companies' and/or 'investors'. Second, the most recent chronology has revealed that NGOs use a mixture of both direct and indirect tactics to influence their targets. Thus, the original classification of the 'route of influence' category as either 'direct' or 'indirect' has been reconsidered to include a third possibility – namely – a mixture of 'both direct and indirect' approaches. Third, based on the empirical evidence, the assertion of Waygood that relying on a mixture of both moral and business case arguments would enhance the chances of success, has been questioned. The findings have suggested that, instead, a greater reliance on pursuing moral crusades through using only business case arguments would leave campaigners with better chances of influencing investors.

The study has also cast doubt on Waygood's methodology used to draw conclusions as to the relationship between success and route of influence and success and primary audience. Due to the unreliable nature of his approach, the assertions, stating that the adoption of an indirect route of influence and the targeting of CM institutions as primary audience lead to greater chances of success, have been discarded. The current paper's empirical findings have highlighted the advantages of adopting a direct approach and have shown that it can sometimes lead to a desired change in corporate behaviour when other indirect methods are unsuccessful (see the Vedanta case).

Last but not least, the thesis has also contributed to the literature methodologically. As opposed to the predominantly quantitative accounts of shareholder activism on SEE issues, it has adopted a detailed, qualitative case studies approach which enables the in-depth exploration of different factors and variables. The participant observation element of data collection is also unique in that it involves attending actual company AGMs and training events organised by the researched NGOs. This approach provides a close, insider view of the dynamics of NGO-company interaction, as well as rich and contextual data. Furthermore, rather than providing an account of a short snapshot of campaign activity

around a specific tactic such as a resolution or an AGM, the researcher has incorporated a longitudinal element in the methodology, facilitating a more accurate and detailed representation of shareholder activist tactics.

Insights About How NGO Shareholder Activism Operates in Practice

The thesis has also sought to make a contribution in terms of creating new theoretical insights. Two points can be mentioned in this respect. First, in Chapter 8, a model classifying the different types of NGOs according to their behaviour at AGMs has been created. Based on the participant observation undertaken, it distinguishes between ‘the morality advocates’, ‘the media-focused campaigners’ and ‘the pragmatics’. The section discusses the characteristics of each of these three types, which one of them tends to predominate and which one is best suited if NGOs are to seize all the opportunities associated with attending an AGM.

Second, Chapter 11 compares the effectiveness of the three campaigns and reflects on the similarities and differences between them. Based on this data, as well as on the analysis of external and internal challenges faced by NGOs, Chapter 12 advances a theoretical model which attempts to explain the causal mechanisms which have served to enhance the campaign impact of the three case studies. The model explores the significance of different variables related to an NGO’s internal characteristics and to the nature of a campaign itself. A discussion of the macro-environmental factors at play during the campaigns contextualises the research. The model provides a novel and worthwhile contribution to the field of NGO shareholder activist interventions not least because, to this date, no other systematic attempt to explain the antecedents of campaign impact has been made in the literature. The conclusions from the model can be taken forward by campaigners when they embark upon their forthcoming interactions with investors and companies. The next section looks at the broader implications of the research.

13.3. Shareholder Activism and the Democratisation of Corporate Governance

Apart from the theoretical implications discussed above, the findings of the thesis have implications about the nature of corporate governance and the democratisation of business. These are discussed in the current section.

Implications for NGOs' Shareholder Activist Campaigns/Strategies

The findings of the study also have normative implications for NGOs' shareholder activist strategies – these will be discussed in this section. To begin with, the case studies have been carefully chosen to reflect a situation where one of the three main routes of influence has predominated– i.e. in the Shell case this is the indirect route, in the tax justice campaign case – the direct route and, when it comes to Vedanta, both the direct and indirect routes. Considering the fact that the Vedanta campaign has been characterised as the most effective of all three case studies and that, throughout the thesis, the importance of adopting a variety of different tactics has been an important message, it could be argued that NGOs which engage in a mixture of direct and indirect strategies have a higher likelihood of success as they are approaching the problem from different angles.

Second, the chronology in Chapter 4 has revealed that interventions with policy makers as the primary audience have increased significantly, albeit their numbers are still low compared to campaigns targeting CM institutions. This raises the question of whether, in the future, a focus on more long-term, structural change in the financial markets would yield better results.

Third, the thesis has portrayed a picture of a fragmented NGO community whereby each NGO competes for the limited attention of investors by flagging up its own concerns and, even when various NGOs campaign on the same topic, they often approach the problem from different angles. The findings suggest that there is a lack of sufficient collaboration between third sector organisations and that addressing this issue could change the power dynamic and place them in a better position to engage with investors, because a unified NGO community cannot be easily ignored by asset owners.

Fourth, it has been discovered that many civil society organisations target SRI and ethical investors as opposed to also dedicating their attention to mainstream shareholders who have the power and influence to trigger change. Fifth, many NGOs have adopted shareholder activism as a short-term strategy, hoping for quick results and establishing non lasting relationships with fund managers and investors, the aim of which is to only make them aware of a problem, as opposed to engage in productive dialogue. The lack of relational approach to their engagement with the shareholder community has been highlighted as a drawback by both investors and NGO members alike. The way forward would be to

dedicate more resources and time to shareholder activist tactics and to make them a legitimate part of the broader strategies of an organisation. This action would no doubt enhance their effectiveness. Sixth, it has been discovered that it is essential for NGOs to know how to capture the media and the public's attention since they can trigger company, governmental and investor response.

Moreover, the findings of the present study suggest that, NGOs which adopt a pragmatic style of engagement⁹⁵ with company directors and investors at an AGM might be more successful at achieving their objectives. In addition, seven recommendations designed to further maximise NGOs' impact at AGMs have been proposed in Chapter 8. These conclusions can serve to initiate a reflection and reconsideration of current practices employed by NGOs attending annual meetings.

What is more, in Chapter 9, the thesis has explored the various hurdles associated with filing a resolution. These insights could be useful for civil society organisations who have not used this tactic before, but who nevertheless consider the possibility of filing a resolution in the near future. The study has also developed a theoretical model (see Chapter 12) which aims to explain the relationship between different variables and campaign success and has explored the various challenges faced by NGOs as part of their shareholder activist campaigns. It is hoped that looking at this model and the challenges discussed would enable NGOs to better understand the prerequisites for an effective action.

Finally, it has been identified that UK NGOs collectively own considerable assets under management in equity (Chapter 9). As a consequence, they should consider the influence that the pulling together of their combined investment reserves could bring as this collective NGO capital is potentially powerful. The findings have shown signs that some NGOs are beginning to think about this possibility as they have organised themselves into the Charities Responsible Investment Network under the patronage of ShareAction, but the movement is still in its infancy and it is early to predict any future outcomes.

⁹⁵ Those NGOs aiming to gain the sympathy of investors and company executives by delivering clear, concise, financial-oriented questions and by speaking from the point of view of a shareholder in the company.

Implications for Society

At the moment, corporate governance is essentially undemocratic as control over companies is in the hands of those who have the most shares. In addition, unlike governments where ruling parties and MPs get elected by the general public, multinational corporations, which have a great impact on society, the economy and the environment, are run by CEOs and board of directors with no democratic representation or accountability with regard to how they use their power. Through various pieces of legislation and commissioned reports (for example, the Cadbury Report (1992), the Stewardship Code (2010, 2012), the Kay Review (2012), governments in recent years have strived to enhance the powers and influence of investors to counteract the power of companies. The study has argued that shares are concentrated in the hands of institutional investors, but they are also controlled by the trustees and guardians for a large number of individual savers who are the ultimate beneficiaries. As evidenced by the consequences of the Enron scandal and the 2008 banking crisis, beneficiaries should be able to participate more fully in the running of the corporation (Scott, 2008). If this was to happen, it could lead to a democratisation of the corporation and of corporate governance and create a future reality in which disasters such as the BP oil spills are avoided as the interests of a broader range of stakeholders (employees, community, environment) are taken into account to a greater extent.

Germany is an example of a country where stakeholders have a greater say in the running of the corporations as, by law, companies have a two-tiered board structure which consists of the management board and the supervisory board. The latter is responsible for overseeing the management board, appointing members to it, approving financial statements, and making decisions with regard to mergers and acquisitions, capital investments, dividends and others. The law requires that the supervisory board has employee representation. In a company with at least five hundred employees, this means that one third of the supervisory board seats are allocated to labour representatives and, in a company with at least two thousand employees, the number grows to half the board's seats being allocated to employees (Larcker and Tayan, 2011).

However, the thesis has discovered that the main problem lies in the passivity of individual savers, because a very small proportion of them are prepared to ask the tough questions to their pension funds or financial institutions and to encourage them to engage in dialogue with investee companies on issues of interest to beneficiaries. According to Scott (2008),

the general reluctance of savers to participate in corporate governance stems from the lack of knowledge about their rights and responsibilities, as well as a lack of understanding about how the investment world works. The empirical findings from the case studies substantiate this assertion.

The study has also provided an explanation of the way through which this problem is being tackled – namely – by the actions of some NGOs such as ShareAction who have begun a process of educating the public about their potential as shareholders through a variety of training events and seminars. This could mark the beginning of a bigger and powerful movement that transforms the way we view modern corporations today. In a time of increasing inequality, the demise of free education and healthcare, and in the context of numerous scandals around big and reputable companies, people might be more prone to embracing the potential that shareholder democracy could bring.

13.4. Future Research

There are potentially a great number of future avenues for research that could be identified. To begin with, the thesis has demonstrated that the engagement practices, as well as legal frameworks and cultural expectations in the UK and the US differ greatly. Therefore, it would be beneficial to pursue a comparative study which examines the differences in shareholder activist strategies across countries with divergent corporate governance models.

Another valuable area for further study would be to explore the engagement practices of different institutional shareholders and analyse how their internal structures and organisational characteristics impact on the approach to shareholder activism they take and the outcomes they achieve. As has been mentioned in the study, pension funds have a large potential for contributing positively to the engagement agenda and it would also be of interest to explore the role of foreign institutions and hedge funds, which hold an increasing amount of equities in the UK market.

Since the present research has expanded Waygood's (2006) chronology, thereby providing a continuous record of all NGO shareholder activist interventions between 1990 and 2013, future research has the possibility to update the existing chronology and to continue with its expansion. The refinements to Waygood's classification advanced in this study can be applied during the process of extending the chronology.

Finally, the research has demonstrated that NGO interventions in the public policy domain have increased steadily in recent years, with third sector organisations beginning to lobby the government in an attempt to introduce changes to the financial market which will facilitate shareholder engagement. These changes involve tackling short-termism, clarifying fiduciary duties, introducing mandatory voting disclosure, among others. In view of this, there needs to be further research into public policy interventions in the context of campaigns for the removal of the barriers to investor engagement.

Summary

‘The Star Thrower’ story recounted at the beginning of the thesis carries an important message for the nature of NGO shareholder activist campaigns. One of the main arguments of the study is that successful shareholder activism should not be equated to the achievement of strict, pre-defined movement goals and objectives (see Section 1.8.). Rather, it should be seen in the context of delayed gratification, or even symbolic action, as running a campaign always makes a difference in more than one ways – from the small and incremental changes to the radical and norm defying ones. There are a lot of examples in history where those who spearheaded campaigns did not live to see their dreams become a reality – Emmeline Pankhurst and her fight for universal votes, William Wilberforce and his work on abolishing slavery throughout the British Empire, Rachel Carson’s profound impact on the environmental movement and her campaign to ban the use of certain harmful pesticides in the US.

Shareholder activism should also be viewed in the broader context of the search for alternatives, the search for meaning, or as Mason (2013, p.261) labels it the ‘change of consciousness’ post 2010 – the realisation among people that ‘something big is possible; that a great change in the world’s priorities is within people’s grasp’. Shareholder activism is a piece of the puzzle towards a new stage of post capitalism and the creation of alternative economic practices which would help advance the wellbeing of people. However, the thesis also emphasises the importance of considering shareholder activism as an exercise of cooperation, as opposed to a movement of contention, as an act of winning hearts and not fighting against a perceived enemy, using imagination and creativity to create better solutions to the social problems of today. Some organisations, such as Forum for the Future, ShareAction, and the New Economics Foundation, have already started walking down the path towards this brave new world.

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LIST OF APPENDICES

Appendix 1: List of Interviewees (in the chronological order in which the interviews were conducted, 2012 – 2014)

	Organisation	Position
1.	EIRIS	Senior staff member working in the area of responsible investment.
2.	EIRIS	Senior research analyst.
3.	ShareAction	Senior staff member responsible for the overall strategy of the organisation and closely involved in the campaigns work.
4.	ShareAction	Staff member responsible for the policy work of the organisation.
5.	ShareAction	Staff member responsible for the outreach strategy of the organisation.
6.	Amnesty International UK	Staff member of the organisation involved in the Vedanta and Niger Delta campaigns; responsible for engagement with investors.
7.	Forum for the Future	Former senior staff member working in the area of sustainable financial markets.
8.	Platform London	Writer and researcher at Platform London.
9.	CDP	Senior staff member looking after CDP's investor relations.
10.	EIRIS	Follow-up interview (see number 1).
11.	Friends of the Earth Holland	Staff member working closely on the Niger Delta campaign.
12.	ShareAction	Staff member responsible for investor engagement and the running of campaigns.
13.	Fairfood International	Follow-up interview (see number 5). Former staff member of ShareAction and current member of Fairfood International.

14.	Aviva Investors	Senior staff member leading the engagement activities of Aviva Investors.
15.	Citizens UK and The Living Wage Foundation	Senior staff member closely involved in the Living Wage campaign.
16.	ChristianAid	Senior staff member responsible for shaping the strategy of the tax campaign and introducing shareholder activism as a tactic.
17.	ActionAid	Former senior staff member involved in the later stages of the Vedanta campaign (2008-2013). Involved in advocacy and campaigns on private sector issues.
18.	UCLA	Professor at the School of Management with research interests in the area of shareholder activism.
19.	ECCR	Senior staff member, overseeing the strategy of the organisation.
20.	WWF-UK	Staff member working in the area of sustainable finance.
21.	ECCR	Former staff member of ECCR, involved in the Niger Delta campaign and the resolution filed in 2006.
22.	Church of England (CoE)	Staff member involved in the engagement of the EIAG with Vedanta.
23.	Greenpeace UK	Staff member working in the area of capital markets and involved in shareholder activist campaigns.
24.	ShareAction	Follow-up interview (see number 3).
25.	Independent policy and campaign strategy advisor	Former senior staff member of ActionAid involved in the earlier stages of the Vedanta campaign (2004 – 2008). Participated in the formulation of the campaign strategy.
26.	ECCR supporter	Supporter of the organisation involved in the Niger Delta campaign for many years. Presented the 2006 resolution at Shell's AGM.
27.	ActionAid	Staff member involved in the tax justice campaign.
28.	Joseph Rowntree Charitable Trust	A member of staff responsible for the trust's investment strategy and involved in the engagement with Vedanta.

29.	Arisaig Partners	An investment analyst working in the area of ESG issues.
30.	CCLA	A member of staff responsible for corporate governance and ethics.
31.	Scottish Widows Investment Partnership	A specialist in active ownership and engagement.
32.	CCLA	Follow-up interview (see number 30).
33.	University of Edinburgh	A member of staff with research interests in corporate governance, active ownership and engagement on ESG issues.
34.	Amnesty International UK	Follow-up interview (see number 6).
35.	Save the Children	Former employee of ChristianAid involved in strategy formulation and the early stages of the tax campaign.
36.	ChristianAid	Follow-up interview (see number 16).
37.	Standard Life	Responsible investment analyst.
38.	ChristianAid	Staff member involved in the policy work of the organisation and the tax campaign.
39.	ActionAid	Staff member working in the area of tax justice and advocacy.
40.	ShareAction	Follow-up interview (see number 12).

Appendix 2: Consent Form

CARDIFF BUSINESS SCHOOL

RESEARCH ETHICS

– Consent Form –

The aim of this research is to examine the role of NGOs in the shareholder activist arena and the strategies they use to advance their goals via the financial market.

I understand that my participation in this project will involve a semi-structured, tape-recorded interview, which will last no longer than an hour.

I understand that participation in this project is entirely voluntary and that I can withdraw from the study at any time without giving a reason.

I understand that I am free to ask any questions at any time. If for any reason I have second thoughts about my participation in this project, I am free to withdraw or discuss my concerns with Dr. Mike Marinetto (MarinettoM@cardiff.ac.uk).

I understand that the information provided by me will be held confidentially and securely, such that only the researcher can trace this information back to me individually. The information will be retained for up to six months and will then be anonymised, deleted or destroyed. I understand that if I withdraw my consent I can ask for the information I have provided to be anonymised/deleted/destroyed in accordance with the Data Protection Act 1998.

I, _____ (*NAME*) consent to participate in the study conducted by Mila Ivanova (IvanovaMR@cardiff.ac.uk), PhD of Cardiff Business School, Cardiff University, under the supervision of Dr. Mike Marinetto.

Signed:.....

Date:.....

Appendix 3: Chronology of NGO Shareholder Activist Campaigns (2003 – 2013)

Number	Date	NGO(s)	Campaign Issue	Aim	Nature of Intervention	Classification
1.	15 April 2003	The Burma Campaign, Friends of the Earth (FoE)	Business activities of British American Tobacco (BAT, hereafter) in Burma and use of pesticides in Brazil	To put the company's social and environmental record in the spotlight.	Putting pressure on directors to justify their activities to shareholders by asking questions at BAT's AGM about the effects of pesticides on tobacco workers' health.	<ul style="list-style-type: none"> • Direct • CM Institutions • Moral Case
2.	29 April 2003	Landmine Action, Campaign Against the Arms Trade (CAAT) and FoE	Corporate responsibility and UK arms export rules	To question BAE System's executive directors about the company's general ethics and its sales of military equipment to Saudi Arabia, Indonesia, Zimbabwe and Qatar, as well as bomb-guidance instruments and avionics components to Israel.	<ul style="list-style-type: none"> • Staged a protest outside the AGM at the Queen Elizabeth II Conference Centre. • Asked questions inside. 	<ul style="list-style-type: none"> • Direct • CM Institutions • Moral Case
3.	2003	Friends of the Earth	Putting people and the environment before profits	To question directors about their companies' environmental impacts. To push for changes to UK company law to require companies to consider their wider	FoE bought shares and attended the AGMs of 18 British companies, alongside representatives of local communities.	<ul style="list-style-type: none"> • Direct • CM Institutions and Public Policy • Moral

				responsibilities and to provide affected community members with a means of redress when companies fail to do so.		
4.	2003 – on-going	Carbon Disclosure Project (CDP)	Managing climate change and water risks	To gather self-reported climate change and water information on a global scale with the aim of driving emissions reductions and improving water management.	<ul style="list-style-type: none"> • Gathering the support of investors who become signatories of the initiative. The organisation sends information requests to thousands of the world’s largest companies each year on behalf of these investors. • CDP co-ordinates a request from a group of investors asking companies in high emitting sectors to implement emissions reductions. 	<ul style="list-style-type: none"> • Indirect • CM Institutions • Business Case
5.	2003-2006	Corporate Responsibility Coalition (CORE), Christian Aid, Amnesty International	Reform of the UK Companies Act	<p>To demand improvements to corporate law so that:</p> <ul style="list-style-type: none"> - Companies are legally required to report on their social and environmental impacts. - Directors are obliged to minimise any damage 	<ul style="list-style-type: none"> • CORE urged supporters to contact their MP. Over 100,000 voters took the action. • Launched a Parliamentary Petition signed by over 225 MPs. • Gathered support for the 	<ul style="list-style-type: none"> • Direct and Indirect • Public Policy • Business and Moral case

		UK, FoE, New Economics Foundation, Traidcraft.		caused to people and the environment. - Members of affected communities overseas can take action against UK companies in a UK court.	campaign from fund managers and ethical investors. • Generated extensive media coverage.	
6.	5 May 2004	CAAT	BAE Systems	To highlight BAE System's influence on government policy and to address allegations of institutional corruption.	Buying shares and attending the AGM to challenge the board.	<ul style="list-style-type: none"> • Direct • CM Institutions • Moral Case
7.	12 July 2004	Friends of the Earth	Fair returns and ethical treatment of farmers	To put forward the argument that Sainsbury's should focus on quality and fairness instead of entering into price wars with its competitors.	Attended the company's AGM and asked a question.	<ul style="list-style-type: none"> • Direct • CM Institutions • Moral Case
8.	Late 2004	People and Planet, Amnesty International, EIRIS, War on Want	Pension fund engagement on SEE issues	To replicate the success of the Ethics for USS campaign by creating an organisation that can promote responsible investment by other large pension funds.	Set up a working group of different people from the participating NGOs and created a new organisation – FairPensions (what is now known as ShareAction).	<ul style="list-style-type: none"> • Indirect • CM Institutions • Business and Moral Case
9.	2004 – on-going	ActionAid, Amnesty	Mining company Vedanta Resources'	To prevent the expansion of an aluminium refinery	<ul style="list-style-type: none"> • Attendance at AGMs. • Extensive media campaign. 	<ul style="list-style-type: none"> • Both Direct and Indirect

		International UK, EIRIS	operations in India	in Orissa and the construction of a bauxite mine in Niyamgiri, situated on top of a sacred hill populated by indigenous people.	<ul style="list-style-type: none"> • Lobbied shareholders to engage and divest. • Report writing. 	<ul style="list-style-type: none"> • CM Institutions • Business and Moral Case
10.	2005	EIRIS	Telecoms Industry and phone-related health concerns	‘This series of SEE risk briefings seeks to identify areas of potential social, environmental and ethical (SEE) risk, analyse the ways in which these risks may materialise and highlight how companies can manage these issues’ (EIRIS, 2005a).	Published ‘Mobile Phone Health Concerns and the Telecom Industry’ – an ESG Risk Briefing for investors.	<ul style="list-style-type: none"> • Indirect • CM Institutions • Business Case
11.	2005	EIRIS	Access to medicines in the developing world	‘This series of SEE risk briefings seeks to identify areas of potential social, environmental and ethical (SEE) risk, analyse the ways in which these risks may materialise and highlight how companies can manage	Published ‘Access to Medicines for the Developing World and the Pharmaceutical Industry’ – an ESG Risk Briefing for investors.	<ul style="list-style-type: none"> • Indirect • CM Institutions • Business Case

				these issues' (EIRIS, 2005b).		
12.	2005	Friends of the Earth	British American Tobacco	To highlight problems with corporate power.	<ul style="list-style-type: none"> • FoE attended the AGM of the company. • Outside the AGM campaigners informed BAT's shareholders about the recently published report 'BAT In Its Own Words' (FoE, 2005a) which exposes how the company uses CSR to distort research on second hand smoking, fund lobby groups to promote 'voluntary initiatives' and increase profits at the expense of people and the environment. 	<ul style="list-style-type: none"> • Direct • CM Institutions • Moral
13.	2005	FoE	Tesco and its marketplace share	To call for a stop of the Tesco takeover.	<ul style="list-style-type: none"> • Attended the AGM of Tesco. • Argued for the need of regulation to ensure Tesco's power is not abused. 	<ul style="list-style-type: none"> • Direct • CM Institutions • Moral
14.	2005 – 16 May 2006	FoE	Shell's environmental and social performance	To highlight 'the need for oil companies to clean up their act' (FoE, 2005b). To enable people who live	2005 – 2006 - FoE sponsored the visit to the UK of neighbours of Shell's global operations who attended Shell's	<ul style="list-style-type: none"> • Direct • CM Institutions • Moral

				next to Shell installations and projects to put their concerns to the company.	AGM, alongside campaigners from FoE and questioned the company on its failure to address its environmental and social impacts.	
15.	16 May 2006	ECCR	Shell's operations in Nigeria	The resolution asked that directors: 1.) institute and enforce 'rigorous policies in risk assessment and community consultation'; 2.) conduct transparent, independent social and environmental impact assessments of business operations (ECCR, 2006a).	Filed a shareholder resolution at the 2006 AGM. Sought support from investors for tabling the resolution.	<ul style="list-style-type: none"> • Direct and Indirect • CM Institutions • Moral and Business Case
16.	2006	EIRIS	Obesity	To identify the areas of potential business risk associated with obesity.	Published 'Obesity Concerns in the Food and Beverage Industry' – an ESG risk briefing for investors (EIRIS, 2006a).	<ul style="list-style-type: none"> • Indirect • CM Institutions • Business Case
17.	2006	EIRIS	Chemical safety and sustainability	To highlight the potential SEE risks and opportunities associated with chemical products.	Published 'Beyond REACH – Chemical Safety and Sustainability Concerns' - ESG risk briefing for investors (EIRIS, 2006b).	<ul style="list-style-type: none"> • Indirect • CM Institutions • Business Case

18.	2006 – 2007	ShareAction	UK Pension Schemes and Engagement	To examine and rank the responsible investment performance of UK pension funds during 2006 and 2007. To raise public awareness of responsible investment, to encourage peer comparison and to highlight areas for improvement.	<ul style="list-style-type: none"> • The 2006 survey (ShareAction, 2006) reveals poor results with lack of substantive reference to responsible investment in many pension funds' documents; divergence across different schemes; lack of transparency. • The 2007 survey argues that: 'engagement on ESG issues improves financial returns for funds. (...) Responsible investment and engagement can therefore be seen to be as much a financial imperative as they are a moral one, and are therefore integral to the overall fiduciary responsibilities of pension fund trustees' (ShareAction, 2007). 	<ul style="list-style-type: none"> • Indirect • CM Institutions • Business Case
19.	2006 – 2007	Oxfam, ShareAction	Novartis' legal battle to stop India from producing copies of an anti-	To secure access to affordable generic medicines in the developing world.	<ul style="list-style-type: none"> • Online action tool – pension savers contact their pension funds asking them to exert their influence as 	<ul style="list-style-type: none"> • Indirect • CM Institutions • Business Case

			cancer medicine		shareholders and demand from Novartis to drop its claim. <ul style="list-style-type: none"> • Extensive media coverage. • Briefing investors. 	
20.	2006 – 2007	Catholic Agency for Overseas Development (CAFOD), ShareAction	Mining practices in the developing world	To highlight the environmental, human rights and investment risks of mining operations.	<ul style="list-style-type: none"> • Briefings sent to almost 400 large UK pension funds and asset managers. • Mobilising supporters to urge their pension funds to take action. 	<ul style="list-style-type: none"> • Indirect • CM Institutions • Business Case
21.	9 May 2007	CAAT	BAE Systems and the dropping of the serious fraud office’s investigation into bribery allegations relating to an arms contract between the UK and Saudi Arabia	To challenge the company on allegations of corruption and bribery.	<ul style="list-style-type: none"> • Around 50 CAAT supporters and members bought token shares in the company and attended the AGM to ask questions. • Towards the end of the Q&A session five members of CAAT pulled out judge’s wigs and stood in front of the board, calling out ‘we find you guilty’. 	<ul style="list-style-type: none"> • Direct • CM Institutions • Moral Case
22.	29 June 2007	War on Want	Decent pay and conditions for workers in Tesco’s supply chain	To demand that supplier factories undergo independent auditing to ensure decent pay and working conditions for	A resolution put forward to Tesco’s AGM proposed by the company secretary of War on Want and backed by shareholders representing over	<ul style="list-style-type: none"> • Direct and Indirect • CM Institutions • Moral Case

				workers making clothes for Tesco.	400 million shares.	
23.	2007	ActionAid	Fair treatment and fair wages for supermarket suppliers	To prevent supermarkets from exploiting their suppliers. To establish an independent watchdog with the power to fine.	<ul style="list-style-type: none"> Hosted a South African farm worker in the UK to attend Tesco's AGM and speak to the Board and the Chief Executive. Handed in a 25,000 signature petition to the Competition Commission. Campaigners bombard Tesco with 5p pieces – the amount needed per kilo to ensure workers are paid a fair wage. 	<ul style="list-style-type: none"> Direct CM Institutions Moral Case
24.	2007 – 2011	The UK Sustainable Investment and Finance Association (UKSIF)	Sustainable Pensions Project	To identify and recognise leading practice. To measure the extent to which responsible investment policies are adopted with the aim of tracking change over time.	Published three reports summarising the results of three surveys (UKSIF, 2007, 2009, 2011) into the responsible investment practices of UK corporate pension schemes.	<ul style="list-style-type: none"> Indirect CM Institutions Business and Moral Case
25.	27 June 2008	War on Want, Labour Behind the Label	Living wages for garment workers supplying big UK supermarkets	To ask Tesco to provide garment workers in Bangalore with a living wage.	<ul style="list-style-type: none"> Attended Tesco's AGM and asked a question. Funded a speaking tour for Suhasini Singh (a researcher from the India-based NGO 	<ul style="list-style-type: none"> Direct CM Institutions Moral Case

					Cividep) who also attended the AGM and spoke to Sir Terry Leahy, the CEO.	
26.	27 June 2008	Compassion in World Farming and Hugh Fearnley-Whittingstall	The Chicken Out! Campaign – better standards for broiler chickens	To urge Tesco to adopt higher minimum standards for the chickens it purchases.	A resolution calling on Tesco to adopt the RSPCA’s freedom farm standards on the way chickens are fed, exercised and transported.	<ul style="list-style-type: none"> • Direct • CM • Institutions • Moral Case
27.	17 July 2008	People for the Ethical Treatment of Animals (PETA)	Animal Welfare	To challenge Burberry about their use of fur products in stores.	PETA’s vice president Bruce Friedrich wanted to attend Burberry’s AGM in London and ask: ‘When will Burberry stop supporting cruelty to animals...and respect the will of 93% of the British public by removing all fur products from your stores?’ (PETA, 2008). Friedrich was denied access to the AGM.	<ul style="list-style-type: none"> • Direct • CM • Institutions • Moral Case
28.	July 2008	ECCR – co-sponsored by EIRIS and Ethical Screening	Responsible investors – engagement with companies	To support faith communities and responsible investors in influencing companies.	Published a 30-page guide – ‘Investment and Engaging with Companies: A Guide for Faith Communities’ (ECCR, 2008a).	<ul style="list-style-type: none"> • Indirect • CM • Institutions • Moral and Business Case
29.	October	Oxfam –	Poverty Alleviation	To bring investors’	<ul style="list-style-type: none"> • Carried out in collaboration 	<ul style="list-style-type: none"> • Indirect

	2008 – November 2010	‘Better Returns in A Better World’ project		attention to the importance of poverty alleviation as a corporate responsibility issue. To consider the potential of shareholders for influencing the practices of their investee companies.	with the investment industry. <ul style="list-style-type: none"> Published two papers – one that launched the project (Oxfam, 2008) and a project completion report (Oxfam, 2010). Seven workshops, in-depth one-to-one interviews with investment experts, continuous engagement with over 80 investors across Europe and the US. 	<ul style="list-style-type: none"> CM Institutions Business and Moral Case
30.	2008	EIRIS	Corporate responses to HIV/AIDS	To analyse the corporate response to HIV/AIDS of the top 40 South African companies on the FTSE/JSE Top 40 index and to convince investors to further encourage the uptake of strategies for addressing the issue.	Published ‘Positive Corporate Responses to HIV/AIDS: A Snapshot of Large Cap South African Companies’ – ESG risk briefing for investors (EIRIS, 2008).	<ul style="list-style-type: none"> Indirect CM Institutions Business Case
31.	2008	ECCR	Water Sustainability	To help individual and institutional investors and other stakeholders to encourage companies to use water more sustainably.	Published the report ‘Water Sustainability: Meeting the Challenge, Taking Action’. It proposes ideas of how investors can engage with companies, provides a model letter they can	<ul style="list-style-type: none"> Indirect CM Institutions Moral and Business Case

					send to companies alongside with their contact details, suggests that individual shareholders can attend AGMs and ask a question (ECCR, 2008b).	
32.	2008-2010	WWF and the Institute of Chartered Accountants in England and Wales (ICAEW) have created the Finance Innovation Lab (FIL)	Changing the financial system	To bring about change through finance. To rethink the current system and take action to stimulate change so that the interests of society and the environment are accounted for by finance.	Series of workshops, events and open days in July 2009 which bring together people from finance and business, academia, civil society and government with the aim to stimulate discussion and highlight key issues that must be addressed in order to ensure the future sustainability of the system. In the following months and years the FIL has worked on initiatives designed to tackle the problems uncovered in these sessions.	<ul style="list-style-type: none"> • Indirect • Public Policy • Business and Moral Case
33.	15 April 2009	Philippine Indigenous Peoples Links, London Mining	Rio Tinto – indigenous peoples’ rights, climate change	To make their concerns known to the board and the chairman.	Attended the AGM and asked questions.	<ul style="list-style-type: none"> • Direct • CM Institutions • Moral Case

		Network (LMN, hereafter)				
34.	May 2009	EIRIS and Survival International	Indigenous rights	To direct shareholders' attention to the rights of indigenous people.	Published the report 'Indigenous Rights: Risks and Opportunities for Investors' which describes the rights of indigenous people as key human rights issue which should be carefully considered by shareholders and companies as 'strong commitments and effective engagement processes will undoubtedly benefit in an environment where access to land and resources is becoming increasingly restricted' (EIRIS, 2009a, p.2).	<ul style="list-style-type: none"> • Indirect • CM Institutions • Business case
35.	May 2009	ECCR	Vulnerable migrant workers	To encourage individual and institutional investors to engage with companies so that they implement practices that ensure equal treatment of migrant workers employed in the UK.	Published 'Vulnerable Migrant Workers: The Responsibility of Business' (ECCR, 2009).	<ul style="list-style-type: none"> • Indirect • CM Institutions • Moral Case
36.	September	PIRC,	The Walker Review	To submit evidence to the	Submitted written evidence to	<ul style="list-style-type: none"> • Direct

	2009	ShareAction		Walker Review of Corporate Governance in UK Banks and other Financial Industry Entities – the review also discusses the role of institutional investors	the consultation. The review concludes that: ‘... <i>there is a need for better engagement between fund managers acting on behalf of their clients as beneficial owners, and the boards of investee companies. Experience in the recent crisis phase has forcefully illustrated that while shareholders enjoy limited liability in respect of their investee companies, in the case of major banks the taxpayer has been obliged to assume effectively unlimited liability. This further underlines the importance of discharge of the responsibility of shareholders as owners, which has been inadequately acknowledged in the past...</i> ’ (Walker, 2009, p. 12).	<ul style="list-style-type: none"> • Public Policy • Business Case
37.	29 October 2009	London Mining Network (LMN)	BHP Billiton – the environment and human rights	To highlight current failings of the company.	<ul style="list-style-type: none"> • Activists attended the AGM and asked questions. • An alternative annual report ‘BHP Undermining the Future’ written by a group of 	<ul style="list-style-type: none"> • Direct • CM Institutions • Moral Case

					NGOs was distributed to shareholders attending the AGM (LMN, 2009).	
38.	December 2009	EIRIS	Labour Standards in supply chains	To identify how well companies are managing the risk of breaches of the core ILO labour standards and to highlight the importance of the issue to investors.	Published ‘A Risky Business? Managing Core Labour Standards in Company Supply Chains’ - ESG risk briefing for investors that provides a list of key engagement recommendations and questions (EIRIS, 2009b).	<ul style="list-style-type: none"> • Indirect • CM Institutions • Business Case
39.	December 2009	War on Want	Labour conditions	To shame Primark and urge it to take action on sweatshop labour.	Attended the AGM of Associated British Foods – the parent company of Primark and delivered a letter signed by 2,250 supporters to the CEO. The letter demanded prompt action to solve the scandal of sweatshops.	<ul style="list-style-type: none"> • Direct • CM Institutions • Moral Case
40.	2009-2012	WWF-UK, Christian Aid, The Cooperative Bank, the Aldersgate Group	Mandatory Green House Gas Reporting	Launched the Toxic Fuels Campaign whose aim is to ensure that companies disclose their carbon emissions in detail so that investors can make informed decisions with regard to the risks and	<ul style="list-style-type: none"> • WWF-UK has called on the UK government to introduce legislation that will make it mandatory for FTSE 100 companies to disclose their carbon emissions. • Published a report: ‘Toxic Fuels, Toxic Investments’ 	<ul style="list-style-type: none"> • Direct and Indirect • Public Policy • Business Case

				potential future liabilities involved in holding shares in a high polluting company.	<p>(WWF, 2010).</p> <ul style="list-style-type: none"> • Wrote ‘The Costs and Benefits of Mandatory Greenhouse Gas Reporting’ (WWF, 2011a) which was a response to Defra’s impact assessment and revealed significant overstatement of the costs and understatement of the benefits for companies of introducing mandatory GHG reporting. • Thousands of supporter letters sent to the government. • Early Day Motion 799. • Mobilised companies and organisations to express their support for the cause. 	
41.	2009 – on-going	Amnesty International, ShareAction, Platform London, ECCR	Shell’s operations in the Niger Delta	To encourage investors to engage with Shell with the aim of determining its plans for addressing the problems discussed in the UNEP report. To seek greater disclosure of information by Shell	<ul style="list-style-type: none"> • Writing of investor briefings and detailed reports explaining the situation on the ground. • Engagement with investors. • Raising questions at the AGM over a number of years. 	<ul style="list-style-type: none"> • Direct and Indirect • CM Institutions • Business Case

				regarding potential financial liabilities for clean-up.		
42.	January 2010	PIRC, UKSIF, ShareAction	Consultation on the creation of a Stewardship Code for institutional investors	The Stewardship Code – designed to encourage a more engaged approach to ownership by institutional investors.	Submitted a written response to the consultation.	<ul style="list-style-type: none"> • Direct • Public Policy • Business Case
43.	15 April 2010	Partizans, Down to Earth, Indigenous People Links	Rio Tinto – environmental and human rights concerns	A number of NGOs expressing concerns about Rio Tinto’s operations in different parts of the world during its AGM.	<ul style="list-style-type: none"> • Partizans – asked a question about the Rossing uranium mine in Namibia – plans for expansion and studies on environmental and health impacts. • Down to Earth – coal and nickel mining in Indonesia and allegations of bribery. • Indigenous People Links – called for independent monitoring of indigenous people’s right to free, prior and informed consent. 	<ul style="list-style-type: none"> • Direct • CM Institutions • Business and Moral Case
44.	22 April 2010	London Mining Network	Human Rights – Anglo American	To express concerns over Anglo American’s human rights record in South Africa	Attended the AGM and accused the company of failing to protect South African gold miners from the life threatening lung disease silicosis.	<ul style="list-style-type: none"> • Direct • CM Institutions • Moral Case

45.	22 April 2010, 22 April 2011, 19 April 2012	Colombia Solidarity Campaign (CSC)	Community relocations in Colombia	To question Cerrejon Coal's (of which Anglo American has one third share) process of negotiation and compensation of involuntarily relocated communities in Colombia.	A member of the Colombia Solidarity Campaign attended the AGM and asked questions about the process of community relocations.	<ul style="list-style-type: none"> • Direct • CM • Institutions • Moral Case
46.	28 April 2010	A coalition of NGOs including: Amnesty International, Platform, Rainforest Action Network, World Development Movement, People and Planet, etc.	Royal Bank of Scotland (RBS) investments	To put pressure on RBS in relation to its investments in fossil fuel and mining companies such as Vedanta.	<ul style="list-style-type: none"> • A member of the Rainforest Action Network and Simon Chambers (a documentary maker) attended RBS' AGM and asked how the company would justify its investments in companies with a bad human rights and environmental record. • A coalition of NGOs met with the Chairmen following the AGM and wrote a letter to the board detailing their concerns. One of the points from the letter states: <i>'Engagement practices: RBS should commit to active engagement with its corporate and project</i> 	<ul style="list-style-type: none"> • Direct • CM • Institutions • Business and Moral Case

					<i>finance clients wherever evidence emerges of a lack of compliance with EP or equivalent standards. The bank should use its leverage as a financier to seek rapid and appropriate rectification, remediation and compensation’ (Platform, 2010).</i>	
47.	April 2010	Greenpeace	Indonesia’s rainforests – deforestation, greenhouse gas emissions and biodiversity loss	To protect Indonesia’s rainforests.	<ul style="list-style-type: none"> • Disruption at Nestle’s AGM – a couple of climbers dropped a banner with the message ‘Nestle give the orangutans a break!’ and a cascade of leaflets from the ceiling of the room. • Encouraged supporters to send a message to Nestle’s shareholders at the AGM – Greenpeace campaigners at the meeting were directing shareholders to see the messages on the website. • Activists dressed as orangutans protested outside the AGM as well. 	<ul style="list-style-type: none"> • Direct • CM • Institutions • Moral Case

48.	April/May 2010	Greenpeace, WWF and Platform who approached ShareAction to organise the drafting and filing of two resolutions forming the basis of the campaign	Shell and BP: tar sands in Canada	To pressure the companies to publish details of the environmental, social and financial risks associated with their tar sands projects.	<ul style="list-style-type: none"> • Two shareholder resolutions tabled at the AGMs of BP and Shell. • An online action tool which enables pension savers to contact their pension funds and urge them to engage in dialogue with the companies and support the resolutions. • Writing of investor briefings. • Extensive media campaign. • Holding meetings with investors to gather their support for the resolutions. 	<ul style="list-style-type: none"> • Direct and Indirect • CM Institutions • Business Case
49.	June 2010	ShareAction	Current pension fund regulations	Stricter government regulation of pension funds, which requires them to state how they act on environmental and social risks.	Published a briefing which incorporates policy recommendations and specific regulatory changes that need to be made.	<ul style="list-style-type: none"> • Direct • Public Policy • Business Case
50.	August 2010	EIRIS, ShareAction	Strengthening corporate governance arrangements in banks and financial institutions	To respond to the European Commission's Green Paper on 'Corporate governance in financial institutions and remuneration policies'	Submitted a written response to the consultation (ShareAction, 2010a; EIRIS, 2010b).	<ul style="list-style-type: none"> • Direct • Public Policy • Business Case

51.	October 2010 – September 2011	Ekkleisa, London's Voluntary and Community Sector, One Society & Church Action on Poverty (joint response) ShareAction, WWF-UK, EIRIS, UKSIF	Narrative reporting	To express their views on the proposed revisions to the nature of narrative reporting.	Submitted a response to the Business, Innovation and Skills (BIS) Committee's consultation on narrative reporting (BIS, 2011).	<ul style="list-style-type: none"> • Direct • Public Policy • Business and Moral Case
52.	2010	Greenpeace, ShareAction	Moving oil companies beyond oil	To ask pension funds to question oil companies' risky business and ensure that their invested money is used to encourage both environmentally and financially responsible company behaviour.	<ul style="list-style-type: none"> • Investor briefing aimed at alerting investors to the potential catastrophic financial and environmental impacts of unconventional oil projects post the Deepwater Horizon disaster. • Online action tool via which pension savers can send a letter to their pension fund. 	<ul style="list-style-type: none"> • Indirect • CM Institutions • Business and Moral Case
53.	2010	Eurosif,	Remuneration	To demonstrate the	Published 'Remuneration' – a	<ul style="list-style-type: none"> • Indirect

		EIRIS		challenges and opportunities to companies in relation to remuneration.	report that puts forward recommendations for companies, policy-makers and responsible shareholders on this issue (Eurosif, 2010).	<ul style="list-style-type: none"> • CM Institutions and Public Policy • Business Case
54.	2010	EIRIS	Biodiversity loss	To help investors understand the financial risks associated with biodiversity loss.	Published a report – ‘Biodiversity’ (EIRIS, 2010c) which urges shareholders to: understand the risk that biodiversity loss introduces to their investments; use their influence to demand that businesses participate in voluntary stewardship schemes; collaborate with other shareholders to maximise the effect of the engagement process.	<ul style="list-style-type: none"> • Indirect • CM Institutions • Business Case
55.	2010-2013	UK Tar Sands Network	BP’s tar sands operations in Canada	To challenge the board of BP with regard to the company’s tar sands business.	A combination of questions asked at the AGM (i.e. whether tar sands extraction can be classified as ecocide, the measures BP is taking to lobby against the EU Fuel Quality Directive, etc.) and protests. For example, in 2012, nine	<ul style="list-style-type: none"> • Direct • CM Institutions • Moral Case

					protestors were ‘killed by climate change’, lying in various locations around the conference hall.	
56.	February 2011-2013	Palestine Solidarity Campaign (PSC)	Justice for the Palestinians	To ask UK supermarkets to ‘end trade with any company exporting goods from illegal Israeli settlements’ (PSC, 2012).	For the cost of £1 PCS activists have become members of Co-op which has given them the right to vote on motions and company policy. They have aimed to force a company-wide boycott of Israeli companies producing in occupied territories through attending the meetings of Co-op’s seven regional constituencies and also Co-op’s national AGM in Manchester.	<ul style="list-style-type: none"> • Direct • CM Institutions • Moral Case
57.	March 2011	ShareAction and Client Earth (joint submission), EIRIS, UKSIF	Corporate reporting	To respond to the Financial Reporting Council’s (FRC) consultation entitled ‘Effective Company Stewardship’ (FRC, 2011).	Submitted a written response to the consultation. Suggested areas for improvement include strengthening reporting regulations on social and environmental issues that are material to companies and thus providing investors with high quality information.	<ul style="list-style-type: none"> • Direct • Public Policy • Business Case

58.	14 April 2011	Greenpeace, Platform London, No Tar Sands, ShareAction	BP and the Gulf of Mexico Oil Spill	To voice concerns over the company's abysmal handling of the disaster.	Different NGOs attended the AGM and confronted the company about the Gulf of Mexico Oil Spill.	<ul style="list-style-type: none"> • Direct • CM Institutions • Business and Moral Case
59.	15 April 2011 – 12 April 2012	Indigenous Environmental Network	Beaver Lake Cree First Nation in Canada	To challenge BP's board of directors at the AGM.	<ul style="list-style-type: none"> • 2011 – Read out a statement from Fort McKay Cree First Nation community members who are affected by BP's 'Sunrise' project. • 2012 – Asked a question about the legal challenge by the Beaver Lake Cree First Nation which could make tar sands extraction across large parts of Canada illegal. 	<ul style="list-style-type: none"> • Direct • CM Institutions • Moral Case
60.	03 May 2011 – on-going	ShareAction in conjunction with: Citizens UK, Fair Pay Network, Public and Commercial Services Union,	Living wages across the UK	'To permanently embed Living Wage standards in the UK's private sector, beginning with the biggest companies on the London Stock Exchange, namely the FTSE 100' (ShareAction, 2011c).	<ul style="list-style-type: none"> • Getting investors to co-sign a letter sent to the CEOs of the FTSE 100 urging them to adopt living wage standards. • Buying shares, attending company AGMs and raising a question about living wage policies. • Engaging in subsequent discussions with companies. 	<ul style="list-style-type: none"> • Direct and Indirect • CM Institutions • Business Case

		Prospect, Unison, Unite				
61.	May 2011-2012	The Finance Innovation Lab	Social Finance	To support the development of the social finance marketplace.	Hosted a variety of workshops at different organisations throughout 2011 and 2012, including one for the Social Finance team at the Cabinet Office.	<ul style="list-style-type: none"> • Direct • Public Policy • Business and Moral Case
62.	May 2011	CORE	Corporate Reporting on Environmental and Social Issues	Clarification and strengthening of the rules on corporate reporting.	Published ‘Simply Put: Towards an Effective Regime for Environmental and Social Reporting by Companies’ which suggests amendments to the Companies Act. Reporting is seen as vital for encouraging long-termism in finance and for informing shareholders about company operations and associated risks (CORE, 2011).	<ul style="list-style-type: none"> • Direct • Public Policy • Business Case
63.	July 2011	Access, ShareAction	Telecoms and Human Rights	Following the aftermath of Vodafone’s decision to comply with the Egyptian government’s order to shut down its mobile and internet services in order to prevent mass	<ul style="list-style-type: none"> • The executive director of Access attended Vodafone’s AGM. • SA prepared and distributed an investor briefing highlighting risks and suggesting a series of 	<ul style="list-style-type: none"> • Direct and Indirect • CM Institutions • Business Case

				demonstrations in the country, SA and Access wanted to raise the issue of telecommunication companies and human rights abuses among investors. Investors had to confront telecoms on whether they have learned from Vodafone's experience.	<p>questions for shareholders to ask.</p> <ul style="list-style-type: none"> • Discussions with UK and international investors about the issue. • Extensive media coverage. 	
64.	September 2011	Forum for the Future	Sustainable Economy	To show investors how they can create a 'resilient, stable and sustainable' economy (Forum for the Future, 2011b).	Published a report – 'Sustainable Economy in 2040' (Forum for the Future, 2011b).	<ul style="list-style-type: none"> • Both Direct and Indirect • Public Policy and CM Institutions • Business Case
65.	October 2011 – December 2012	The Finance Innovation Lab	The role of policy for the shift towards a sustainable economy	A project called the 'Disruptive Finance Policy' which aims to uncover the most promising policy ideas that can challenge the current financial system to overcome some of the biggest barriers to a sustainable economy.	<ul style="list-style-type: none"> • Conducting in-depth dialogues with key figures from a wide spectrum of sectors to map the main disruptive policy ideas being debated. • A workshop presenting the findings and discussing which policy ideas can be championed by the FIL; 	<ul style="list-style-type: none"> • Direct • Public Policy • Business and Moral Case

					<p>holding a peer-to-peer Finance Policy Summit in 2012.</p> <ul style="list-style-type: none"> Members of the FIL are working on a business plan on how to scale up creating a movement for policy change in finance. 	
66.	November 2011	WWF-UK in collaboration with Doughty Hanson & Co	The role of the private equity industry for driving sustainability	To highlight the increased return that private equity firms can accrue if they manage actively their portfolio companies. Consideration of ESG issues and responsible investment can mitigate reputational and financial risks.	Published a report 'Private Equity and Responsible Investment: An Opportunity for Value Creation' (WWF-UK, 2011b).	<ul style="list-style-type: none"> Indirect CM Institutions Business Case
67.	November 2011 – January 2013	ShareAction	Kay Review of UK Equity Markets	To respond to the call for evidence.	<ul style="list-style-type: none"> Submitted 'Kay Review Call for Evidence: Response from ShareAction' (ShareAction, 2011d) – a document highlighting the main policy positions and objectives of the organisation. Submitted 'Kay Review of Equity Markets: 	<ul style="list-style-type: none"> Direct Public Policy Business Case

					<p>Supplementary Evidence from ShareAction’ (ShareAction, 2012e).</p> <ul style="list-style-type: none"> • Wrote ‘Final Report of the Kay Review of UK Equity Markets & Long-termism’ (ShareAction, 2012f) – an official response to the document. 	
68.	2011	Forum for the Future	Long-term Thinking in Financial Markets	To identify the main barriers to long-term thinking and outline practical ways of overcoming them.	Published a report – ‘Overcoming the Barriers to Long-term Thinking in Financial Markets’ (Forum for the Future, 2011a).	<ul style="list-style-type: none"> • Direct • Public Policy and CM Institutions • Business Case
69.	2011	EIRIS	Water scarcity	To outline the short time frame within which water scarcity will start to have unwanted financial impacts for shareholders and companies.	Published ‘Water Risk Report’ – an ESG risk briefing for investors. The paper offers recommendations for investors and urges them to: demand better corporate reporting on water; encourage evaluation of managing or not managing water risk at company level; encourage companies to make water management a core part of their environmental strategy (EIRIS, 2011b).	<ul style="list-style-type: none"> • Indirect • CM Institutions • Business Case

70.	27 April 2011	World Development Movement (WDM)	Commodity speculation: bank's role in the food crisis	To stop speculating on food prices by banks and big financial institutions.	Attended Barclay's AGM to ask questions about commodities.	<ul style="list-style-type: none"> • Direct • CM Institutions • Moral case
71.	2011	ECCR, ShareAction	Sex trafficking and the Olympics	To urge FTSE 100 companies to mitigate the risks of their facilities being used for sex trafficking during the London Olympic Games. To outline how ethical shareholders can address this issue prior to the Olympics.	<ul style="list-style-type: none"> • Published an investor briefing – 'Hotels, Sex Trafficking and London 2012' (ECCR, 2011). • Engaged with shareholders. 	<ul style="list-style-type: none"> • Indirect • CM Institutions • Both Moral and Business Case
72.	2011 – on-going	ShareAction	Fiduciary Duty	To seek specific statutory clarification of what fiduciary duty entails.	<ul style="list-style-type: none"> • Two reports published: Protecting Our Best Interests (ShareAction, 2011b) and The Enlightened Shareholder: Clarifying Investors' Fiduciary Duties (ShareAction, 2012d). • Attending Party Conferences. • Consultation Submissions. • Organising roundtables where ministers and policy makers can discuss and 	<ul style="list-style-type: none"> • Direct • Public Policy • Business Case

					<p>comment on the issue.</p> <ul style="list-style-type: none"> • A letter marshalled by SA and signed by investors, campaigners and academics published in The Times on March 2012. 	
73.	2011 – on-going	CDP	Carbon Action	‘To accelerate company action on carbon reduction and energy efficiency activities which deliver a satisfactory return on investment’ (CDP, 2012).	Each year CDP coordinates and sends a request on behalf of 190 investors with \$18 trillion in assets under management to companies in high emitting industries, asking them to cut emissions and publicly disclose targets.	<ul style="list-style-type: none"> • Indirect • CM Institutions • Business Case
74.	2011	ShareAction, ChristianAid, ActionAid	Corporate Tax Practices	‘To get companies treating tax as part of their wider responsibility to the societies in which they operate’ (SA, 2012c).	<ul style="list-style-type: none"> • Attending the AGMs of FTSE 100 companies and asking questions about their tax policies. • ActionAid and ShareAction (2011) published an investor briefing – ‘Tax Responsibility: The Business Case’. 	<ul style="list-style-type: none"> • Direct • CM Institutions • Business Case
75.	March 2012	The Carbon Tracker Initiative (CTI)	Unburnable Carbon	To manage the transition to a low-carbon economy and to initiate reforms to key aspects of financial	<ul style="list-style-type: none"> • Published ‘Unburnable Carbon – Are the World’s Financial Markets Carrying A Carbon Bubble?’ (CTI, 	<ul style="list-style-type: none"> • Direct and Indirect • CM Institutions

				regulation with the aim of acknowledging the risks inherent in fossil fuel assets and taking action to reduce these risks.	<p>2011).</p> <ul style="list-style-type: none"> Engaging with institutional shareholders to stress the risks they face if fossil fuel assets become stranded. Engaging with regulators to propose practical measure to minimise the risks to market stability associated with the imminent carbon bubble. 	<p>and Public Policy</p> <ul style="list-style-type: none"> Business Case
76.	April 2012	ShareAction	Responsible investment practices in contract-based pension providers	To facilitate a comparison between the leading UK pension providers in the wake of auto-enrolment.	Published 'The Stewardship Lottery: The Governance Gap in Contract-Based Pensions' (ShareAction, 2012g) which recommends that insurance companies should: demonstrate their commitment to responsible investment by disclosing a policy on how they deal with ESG issues; monitor the voting and engagement activities of their fund managers and disclose records on their websites; issue a statement of compliance with the UK Stewardship Code and become signatories of the UN PRI. The	<ul style="list-style-type: none"> Direct and Indirect CM Institutions and Public Policy Business Case

					report also makes policy recommendations to the Department for Work and Pensions.	
77.	2 May 2012	CAAT, Ekklesia	BAE Systems selling arms which are used to suppress pro-democracy protests to Saudi Arabia. Corruption allegations.	To challenge the board at the company's AGM.	Staff members of CAAT and Ekklesia bought single shares and challenged BAE about its operations in Saudi Arabia and the corruption investigations.	<ul style="list-style-type: none"> • Direct • CM Institutions • Moral Case
78.	22 May 2012	UK Tar Sands Network	Climate Change	To question Shell about its unrealistic future energy demand predictions which, if achieved, will lead to CO2 levels that are 50% higher than the scientific threshold.	Members of the UK Tar Sands Network attended the AGM and confronted the company about its short-term profit maximising approach which neglects any climate change repercussions that may happen in the near future.	<ul style="list-style-type: none"> • Direct • CM Institutions • Moral Case
79.	May 2012	Green Alliance	Public benefit from UK tax relief	Creating a new policy agenda that would 'restore the savings and investment cycle as an engine for economic stability, social innovation and low carbon economic transition. The foundation	Published the paper 'Saving for a Sustainable Future' (Hewett, 2012). One of the three building blocks relates to the need for finding ways for incentivising and encouraging long-term focus for investments. Some of the proposed reforms include:	<ul style="list-style-type: none"> • Direct • Public Policy • Business Case

				of this new agenda needs three important building blocks' (Hewett, 2012, p. 4).	granting a tax subsidy to pension funds on the condition that the long-term social, economic and environmental interests of the saver and taxpayers are considered; linking tax breaks to long-term and responsible investment, and increasing the period for which pension funds hold equities by offering tax incentives.	
80.	May 2012 – on-going	Platform, Greenpeace, ShareAction	Shell and Arctic Drilling	To outline the risks investors may face and to encourage them to discuss the issues with Shell.	<ul style="list-style-type: none"> • Published a report – ‘Out in the Cold: Investor Risk in Shell’s Arctic Exploration’ which alerts investors that ‘oil spill risks, high extraction costs, doubts over the amount of commercially recoverable reserves, and a precedent of cost overruns and delay combine to raise questions about the commercial viability’ of Shell’s planned drilling operations in the Arctic (Greenpeace, 2012). • ShareAction produced a 	<ul style="list-style-type: none"> • Direct and Indirect • CM Institutions • Business Case

					<p>series of briefing documents for investors which were aimed at: highlighting the risks of oil spills, suggesting questions on Arctic drilling that investors can ask Shell and keeping shareholders up-to-date with the company's operations in the Arctic.</p> <ul style="list-style-type: none"> • Attendance at Shell's AGMs. 	
81.	May 2012	ShareAction	High Executive Pay	To push major shareholders to vote against excessive pay at their investee companies.	<ul style="list-style-type: none"> • Supporters and members of SA attended AGMs of companies to raise the issue of high pay. • Briefing for pension fund trustees encouraging them to ask their asset managers questions related to executive pay. • Launched an online action tool through which people can ask their pension or ISA provider to vote against excessive pay. • Submitted evidence to 	<ul style="list-style-type: none"> • Direct and Indirect • CM Institutions and Public Policy • Business Case

					‘Executive Pay: Consultation on Enhanced Shareholder Voting Rights’ (BIS, 2012).	
82.	May 2012	Global Witness	Corruption – Glencore	Calling on Glencore to explain potentially corrupt deals in Congo.	<ul style="list-style-type: none"> Published a briefing for shareholders – ‘Secrecy Surrounding Glencore’s Business Deals in the Democratic Republic of Congo: Risks Exposing Shareholders to Corrupt Practices’ (Global Witness, 2012a). Attended the company’s AGM. 	<ul style="list-style-type: none"> Indirect and Direct CM Institutions Moral and Business Case
83.	June 2012	ShareAction, High Pay Centre, PIRC	Corporate governance and remuneration	To express their position with respect to the Treasury Committee’ call for evidence on corporate governance and remunerations in the financial services sector.	Submitted evidence to the Treasury. Points of interest include: an outline of the main barriers to shareholder engagement, the role of shareholders (ShareAction), information asymmetry between the board and shareholders, more transparency needed with respect to the extent to which investment funds scrutinise corporate governance issues	<ul style="list-style-type: none"> Direct Public Policy Business Case

					(High Pay Centre), etc.	
84.	12 June 2012	Global Witness	Corruption - ENRC	Calling on ENRC to address corruption allegations in Congo.	Published a memo for ENRC' shareholders which outlines in detail five mining deals involving ENRC (Global Witness, 2012b).	<ul style="list-style-type: none"> • Indirect • CM Institutions • Moral and Business Case
85.	July 2012	UKSIF, ShareAction	Stewardship Code – revisions	To respond to the FRC's consultation of the UK Stewardship Code.	<ul style="list-style-type: none"> • UKSIF submitted a document to the FRC which calls for: <ul style="list-style-type: none"> - The Pension Regulator to encourage adoption of the code by pension funds. - The consideration of ESG risks to be seen as an essential part of good stewardship. - Stronger wording of the code (UKSIF, 2012). • ShareAction submitted a document to the FRC which calls for: <ul style="list-style-type: none"> - A clarification of what 'stewardship' means – whom stewardship obligations are owed to, what is being 'stewarded'. - Making specific 	<ul style="list-style-type: none"> • Direct • Public Policy • Business Case

					reference to fiduciary duty and reaffirming that applying the Code is consistent with investors' fiduciary duties. - Clarifying the difference between stewardship and responsible investment (ShareAction, 2012h).	
86.	20 September 2012	UKSIF	Responsible Investment	To urge the Parliamentary Contributory Pension Fund (PCPF) to sign up to the UK Stewardship Code which aims to enhance engagement between shareholders and companies.	UKSIF have written a letter to the Chairmen of the Board of Trustees of the PCPF requesting a meeting to discuss the issue.	<ul style="list-style-type: none"> • Direct • Public Policy • Business Case and Moral Case
87.	September 2012	ShareAction	Chevron's response to a court decision regarding the dumping of toxic waste in Ecuador	To review, together with investors, Chevron's aggressive and much criticised handling of a lawsuit about the dumping of toxic waste in Ecuador.	<ul style="list-style-type: none"> • Two investor briefings published in September and November of 2012. • Meetings and engagement with investors aimed at raising awareness of the risks that they face with regard to the litigation. 	<ul style="list-style-type: none"> • Indirect • CM Institutions • Business Case
88.	25 October 2012	War on Want, Columbia	BHP Billiton	To highlight issues around: community displacements and decent	A number of representatives from different NGOs attended the AGM and asked questions	<ul style="list-style-type: none"> • Direct • CM Institutions

		Solidarity Campaign, London Mining Network, Down to Earth, Indigenous Peoples' Links (IPL)		compensation in Colombia (CSC), poor health and poverty in communities close to the company's Cerro Matoso nickel mine (War on Want), river diversion, the company's attitude to climate change (LMN), free prior and informed consent (IPL).	regarding their concerns.	<ul style="list-style-type: none"> • Business and Moral Case
89.	21 December 2012	World Development Movement, London Mining Network	Coal mine in Phulbari, Bangladesh – GCM Resources	To express concerns about what would happen if the construction of the proposed mine goes ahead.	<ul style="list-style-type: none"> • At GCM Resources' AGM an activist dressed like Santa gave Gerard Holden (company Chairman) a present for Christmas – a stocking of coal. • Activists questioned the company's decision to build the coal mine without securing the free, prior and informed consent of Bangladeshi people. Other concerns included water and food security for displaced families. 	<ul style="list-style-type: none"> • Direct • CM Institutions • Business and Moral Case
90.	December	ShareAction	UK Ethical Funds	To rank ethical funds on	Published a survey – 'Ethically	<ul style="list-style-type: none"> • Indirect

	2012		and the extent to which they are acting as responsible owners	how responsive and responsible they are.	Engaged? A Survey of UK Ethical Funds' (SA, 2012i). Scoring was based on three criteria: transparency, screening processes and stewardship and engagement (i.e. the extent to which funds use their shareholder rights to engage with companies).	<ul style="list-style-type: none"> • CM Institutions • Business Case
91.	2012-2013	WWF UK in association with Carbon Tracker Initiative, Trucost, SinCo and the Government Employee Pension Fund.	Climate Change and Freshwater Risks	The main argument is that institutional investors are failing to systematically consider climate change and freshwater risks when making investment decisions. This poses high risks for investors as it can lead to the bonds and equities of certain companies in high carbon sectors being mispriced. Suggestions for governments on how to scale up carbon and water responsible investments.	Published the 'Navigating Muddy Waters' series of five reports that attempt to address these questions. The recommendations suggest that: 'there are significant opportunities for responsible investors to use engagement strategies to promote water stewardship in investee companies' (WWF-UK, 2012, p. 8). They also consider ways of aligning short-term investment strategies with long-term investment horizons through government legislation.	<ul style="list-style-type: none"> • Direct and Indirect • CM Institutions and Public Policy • Business case
92.	January 2013	ShareAction	Mandatory Voting Disclosure	To summarise the main lessons from the	Published 'The Missing Link: Lessons from the Shareholder	<ul style="list-style-type: none"> • Direct • Public Policy

				Shareholder Spring in 2012 – the revolt against companies’ remuneration policies.	Spring’ (ShareAction, 2013c) which analysed the responses savers got from their pension funds with respect to their voting intentions on executive pay. The report concludes that institutional investors should be much more accountable to the individuals whose money they are managing. It recommends to government that it exercises its power to require institutional investors to mandatory disclose their voting activities.	<ul style="list-style-type: none"> • Moral and Business case
93.	19 February 2013	Friends of the Earth, ShareAction	Pension funds and land acquisitions in the world’ poorest countries	To encourage FoE supporters to write to their pension funds (who are the largest investors in farmland worldwide) and: 1.) ask them if they are investing in land grabs; 2.) emphasise the risk of investing in agricultural land.	<ul style="list-style-type: none"> • Published a sample letter on their website for pension fund members to send to their pension funds. • Together with ShareAction published an investor briefing in April 2013 which highlights the risks associated with land investment (ShareAction, 2013d). 	<ul style="list-style-type: none"> • Indirect • CM Institutions • Business Case
94.	21 February	London Mining	Bumi plc and coal mining	To question the company about the impacts of its	<ul style="list-style-type: none"> • Attended the company’s AGM to ask questions. 	<ul style="list-style-type: none"> • Direct and Indirect

	2013	Network, Down to Earth, War on Want		coal-mining operations in Kalimantan, Indonesia.	<ul style="list-style-type: none"> London Mining Network co-ordinator Richard Solly urged investors to engage on the issue: ‘Investors concerned about Bumi’s share price and the dodgy dealing would do well to show similar interest in the way the company deals with human rights and environmental issues’. 	<ul style="list-style-type: none"> CM Institutions Moral Case
95.	05 March-April 2013	ShareAction	Transparency in relation to entities (such as contract-based workplace or personal pension providers and asset managers) regulated by the Financial Conduct Authority (FCA)	To address key issues impeding responsible investment such as conflicts of interest in the asset management industry and to call for greater transparency in terms of investment policies, voting activities and investors’ holdings.	Submitted a response to FCA’s Discussion Paper 13/1 on transparency.	<ul style="list-style-type: none"> Direct Public Policy Business Case
96.	12 March 2013	UKSIF	Ownership Day	A new national initiative launched by UKSIF and its partners to increase the demand for active ownership and to raise awareness of its benefits	UKSIF has gathered support from other NGOs and institutional investors and on the 12 th March has: <ul style="list-style-type: none"> Highlighted the financial benefits for investors from 	<ul style="list-style-type: none"> Direct and Indirect CM Institutions and Public Policy

				across the UK.	active ownership. <ul style="list-style-type: none"> - Called on shareholders such as pension fund members and retail investors to ask their trustees and fund managers whether their portfolio is actively managed. - Held a parliamentary reception and discussed the role of active ownership in contributing to sustainable growth. 	<ul style="list-style-type: none"> • Business Case
97.	15 March 2013	People and Planet	Adidas' failure to pay severance to Indonesian factory workers	To outline the background of the case and highlight actions that investors could take.	Published an investor briefing which summarises the main business risks of Adidas' refusal to pay the \$1.8 million owed to workers and urges investors to engage with the company by asking a list of suggested questions.	<ul style="list-style-type: none"> • Indirect • CM Institutions • Business Case
98.	18 April 2013	London Mining Network	Rio Tinto and the construction of a gold and copper mine in the Gobi Desert in Mongolia	To question the board about Rio Tinto's plans to build the mine in Mongolia. To include measures that protect the biodiversity, climate and water for local people.	<ul style="list-style-type: none"> • Attended the company's AGM and asked a question. • Organised a demonstration outside the AGM. • Arranged for activists from affected communities in Colombia, Mongolia, South 	<ul style="list-style-type: none"> • Direct • CM Institutions • Moral Case

					Africa, and the USA to come and speak at the AGM.	
99.	19 April 2013	London Mining Network, War on Want	Anglo American – environmental concerns	To challenge the board over their disregard of human rights and the environment.	<ul style="list-style-type: none"> • Attended the company’s AGM. • Organised a demonstration outside the AGM. • Arranged for activists from affected communities in Colombia, Mongolia, South Africa and the USA to come and speak at the AGM. 	<ul style="list-style-type: none"> • Direct • CM Institutions • Moral Case
100.	24 April 2013	Biofuel Watch	Biomass Burning – carbon emissions, human rights	To protest Drax’s recent decision to convert half of their coal power station to burning biomass, most of which will be in the form of imported wood.	Attended the company’s AGM with the aim of protesting against the company’s decision.	<ul style="list-style-type: none"> • Direct • CM Institutions • Moral Case
101.	April 2013 – on-going	ShareAction	Climate change	Keeping climate change to a minimum by lobbying pension funds and FTSE 100 companies to support a low carbon economy.	<ul style="list-style-type: none"> • Developed an online action tool via which people can contact their pension providers and ask what they are doing to protect their savings. • Challenged FTSE 100 companies at their AGMs asking them how are they addressing climate change 	<ul style="list-style-type: none"> • Direct and Indirect • CM Institutions • Both Moral and Business Case

					risks.	
102.	10 May 2013	FoE, the New Economics Foundation, Civitas, ResPublica, WDM, Positive Money, The Finance Innovation Lab, WWF – UK, ShareAction.	Transforming Finance Conference	To facilitate understanding and encourage debate around a range of positive proposals designed to: 1.) prevent debt crises, asset price bubbles, and state bailouts; 2.) make finance work for the long-term interests of people and planet.	A full-day conference that brings together academics, campaigners, economists and policy makers.	<ul style="list-style-type: none"> • Indirect • CM Institutions and Public Policy • Moral and Business Case
103.	13 May 2013	Fuel Poverty Action	The price of heating, climate change	To express concerns about British Gas' policies, actions and significant power.	Campaigners from Fuel Poverty Action attended the AGM of British Gas and critiqued the company for not doing enough to tackle fuel poverty which causes starvation and deaths and for actively lobbying the government for investment in gas which exacerbates climate change.	<ul style="list-style-type: none"> • Direct • CM Institutions • Moral Case
104.	24 May 2013	Global Witness	Forests	To put HSBC's directors under the spotlight for the bank's role in subsidising	Attended the company's AGM and asked a question.	<ul style="list-style-type: none"> • Direct • CM Institutions

				companies responsible for the destruction and deforestation of Borneo's forests in Malaysia caused by palm oil plantations and logging.		<ul style="list-style-type: none"> • Moral Case
105.	September 2013	ChristianAid, ECCR, CAFOD, ShareAction, Oxfam and others	Company ownership	To respond to an open consultation by the BIS Committee entitled 'Company Ownership: Transparency and Trust Discussion Paper' (BIS, 2013) which considers a range of proposals to enhance the ability to know who owns and controls UK companies.	Submitted a joint response to the consultation paper (UKSIF, 2013).	<ul style="list-style-type: none"> • Indirect • Public Policy • Business and Moral case
106.	7 October 2013	WWF-UK, ShareAction	Biodiversity impacts of oil extraction	To highlight the reputational and financial risks faced by investors who have a stake in the UK oil company Soco which intends to explore for oil in Virunga National Park, the Democratic Republic of Congo.	The two organisations published an investor briefing on the potential impacts of Soco's planned exploration activities (WWF-UK, 2013).	<ul style="list-style-type: none"> • Indirect • CM Institutions • Business and Moral case
107.	30	ShareAction,	Climate change and	To embed climate	<ul style="list-style-type: none"> • Direct engagement with 	<ul style="list-style-type: none"> • Direct and

	October 2013	supported by Greenpeace, FoE, WWF, Oxfam, Unison and Unite	pension fund investors	awareness into the investment decisions, into dialogue with companies and into policy advocacy undertaken by pension providers.	<p>pension funds and trustee training sessions.</p> <ul style="list-style-type: none"> • E-action for pension savers. • Report writing – ‘The Green Light Report – Resilient Portfolios in an Uncertain World’ (ShareAction, 2013d). • Training sessions for pension savers to campaign on the issue. 	<p>Indirect</p> <ul style="list-style-type: none"> • CM Institutions • Business Case
108.	19 November 2013	ShareAction	Building a more accountable investment system	To outline the steps needed for pension schemes to increase transparency and accountability and give savers a voice when it comes to ESG issues.	Published a report entitled ‘Our Money, Our Business’ (ShareAction, 2013b) and a best practice guide with the same name.	<ul style="list-style-type: none"> • Indirect • CM Institutions and Public Policy • Business and Moral Case
109.	2013	The Carbon Tracker Initiative	Climate change	‘Calls for regulators, governments and investors to re-evaluate energy business models against carbon budgets, to prevent \$6trillion carbon bubble in the next decade’ (Carbon Tracker Initiative, 2013).	Published a report – ‘Unburnable Carbon 2013: Wasted Capital and Stranded Assets’ which argues that between 60 – 80 per cent of the oil, gas and coal reserves of listed companies will not have a value in the future (will be stranded assets) if the world is	<ul style="list-style-type: none"> • Indirect • CM Institutions and Public Policy • Business Case

					to not exceed the current target of global warming of 2 ⁰ C (Carbon Tracker Initiative, 2013).	
110.	2013	ShareAction	Lobbying and political spending	To increase the level of transparency of UK companies to their investors when it comes to their political spending.	<ul style="list-style-type: none"> • Working with other investors, the organisation coordinates international investor action on the topic. • Sent letters to the CEOs of FTSE 100 companies who have potential connections with organisations such as ALEC or the Heartland Institution. • Attendance at AGMs and asking of questions. 	<ul style="list-style-type: none"> • Direct and Indirect • CM Institutions • Business Case

Appendix 4: Waygood's (2006) Chronology of NGO Shareholder Activist Campaigns (1990 – 2002)

Number	Date	NGO(s)	Aim	Nature of Intervention	Classification
1.	April 1990	Surfers Against Sewage	To change South West Water's sewage disposal policy.	Brought a bag of sewage related detritus to the 1990 AGM and questioned the board about its policy in relation to marine dumping of sewage.	<ul style="list-style-type: none"> • Direct • CM Institutions • Moral
2.	March 1991	Minewatch – a global coalition of NGOs campaigning on mining issues.	To prevent Hanson plc. from developing mineral deposits found in Navajo Native American reserves.	Purchased shares in order to attend AGM along with four Navajo Native Americans who questioned the board about their plans in this area.	<ul style="list-style-type: none"> • Direct • CM Institutions • Moral
3.	April 1991	Greenpeace	To stop ICI manufacturing ozone depleting chemicals.	Campaigners took briefcases containing a hidden public address system into the ICI AGM so that they could play messages about ICI's continual production of ozone depleting chemicals. A further 80 activists demonstrated outside, holding placards declaring 'ICI – world class ozone destroyer'.	<ul style="list-style-type: none"> • Direct • CM Institutions • Moral
4.	1991	Forests Monitor	To persuade James Latham plc. (then one of Britain's largest timber merchants) to source sustainable timber.	Wrote to investors encouraging them to put pressure on the board to source sustainable timber. Media work naming and shaming investors in James Latham.	<ul style="list-style-type: none"> • Indirect • CM Institutions • Moral
5.	April 1992	Surfers Against Sewage	Change South West Water's sewage disposal policy.	Presentation at James Capel (then a large City sell-side broker), concerning the environmental performance of South West Water plc. Surfers Against Sewage made a	<ul style="list-style-type: none"> • Indirect • CM Institutions • Moral

				presentation encouraging investors to raise questions at the AGM.	
6.	1992	The Royal Society for the Protection of Birds (RSPB)	To stop Fisons extracting peat from Sites of Special Scientific Interest.	RSPB chief executive writes to the Financial Times criticising Fisons board for describing peat extraction as ‘environmental issue of small commercial significance’, encouraging shareholders to urge Fisons to ‘reach a solution which does not damage the remaining peat bogs and secures a larger share of the peat alternatives market’.	<ul style="list-style-type: none"> • Indirect • CM Institutions • Both business and moral case
7.	1992	WWF-UK	To improve MFI Environmental Policy and encourage endorsement of sustainable timber furniture.	Provided critique of MFI Environmental Policy with support of Institutional Investor (NPI).	<ul style="list-style-type: none"> • Indirect • CM Institutions • Moral
8.	1992	PARTiZANZ	To prevent RTZ from mining in land sacred for indigenous people.	Invited Australian aborigines and people from the Philippines to RTZ’s AGMs, as well as local British people affected by the operations of the company.	<ul style="list-style-type: none"> • Direct • CM Institutions • Moral
9.	1995-1997	Various NGO groups including Friends of the Earth, The Ecologist, The Berne Declaration, Global Witness and the Sarawak Solidarity Campaign.	To stop the Asea Brown Boveri (ABB), the Bakun Hydroelectric Corporation and Ekran Berhad from building the controversial Bakun Dam in Malaysia.	Broad-ranging campaign including joint letter with some investors in ABB to its president encouraging ABB to withdraw from Bakun Dam (successfully). Bakun Dam postponed indefinitely.	<ul style="list-style-type: none"> • Indirect • CM Institutions • Both business and moral

10.	1997	PIRC (in conjunction with Greenpeace, Amnesty and WWF-UK)	‘The directors [of Shell] are requested to designate responsibility for the implementation of environmental and corporate responsibility policies to a named...director; establish effective internal procedures for the implementation and monitoring of such policies; establish an independent external review and audit procedure for such policies; report to shareholders regularly on the implementation of such policies; publish a report to shareholders on the implementation of such policies in relation to the company’s operations in Nigeria by the end of 1997’ (PIRC, 1998, p.8).	PIRC coordinated a shareholder resolution submitted to Shell’s AGM on behalf of the Local Authority Pension Fund Forum ‘with the support of ECCR who have also been in dialogue with the company over an extended period, WWF and Amnesty International (UK). The requisitionists included eighteen institutional investors and a large number of private investors...PIRC held an Investor Briefing on 6 May 1997 which was addressed by Clive Wicks, Head of International Programmes, World Wide Fund for Nature; Sir Geoffrey Chandler, Chair of the Business Group and member of the Board of Amnesty International UK and Anne Simpson, joint Managing Director of PIRC. It was attended by over twenty-five shareholders’ (PIRC, 1998, p.8).	<ul style="list-style-type: none"> • Indirect • CM Institutions • Both business and moral
11.	October 1998	Traidcraft Exchange	To explore the potential between development NGOs and ethical investment funds ‘for greater collaboration to press for behaviour by UK companies that benefits the poor and local communities in the developing world’	Ran seminar looking into this question hosted by Friends Provident to bring Albert E Sharp, AXA Sun Life, Friends Provident, Henderson Global Investors, Jupiter Asset Management, NPI Global Care, Scottish Equitable, Standard Life together with Amnesty International, CAFOD, ChristianAid, Oxfam, Save the Children, Tradecraft, War on Want, Water	<ul style="list-style-type: none"> • Indirect • CM Institutions • Moral

			(Traidcraft Exchange, 1998, p.1).	Aid and the World Development Movement for a debate.	
12.	Nov. 1998	FoE	To set FoE policy in relation to investment. To question the extent to which ethical investment funds ‘can shift the behaviour of the large corporate powerhouses’ (UKSIF, 1998, p.8).	Campaigns director of FoE spoke to UK Social Investment Forum’s AGM: ‘by screening all of the large companies that create harm out of their portfolios, how do ethical funds add pressure for change?’; announced the promotion of a bill to put in place a ‘legal requirement for IFAs to ask potential purchasers of financial products what, if any, ethical criteria customers wish to have reflected in the financial products they purchase’; and called for a ‘requirement for pension fund trustees to publish a progressive investment statement that sets out the firm’s approach to environmental and social issues’ (UKSIF, 1998, pp.2-4).	<ul style="list-style-type: none"> • Indirect • CM Institutions • Both business and moral case
13.	Jan. 1999	WWF-UK	To promote investment in more sustainable companies; to work on a formal basis with a financial institution to lobby and negotiate with the management of listed companies to improve their environmental performance; to raise funds for conservation work.	Launched the NPI/WWF investment fund. ‘WWF and NPI believe that this fund and partnership can further persuade companies that environmental sense makes business sense too, while helping WWF fund its work on issues such as climate change and marine pollution. WWF and NPI’s Global Care Investment Team will encourage all companies within the fund to continually improve their environmental programme through regular monitoring and dialogue. Companies will be excluded if they fail the ‘inherent sustainability test’ (WWF and NPI	<ul style="list-style-type: none"> • Indirect • CM Institutions • Business case

				Press Release, 1999, pp.1-3).	
14.	1999	Forum for the Future	‘To catalyse the incorporation of environmental considerations into the investment analysis and decision-making processes of mainstream financial institutions in the UK.’ (Forum for the Future, 1999, p.1).	Published first Capital Futures Project Report: ‘Blind to Sustainability? Stock Markets and the Environment?’ Argued that the obstacles hindering uptake of environmental information by investment analysts include ‘1. Availability – the fundamental inadequacy of environment-related information provided by the corporate sector; 2. Recognition of relevance – the current perception of the environment as not being relevant to investment analysis and decisions; and 3. Capacity – investment professionals’ lack of capability to accurately evaluate environmental information’ (Forum for the Future, 1999, p.iv).	<ul style="list-style-type: none"> • Indirect • CM Institutions • Business case
15.	1999	War on Want	To reduce the effect of globalisation on the working poor by promoting international codes of conduct for labour standards in the supply chain.	Launched Invest in Freedom Campaign aimed at union members, requesting support for the promotion of engagement with their occupational pension fund. The report ‘does not advocate disinvestments in those companies that have violated workers’ rights. Rather, we encourage and organise pension fund holders and their trustees to use their combined financial might to pressure companies to [establish and implement] a code of conduct enshrining ILO Core Labour Standards’ (War on Want, 1999, p.1).	<ul style="list-style-type: none"> • Indirect • CM Institutions • Moral case
16.	Feb. 1999	UKSIF in	To support the proposal for the	Responded to the DSS ‘Strengthening the	<ul style="list-style-type: none"> • Indirect

		conjunction with Traidcraft Exchange, FoE, War on Want and WWF UK	forthcoming Statement of Investment Principles to include a disclosure clause setting out the degree to which pension funds incorporate SEE issues.	Pensions Framework' consultation document. Supported the proposal for SEE disclosure in the SIP and suggested stronger wording. Also argued that 'trustees should incorporate certain environmental considerations as part of their financial considerations' (WWF-UK, 1999, p.2).	<ul style="list-style-type: none"> • Public policy • Business and moral case
17.	Oct. 1999	Ethics for USS	The initial goal to convince the USS to adopt a 'negative screening' SRI policy failed due to the Megarry judgement. Ethics for USS updated its tactic to call for responsible ownership.	Produced a report 'Meeting the Responsibilities of Ownership' which advocated that USS adopt a policy of 'active investment' involving USS 'using its influence as a major shareholder to encourage socially and environmentally responsible corporate behaviour... An active investment policy would appear to be financially prudent, requiring as it does the provision by companies of more thorough information about their activities, which can only add to the understanding of USS' investment managers. It would therefore enable USS to fulfil both its moral and its legal responsibilities' (Ethics for USS, 1999).	<ul style="list-style-type: none"> • Indirect • CM Institutions • Business and moral case
18.	1999-2000	Greenpeace (and to some extent, WWF-UK)	To persuade BP to: <ol style="list-style-type: none"> 1. Stop the expenditure of any funds...for the development of the Northstar project; 2. Make capital freed up by the cancellation of Northstar available to BP Solarex to 	Submitted a resolution to BP's AGM in 2000 which used business case arguments in support of its position that 'BP Amoco has a real investment choice on renewable energy which it is missing. It has invested in solar power but not to the level that really expands the market or really makes the group money'. Lobbied investors to support the resolution	<ul style="list-style-type: none"> • Indirect • CM Institutions • Business and moral case

			upscale substantially its solar manufacturing capacity (BP, 2000). To distribute Greenpeace climate change messages to BP shareholders.	through seminars and direct communications (BP, 2000).	
19.	1999-2002	WWF-UK	‘to persuade BP Amoco to publicly withdraw its interest in developing the Arctic Refuge and publicly support permanent protection of the Refuge for its wilderness values’ (WWF-UK, 2000).	Filed a resolution at BP’s AGM in 2000, 2001 and 2002. Included some collaboration with Greenpeace and other NGOs in US. Took a quarter-page advertisement in the FT highlighting the rationale for BP not to enter the Arctic Refuge. Published ‘Challenging the Economic Myth: Oil & Gas in the Arctic Refuge, Alaska’ (WWF-UK, 2000). Commissioned ‘Brand Risk and Sustainability – is shareholder value at risk in the new BP? Environmental Performance, brand equity and shareholder value’ (Innovest Strategic Value Advisors, 2002).	<ul style="list-style-type: none"> • Indirect • CM Institutions • Business case and moral case
20.	January 2000	Friends of the Earth (UK)	‘Capital Punishment’ report – reviews the holdings of the fund management arms of the Top 15 insurance companies in controversial companies including Monsanto, ICI, Exxon, Elf Aquitaine, Rio Tinto and UPM Kymmene Corporation in order to ‘stimulate debate around the environmental consequences of the investment strategies of	Argued that the financial sector has ‘a vital role to play in promoting sustainable development: it could potentially bring massive leverage to bear on other economic players to encourage them to integrate environmental and social with economic aims. There are powerful moral and economic reasons why it must now do so.’ (Friends of the Earth, 2000a, p.4).	<ul style="list-style-type: none"> • Indirect • CM Institutions • Business case and moral case

			institutional investors’.		
21.	February 2000	‘Just Pensions’ – a coalition between War on Want and Traidcraft Exchange, in a partnership including the Prince of Wales’ Business Leaders Forum, Oxfam, WWF and Amnesty International.	‘The project’s objective is to bring about changes in business practices that will benefit the poor.’ (Traidcraft Exchange/War on Want, 2000, p.1).	Submitted business plan to International Grants Programme of the National Lottery Charities Board for £140k funding for Just Pensions. The project aimed to: ‘1. Produce guidance materials for pension fund trustees, fund managers and pension funds’ advisors on development-related issues and their links with investment. 2. Communicate this guidance to the investment community through a programme of seminars, briefings, one-to-one meetings, etc.’ Included a number of financial insitutions on the Advisory Committee (Traidcraft Exchange/War on Want, 2000, p.1).	<ul style="list-style-type: none"> • Indirect • CM Institutions • Business case and moral case
22.	March to June 2000	FoE	‘Targeting pension companies and the Norwich Union, demanding greener investment policies’ (FoE, 2000b, p.1).	Following on from the ‘Capital Punishment’ report, FoE distributed an information pack to its ‘Campaign Express Network’. Aimed to persuade Norwich Union to adopt a socially responsible engagement policy on all money under management.	<ul style="list-style-type: none"> • Indirect • CM Institutions • Business and moral case
23.	June 2000	WWF-UK, Traidcarft, War on Want	To promote mandatory reporting of SEE issues in the Company Law Review.	A number of NGOs and some Financial Institutions co-signed a letter to the DTI Company Law Review encouraging greater corporate disclosure on key social, ethical and environmental issues.	<ul style="list-style-type: none"> • Indirect • Public Policy • Business and moral case

24.	July 2000	Amnesty International, WWF UK	<p>‘To mobilise Amnesty members to take individual action on SRI by encouraging them to lobby their pension fund trustees to adopt Statements of Investment Principles (SIPs) that included consideration of social, environmental and ethical issues’ (Amnesty, 2000, p.1).</p> <p>To encourage WWF members to bring pressure to bear on their pension fund managers to adopt positive SIPs.</p>	<p>Produced ‘Human Rights Guidelines for Pension Fund Trustees to educate trustees about forms of SRI, particularly engagement policies’ and an ‘Individual Action’ campaign which encouraged members to contact the AI office to request a pensions campaign packet, which included information about the type of pension funds, general information on socially responsible investment and especially human rights, and explained the difference between screening and engagement’ (Amnesty, 2000, p.1).</p> <p>WWF published model letter on website for pension fund members to send to pension funds.</p>	<ul style="list-style-type: none"> • Direct • CM Institutions • Business case and moral case
25.	3 July 2000	WWF-UK in conjunction with Traidcraft, AI, Forum for the Future and Friends of the Earth.	To promote mandatory reporting of CSR information by listed companies and to promote the adoption of positive Statements of Investment Principles.	Co-write a letter to top 100 UK pension schemes asking them ‘to engage in the DTI Company Law Review consultation process and support a mandatory requirement for companies to report on their environmental and social performance.’ Enclosed best practice model SIP for pension to consider.	<ul style="list-style-type: none"> • Indirect • Both public policy and CM Institutions • Business case
26.	Nov. 2000	WWF-UK	To promote mandatory reporting of CSR information by listed companies.	Spoke at All Party Parliamentary Group on SRI. Argued that ‘access to comparable and reliable environmental and social performance information is currently a problem for investors’. Welcomed Tony Blair’s challenge to the top 350 companies to publish annual environmental reports by the	<ul style="list-style-type: none"> • Direct • Public policy audience • Business case

				end of 2001 but suggested that the 'government would need to move towards a mandatory requirement to avoid losing credibility' if deadline is missed (UKSIF, 2000).	
27.	2000-2001	An NGO coalition including FoE UK, the Corner House, the Kurdish Human Rights Project (UK) and the Ilisu Dam Campaign (UK)	Balfour Beatty and Ilisu Dam	Submitted resolution to 2011 AGM. Produced Counter-Annual Report '2000: Balfour Beatty's <i>annus horribilus</i> '. Circulated NGO fact-finding mission report to investors. Argued that Balfour mismanaged the Ilisu dam project and had not properly assessed the company's reputation risk damage. Used Turnbull listing requirements to suggest that investors ask for reassurances that any reputational risks are justified financially. Targeted Socially Responsible Investors.	<ul style="list-style-type: none"> • Indirect • CM Institutions • Business case and moral case
28.	March 2001	Friends of the Earth	To prevent Shell from exploring for gas in Kirthar National Park, Pakistan.	Friends of the Earth England, Wales and Northern Ireland encouraged investors in Shell to raise concerns regarding allegations that Shell intended to explore for gas in the Kirthar National Park. This was in support of a legal case that Friends of the Earth International was pursuing against Shell in the Pakistani courts.	<ul style="list-style-type: none"> • Indirect • CM Institutions • Business and moral case
29.	April 2001	WWF-UK	To promote inclusion of SEE issues into the venture capital due diligence investment process. The report aims to 'identify to what extent this	Commissioned Ecsponent to conduct a review of the members of the British Venture Capital Association. Published 'BVCA Environmental Investment Survey Report'.	<ul style="list-style-type: none"> • Indirect • CM Institutions • Business case

			key sector of the UK financial services community is addressing its wider responsibility to the environment and the eco-systems in which it fosters economic growth' (Ecsponent, 2001, p.1).		
30.	May 2001	Just Pensions	To provide 'practical guidance to pension fund trustees and fund managers on how to address...development issues in their approach to socially responsible investment.' And 'sets out the case for positive engagement [by fund managers]... to encourage companies to improve their performance on social responsibility issues' (Just Pensions, 2001, p.2-3).	September 2001, 10,000 copies had been sent to funds and trustees, 'generating interest' from the Radio Authority, Kings Fund, AWG (previously Anglian Water), Fiat and Coal Pensions Funds (Just Pensions, 2001, p.3).	<ul style="list-style-type: none"> • Indirect • CM Institutions • Business case and moral case
31.	2001-2002	Corner House	To motivate other NGOs to engage in CM intervention and educate them in how best to do it.	Published 'The Campaigner's Guide to the Financial Markets'. Focus was on sharing lessons learned from specific examples of NGO CM intervention – especially Bakun Dam and Ilisu Dam.	<ul style="list-style-type: none"> • Indirect • CM Institutions • Business Case
32.	2001	FoE	To promote best practice 'Statements of Investment Principles' by the top 100	Published 'Top 100 Pension Funds – How Ethical Are They?' Concluded that 'although most funds now include SRI in their	<ul style="list-style-type: none"> • Indirect • CM Institutions

			Pension Schemes.	investment strategy, many are putting few or no obligations on fund managers to engage actively with the firms in which they invest to ensure ethical standards. Also...most have no means for monitoring whether trustees and fund managers are meeting their stated ethical policies'. FoE called on trustees to 'raise their game' and listed measures they wish to see introduced by all pension funds (UKSIF, 2001, p.4).	<ul style="list-style-type: none"> • Business and moral case
33.	2001	Free Tibet/Tear Fund	To persuade BP to divest holding in Petrochina in order to embarrass the Chinese government's 'Western Development Plan' and draw attention to human rights infringements in Tibet.	Free Tibet, with support from Tear Fund, filed a resolution at the 2002 AGM calling on BP to divest its holding. Follow-up media work and letter-writing campaign to institutional investors.	<ul style="list-style-type: none"> • Indirect • CM Institutions • Moral case
34.	2001	WWF-UK	To reduce investment in unsustainable forestry practices and promote the Forest Stewardship Council as an investment criterion.	ISIS became the first financial services company to join WWF's 95+ group. The 95+ group was formed in 1993 to increase demand for, and trade in, Forest Stewardship Council certified timber, and to support companies in developing and implementing sustainable timber sourcing policies. ISIS 'committed to use its influence with companies in which it invests to encourage them to adopt sustainable wood sourcing policies, and also to become members of the WWF 95+ group' (ISIS, 2003).	<ul style="list-style-type: none"> • Indirect • CM Institutions • Business case

35.	Dec. 2001	WWF-UK	To create a 'lasting relationship between shareholders and corporations with regard to the potential risks and opportunities presented to investment portfolios by actions stemming from the perception of climate change' (Carbon Disclosure Project, 2001).	Main funder of CDP and member of the Advisory Board. CDP aims to 'a. help investors better understand climate change in the context of their portfolios; and b. help the corporate community provide better quality information to shareholders on climate change related risks' (CDP, 2001).	<ul style="list-style-type: none"> • Indirect • CM Institutions • Business case
36.	January 2002	Amnesty UK + IBLF (with support from ISIS and Insight Investment).	To raise companies' awareness of the human rights contexts of their activities and to encourage them to develop appropriate practices and procedures.	Published a study linking human rights to corporate risk. The publication, 'Business and Human Rights: A Geography of Corporate Risk', illustrated areas of the world where companies are most vulnerable to the costs and reputational risks associated with human rights violations. The findings are presented in seven annotated world maps covering 11 industry sectors (UKSIF, 2002a).	<ul style="list-style-type: none"> • Indirect • CM Institutions • Business case
37.	2002	War on Want	To reduce the effect of globalisation on the working poor by promoting international codes of conduct for labour standards in the supply chain.	Re-launched a more focused version of the Invest in Freedom Campaign. Focused on 'encouraging the 10 million people who are occupational pension scheme members to find out where their money is invested. The Invest in Freedom campaign offers ideas on how members should lobby trustees, who are nominated by employees and so ideally placed to question whether companies in which the scheme invests respect workers'	<ul style="list-style-type: none"> • Indirect • CM Institutions • Business and moral case.

				rights' (EIRIS, 2002, p.2).	
38.	2002	Transparency International	To promote the transparency of facilitation payments by multinationals to governments for large-scale investment projects in order to increase government accountability and curb corruption.	Approached ISIS Asset Management to join Transparency International UK's Corporate Supporters' Forum. Collaborated in the development of Business Principles for Countering Bribery. ISIS becomes an Observer on the Steering Committee of this working group. Following its launch in the autumn of 2002, ISIS committed to engaging with the companies in its portfolios to promote the Business Principles.	<ul style="list-style-type: none"> • Indirect • CM Institutions • Business case
39.	July 2002	Just Pensions	To ascertain how much difference the amendment to the 1995 Pensions Act, which came into force in July 2000, has had on the way individual pension funds conduct their affairs. To urge pension funds to take 'steps to improve their implementation of socially responsible investment strategies' (Just Pensions, 2002, p.2).	Published 'Socially Responsible Investment and International Development. Do UK Pension Funds Invest Responsibly?' a survey of current practice on Socially Responsible Investment'. Found that poor practice in relation to SRI was the norm. Included recommendations for best practice SRI implementation.	<ul style="list-style-type: none"> • Indirect • CM Institutions • Business and moral case
40.	2002	War on Want and Communication Workers Union	To encourage fund trustees managing pensions for staff at BT and Consignia to engage with investee companies to improve working conditions in the developing world.	Aimed to mobilise pressure from supporters and members to engage more with companies in which they invest. 'Harnessing the power of these huge pension funds can make a real difference to workers in the developing world. With the CWU's support we hope to move	<ul style="list-style-type: none"> • Indirect • CM Institutions • Moral case

				corporate engagement to a new level’, said War on Want campaigns director Rob Cartridge. The campaign will concentrate on engaging with companies to improve workers’ rights in the developing world, such as eradicating child labour and forced work, and ensuring the right to join a trade union’ (EIRIS, 2002, p.2).	
41.	July 2002	FoE	<ul style="list-style-type: none"> • To persuade the FSA to impose sanctions on Xstrata over its failure to include full environmental risk information in its UK listing share prospectus. • To change the FSA listing requirements. 	<ul style="list-style-type: none"> • Produced an analysis of climate risks and the degree to which the Xstrata share prospectus neglected to include sufficient information in this area. Submitted to the FSA in support of their argument. Requested support for their position from institutional investors. • Used Xstrata case study to encourage the FSA to review the Listing Rules to ensure that they fully reflect the changing needs of investors with regard to social and environmental issues. Recommended that the QABI Guidelines should be formally added to the UK Stock Exchange Listing Requirements. Requested support for its position from the institutional investors. 	<ul style="list-style-type: none"> • Indirect • Public policy • Business case
42.	Sept. 2002	Forum for the Future	To promote engagement on SEE issues by mainstream investors.	Published a survey of mainstream fund managers, ‘Engaging the Mainstream with Sustainability – a survey of investor engagement on corporate social, ethical and environmental performance’ (Pearce and Ganzi, 2002). ‘Revealed the increasing	<ul style="list-style-type: none"> • Direct • CM Institutions • Business case

				importance of social, environmental and ethical (SEE) issues. The majority of fund managers interviewed are integrating engagement on SEE issues into their mainstream Corporate Governance process because they believe that significant SEE risks facing their investments should be managed' (UKSIF, 2002b).	
43.	2002	Oxfam	To help coffee producers in developing countries get a fair price for their crop.	Launched the 'What's that in your coffee?' campaign and published 'Mugged: Poverty in your coffee cup'. Met large financial institutions in the UK, Europe and the US to discuss its campaign and 'called on investors to engage with the world's biggest coffee marketing firms – Nestle, Kraft, Procter & Gamble and Sarah Lee – to improve their supply chain management and pricing policies' (EIRIS, 2002, p.2). Claimed that the fact that 'only 5 per cent' of the retail price reaches the farmer represented a 'risky business strategy' for the companies, because unfair business practices damage brand reputation and can affect sales (Oxfam, 2002a).	<ul style="list-style-type: none"> • Indirect • CM Institutions • Business case
44.	2002	Oxfam, Save the Children and Voluntary Services Overseas	To encourage drugs companies to do more to improve access to life-saving medicines.	<ul style="list-style-type: none"> • Published 'Beyond Philanthropy' (Oxfam, 2002b) which included a set of benchmarks for investors concerned about access to life-saving drugs in the developing world to enable the comparison policies of drugs companies. 	<ul style="list-style-type: none"> • Indirect • CM Institutions • Business and moral case

				<p>Promoted to investors at UK Social Investment Forum members' event. The benchmarks measure how far drugs companies are working to improve access to cheap drugs for HIV and other infectious diseases, by lowering prices or opening up patents. They also measure how far drugs companies provide effective and appropriate drugs in developing countries, and how far they monitor drug safety and side effects. 'Drugs companies can and should do more. Investors too have a vital role to play, as how they invest their money can have a positive influence on people's lives', said a spokesperson for the three development charities. Also 'encouraged investors to hold companies to account in a systematic and comparable way' (EIRIS, 2002, p.2).</p> <ul style="list-style-type: none"> • Oxfam published a briefing paper calling on investors to use their influence to encourage GSK to develop a policy setting out how it would meet its commitment to 'maximising affordable access... within the first three months of the company's existence' (Oxfam, op cit). Launched its 'Cut the Cost' campaign at a briefing for City investors. Considerable follow-up dialogue with City institutions in support of Investors Advocacy Engagement. 	
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45.	November 2002	Forum for the Future	To strengthen the SRI SIP policy requirement in the Reform of the 1995 Pensions Act, by lobbying for an annual report in support of the SIP in order to improve the extent and quality of the engagement underlying these claims.	Publishes 'Government's Business' (Cowe and Porritt, 2002) which, among a series of recommendations, urges the government to require pension fund trustees to report to members on how they implement any SRI policies.	<ul style="list-style-type: none"> • Direct • Public policy • Business and moral case
46.	Dec. 2002	The Corporate Responsibility Coalition: Amnesty International UK, CAFOD, FoE, New Economics Foundation and Save the Children UK.	To build support for the reform of UK Company Law. CORE's goal was to improve the environmental, social and economic performance of companies by requiring greater disclosure and accountability to stakeholders.	CORE called on ethical investors to help it promote legislation to make it a legal requirement for UK companies to report on their social, environmental and ethical performance, and on Corporate Governance issues such as directors' salaries. Presented to Fund Managers at UKSIF member event.	<ul style="list-style-type: none"> • Indirect • Public policy • Business and moral case

Source: Waygood (2006)

Appendix 5: A Profile of the Campaigning NGOs

Organisation	Mission	Geographical Focus	Income	Staff/supporters	Corporate Campaigning Approach	Frequency of Use of Shareholder Activism
<p>ActionAid UK – Founded in 1972 as Action in Distress by British businessman Cecil Jackson-Cole and was originally a child sponsorship charity.</p>	<p>‘To work with poor and excluded people to eradicate poverty and injustice’ (ActionAid, no date).</p>	<p>Works in 45 countries in Africa, Asia, the Americas and Europe.</p>	<p>The total fundraising income for the 2013 financial year was £63.7 million (ActionAid, 2013c).</p>	<p>ActionAid-UK has 135, 225 supporters who make a regular donation as well as 157 staff in the UK (ActionAid, 2013c).</p>	<p>In 2013 ActionAid had not established a specific strategy in the area of corporate campaigning but was recruiting a private sector advocacy advisor whose main responsibilities are to shape its strategic approach to private sector engagement, build influence with companies and the business community, and increase the profile of the organisation with companies.</p>	<p>Reference to the chronology (Appendix 3) demonstrates that ActionAid has participated in at least three interventions between 2003 and 2013. The organisation has not deployed a shareholder activist strategy as often as some NGOs with a focus on responsible investment, or some environmental NGOs, but it has used such a tactic more often than most development NGOs. Since there is no reference to ActionAid in Waygood’s chronology, its first shareholder activist intervention dates back to 2007 and advocates for fair treatment and wages for supermarket suppliers.</p>

<p>Amnesty International UK – Established in 1961 after British lawyer Peter Benenson wrote an article in The Observer which launched the worldwide campaign ‘Appeal for Amnesty 1961’.</p>	<p>‘A world in which every person enjoys all of the human rights enshrined in the Universal Declaration of Human Rights and other international human rights instruments. In pursuit of this vision, Amnesty International’s mission is to undertake research and action focused on preventing and ending grave abuses of these rights’ (AI, 2014).</p>	<p>The International Secretariat of AI is based in London and the organisation has offices in further 80 countries worldwide.</p>	<p>Total fundraising income for 2013 was £24.8 million (Amnesty International, 2013b).</p>	<p>More than 3 million supporters, members and subscribers globally and 232,252 supporters in the UK. The UK section employs 154 staff in offices based in London, Edinburgh and Belfast (Amnesty International, 2013b).</p>	<p>The corporate-sector relevant work includes campaigns to ensure that companies respect and are accountable for the human rights impacts of their operations.</p>	<p>Reference to the chronology reveals that AI has been moderately active, with 5 significant interventions between 2003 and 2013. The same number of interventions for the NGO is documented in Waygood’s chronology between 1990 and 2002.</p>
<p>EIRIS⁹⁶ – Established in 1983 as the first</p>	<p>‘To empower responsible investors with independent</p>	<p>Works with over 200 asset managers and asset owners</p>	<p>-</p>	<p>Employs over 60 staff at offices around the globe.</p>	<p>EIRIS runs a Global Engagement Service which helps investors prioritise their</p>	<p>The chronology of NGO intervention suggests that EIRIS has been highly active, with 16</p>

⁹⁶ EIRIS differs from the other NGOs as, rather than being a campaigning organisation, it is a provider of research services to investors. However, since it has been extensively involved in the Vedanta campaign and has engaged with investors on the topic, its actions form part of the case study analysis.

independent research service for ethical investors in the UK. A not-for-profit organisation, its revenues are gift-aided to the EIRIS Foundation ⁹⁷ .	assessments of companies and advice on integrating them with investment decisions' (EIRIS, 2015).	across Europe, USA and Asia and researches over 3,300 FTSE-100 companies worldwide (EIRIS, 2015).			engagements across their global portfolios and has a specifically outlined strategy for engaging with the private sector which consists of six steps: determining which companies should be targeted based on research, setting clear engagement objectives, establishing dialogue, analysing the response from companies, recommending next steps, and reporting on results.	interventions between 2003 and 2013. However, it should be taken into account that this result is to be expected since the main purpose of the organisation is to work with and advise investors.
ShareAction (formerly FairPensions) – ShareAction grew out of the highly successful <i>Ethics for USS</i> campaign in the late 1990s.	'The promotion of investment for the public benefit in order to advance: the relief of poverty, protection of the environment, promotion of human rights,	ShareAction's work focuses on institutional investors, mainly in the UK, although it is expanding fast.	Total incoming resources for 2013 were £542,696 (ShareAction, 2014).	Sixteen staff (full-time and part-time) based in London (ShareAction, 2014).	The work of the organisation revolves around four key areas - campaigning (single issue campaigns aimed at mobilising the financial power of shareholders to create change in corporations); policy and public	Shareholder activism constitutes the focus of ShareAction's campaigning strategy. Therefore, it is hardly surprising that the organisation has been very active in this sphere since its inception – the chronology reveals that

⁹⁷ A charity which supports the development of a more sustainable global financial system.

<p>The organisation was founded in 2005 under the name of Fairshare Educational Foundation.</p>	<p>sustainable development, and compliance with the law and ethical standards of conduct' (ShareAction, 2010b).</p>				<p>affairs (engagement with government and policy makers to remove regulatory barriers to the encouragement of activism); research and publications (pension fund surveys, fund managers surveys and others); and encouraging pension savers to take action by writing to their pension fund and demanding responsible investment.</p>	<p>ShareAction has participated in 36 interventions between 2006 and 2013.</p>
<p>Platform London – Platform was formed in 1983 as a place where activists and artists can act together on social and environmental issues.</p>	<p>Core values of the organisation – justice, solidarity, creativity and democracy.</p>	<p>Platform's current campaigns focus on the environmental, social and economic impact of global oil companies.</p>	<p>The work of the organisation is supported by funds, trusts, individuals and earned income from performances, exhibitions, courses and others. No information about total</p>	<p>Twelve staff members, two research associates and an advisory group of six people. The advisory group comprised of artists, academics and activists meets twice a year to discuss how to improve the quality and</p>	<p>The organisation combines art, research, activism and education as part of its activities. When it comes to activism, one strand of its work has to do with attending AGMs and talking with investors.</p>	<p>The chronology reveals that Platform has participated in five interventions throughout the years related to the Niger Delta, tar sands, the Gulf of Mexico oil spill, fossil fuel finance and, most recently, Arctic drilling with a predominant focus on BP and Shell's operations.</p>

			incoming resources provided.	effectiveness of Platform's work.		
ChristianAid – Founded in the 1940s during the aftermath of World War II after British and Irish church leaders met with the aim of helping European refugees who had lost everything.	ChristianAid's purpose is to: 'expose the scandal of poverty, help in practical ways to root it out from the world, change structures and systems that favour the rich and powerful over the poor and marginalised' (ChristianAid, no date).	Working with more than 650 overseas partners in around 50 countries across Europe, Asia, Latin America, Africa and the Middle East.	Total income for the period 2012 – 2013 was £103.6 million of which donations accounted for £59.1 million (ChristianAid, 2014).	In 2013/2014, CA had 483 Britain, Ireland and Spain-based staff (ChristianAid, 2014).	No specific policy on corporate campaigning, but the organisation has a senior private sector adviser position.	Reference to the chronology reveals that the organisation has participated in three interventions between 2003 and 2013. Only one intervention by CA is documented in Waygood's chronology during 2001 but it calls for divestment rather than engagement. Shareholder activism appears to be not so familiar tactic to the organisation but one which is growing in popularity as it is being extensively used as part of their tax campaign.
ECCR – A registered charity, investor coalition and membership organisation, ECCR was	'Working for economic justice, human rights and environmental sustainability' (ECCR, no date).	ECCR works with global NGO and investor partners to influence the policies and practices of	Total incoming resources for 2012 amounted to £77,430 of which £76,282 comes from voluntary	ECCR comprises of four members of the secretariat team, a treasurer and a company secretary.	ECCR's work has three main strands: research, engagement with companies to encourage them to adopt high standards of business ethics and engagement with church investors	The organisation has taken part in five interventions throughout the studied period. It is not cited in Waygood's chronology; however, there is no question that it has been active in the field of

formed in 1989 by a group of people active in Industrial Mission as a response to allegations of malpractice of a UK company in the Philippines.	date).	multinational companies which are UK or Ireland-listed.	income (ECCR, 2013b).		and other investors to advocate active investor engagement with the said companies.	shareholder activism before 2003 as well (for example, it has participated in tabling the resolution at Shell's AGM in 1997 and has attended companies' AGMs).
Friends of the Earth International and FoE Netherlands (Milieudefensie) – FoEI was founded in 1971 when a group of environmental activists from France, the UK, Sweden and the US came together to discuss	'Our vision is of a peaceful and sustainable world based on societies living in harmony with nature' (FoEI, no date).	FoE is the world's largest grassroots environmental network. Highly decentralised, it is made up of 74 autonomous national member groups and 5,000 local activist groups on each continent	FoEI's income for 2013/14 was £10.2 million (FoE, 2015).	Milieudefensie – the Netherlands' member group – has more than 80,000 members and supporters.	Milieudefensie campaigns for clean air, ecologically sound and animal-friendly agriculture, conservation of forests and takes actions against Dutch companies that cause environmental destruction in other countries.	As the chronology encompasses NGOs operating in the UK, only the shareholder activist actions of FoE UK can be examined. It has been active in the arena with 11 interventions between 1990-2002 and 11 interventions between 2003-2013. While FoE UK has campaigned in the past against Shell's actions in the Niger Delta, in recent years it has been Milieudefensie that has continued putting pressure

<p>strategies for tackling environmental problems.</p>		<p>which comply with the guidelines established by the federation. Milieudefensie is FoEI's member group in the Netherlands – a national organisation with 80 local groups which joined FoEI in 1972.</p>				<p>on the company. That is why, it is Milieudefensie's involvement in the campaign that has been documented in the case study analysis.</p>
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Appendix 6: Failings in Vedanta's EIAs to Meet India's Regulatory Requirements

Failing in EIAs	Requirement Breached
No substantive discussion of alternative sites for the mine and the refinery.	EIA Notifications 1994 and 2006
No consideration of the cumulative impacts of the two projects.	EIA Notification 2006
Not all sources of emissions and pollutants are clearly identified.	EIA Notifications 1994 and 2006; MoEF's 2008 Terms of Reference for refinery expansion
Dust and odour are not acknowledged as potential sources of pollution.	EIA Notifications 1994 and 2006
No ongoing monitoring of dust or mitigation measures is proposed.	MoEF's 2004 Terms of Reference for refinery
There is insufficient discussion and justification of design criteria for the red mud and fly ash ponds, and the exact location of expanded ponds is not specified.	MoEF's 2008 Terms of Reference for refinery expansion
No means are suggested for monitoring continuous and incremental pollution.	EIA Notification 2006
No detailed hydrological maps are provided to show information about surface water.	MoEF's 2008 Terms of Reference for refinery expansion
No adequate information is provided on water usage.	EIA Notifications 1994 and 2006
No acknowledgement is given of the impacts caused by transportation of bauxite from other mines to the refinery or the impacts of the conveyor belt used to transport ore from Niyamgiri to the refinery.	EIA Notification 2006; MoEF's 2008 Terms of Reference for refinery expansion
No detailed and specific information is given on land use by local communities and numbers of villages and population to be displaced.	EIA Notifications 1994 and 2006; MoEF's 2008 Terms of Reference for refinery expansion
There is no reference to the cultural significance of the Niyamgiri Hills to the Dongria Kondh.	EIA Notifications 1994 and 2006

Source: Amnesty International (2011)

Appendix 7: Zambia Sugar's Tax Avoidance Practices

Type of Tax Dodge	Revenue Foregone
<p><u>Mystery Management:</u></p> <p>Zambia Sugar pays large sums of money for purchasing and management fees to a sister company in Ireland. The Irish company's accounts consistently state that it has no employees, while providing Zambia Sugar with management services worth \$2.6mn each year. Similar payments are made for export agency services to a subsidiary registered in Mauritius. This lowers the company's taxable profits in Zambia while accumulating profits outside of the country⁹⁸.</p>	<p>Zambia Sugar's operating profit is estimated to have been reduced by 20 per cent. Payments to the sister company in Ireland which have reduced Zambia Sugar's taxable profits and avoided 15-20 per cent Zambian withholding tax, have reduced the company's tax bill by \$1.2mn a year, or \$7.4mn between 2007 and 2013.</p>
<p><u>A Dublin dog-leg:</u></p> <p>In 2007 Zambia Sugar borrowed \$70mn from two banks – the US Citibank and South Africa's Standard Bank to expand its sugar estate. By law Zambia levies a 15 per cent withholding tax on all cross-border interest payments and that would have increased the interest charge for Zambia Sugar. That is why, the loan has been sent on paper on a 'dog-leg' via Ireland with the money being lended to Illovo Sugar Ireland which in turn loans the money to its sister company Zambia Sugar. In this case, due to the Zambia-Ireland tax treaty, no tax is liable on interest payments from Zambia to Ireland, cancelling Zambian withholding tax on the payments.</p>	<p>The estimated loss to the exchequer is calculated at up to \$3mn in withholding taxes.</p>
<p><u>Tax-free Takeaway</u></p> <p>Most countries levy a withholding tax on dividends paid to overseas shareholders or on profits paid to parent companies. The normal rate for Zambia is 15 per cent. However, by changing the ownership of Zambia Sugar between different European tax havens, the tax liability on its dividends is reduced significantly – from 20 per cent to 5 per cent⁹⁹.</p>	<p>As much as \$7.4mn of Zambian withholding tax may have been avoided since 2007.</p>

⁹⁸ Fees paid overseas for high value services such as management, consultancy and others can be taxed in Zambia in the form of a 15 per cent withholding tax. However, by paying these fees to or via an Irish company, Zambia Sugar takes advantage of an old treaty between Zambia and Ireland which cancels all withholding taxes. Such kinds of tax avoidance strategies are often called 'treaty shopping'.

⁹⁹ Illovo Sugar Ireland was Zambia Sugar's immediate holding company until 2007. The tax treaty between Zambia and Ireland denies Zambia of the ability to tax any dividends distributed by Zambian to Irish companies. When transferring the profits from Ireland to the parent company Illovo Sugar Ltd. in South Africa, the only problem might be the Irish withholding tax of 20 per cent. However, then the ownership of Zambia Sugar is transferred from an Irish to a Dutch subsidiary to take advantage of the Dutch cooperative – a legal entity whereby shareholders are classified as 'members' of the cooperative and profits automatically become owned by its members. Profits received by a cooperative leave the Netherlands tax-free and a treaty between Zambia and the Netherlands denies Zambia the ability to levy more than 5 per cent taxes on dividends paid out to Dutch companies.

Get Your Own Tax Haven

Tax incentives aimed at attracting foreign investment at any cost have meant that Zambia Sugar has paid just 15 per cent tax on all its profit, instead of the standard tax rate of 35 per cent. This rate was secured after the company's tax advisers argued that its income should be considered as 'farming income', which qualifies for the special rate. In 2012, the farming tax rate was further decreased to 10 per cent, pushing it closer to some of Zambia Sugar's sister companies in tax havens.

The rate change loses Zambian authorities some \$3.6mn a year, a figure that could rise with rising profits.

Source: ActionAid (2013a)

Appendix 8: SABMiller's Tax Avoidance Tactics

Type of Tax Dodge	Losses in Tax Revenue
<p><u>Tax Dodge 1: Going Dutch</u></p> <p>Many of the local beer brands which were invented and are sold and consumed in developing countries, are not owned by the country in which they were invented. Rather they are owned by a subsidiary of SABMiller based in the Netherlands. This allows the company to take advantage of a set of tax rules offered by the Netherlands that makes it possible for companies to pay next to no tax on the royalties earned.</p>	<p>The Netherlands based subsidiary received £25mn in royalties for 2009 from six SABMiller companies in Africa. The total payments from all the company's African operations could be expected to be £43mn, corresponding to an estimated tax loss to African countries of £10mn.</p>
<p><u>Tax Dodge 2: The Swiss Role</u> SABMiller's subsidiaries in India and Africa pay inflated service management fees to sister companies in European tax havens, most notably Switzerland, where tax rates are lower. In India, these fees are sufficient to wipe out taxable profits entirely.</p>	<p>Altogether, these fees amount to £47mn each year, depriving the governments of countries in India and Africa of £9.5mn of tax revenue.</p>
<p><u>Tax Dodge 3: Take A Trip to Mauritius</u></p> <p>By 2009-10 Accra Brewery was buying 50 per cent of its supplies from Mubex – a company in Mauritius. ActionAid's estimates Mubex's income from other group companies to be £150mn per year. Centralising the procurement function in a tax haven such as Mauritius means that profits will be taxed at the Mauritian rate of three per cent which is much lower than that in South Africa and Ghana. SABMiller determines the prices paid by Accra Brewery and others to Mubex and the incentive is for Mubex to make as much profit as possible.</p>	<p>The annual cost to Ghana is estimated to be £670,000.</p>
<p><u>Tax Dodge 4: Thinning on Top</u></p> <p>Accra Brewery borrows a large sum of money from a subsidiary in Mauritius, making it 'thinly capitalised'. According to Ghanaian tax law, if a company reaches a certain debt-equity ratio, losses from interest costs cannot be counted against future taxable profits. The accounts of Accra Brewery reveal that it is claiming the full tax benefit from the interest costs.</p>	<p>The annual interest costs amount to £445,000. This wipes out £76,000 of future tax payments per year.</p>

Source: ActionAid (2010)

Appendix 9: Main Findings from ECCR's 2010 Report

Organisation writing the case study	Issue	Diagnostic Framing (type of injustice)	Prognostic Framing (articulating a solution)
Movement for the Survival of the Ogoni People (MOSOP)	Shell's social license to operate in Ogoniland.	Environmental insecurity, frequent oil spills and improper clean-up process, unfair compensation, devaluation of community opinion and culture, failure of community development initiatives, and militarisation. All these have led to a sense of betrayed trust.	<ul style="list-style-type: none"> • A new approach to dialogue should be adopted – one that embraces principles such as informed consent. • Clean-up of oil pollution should be carried out in compliance with international standards. • An end to gas flaring.
Centre for Social and Corporate Responsibility	The Gbarain-Ubie integrated oil and gas project in the Bayelsa state on which Shell started working in 2005 and completed in 2010.	Inaccurate scope and content of the EIAs conducted for the project, lack of transparency in compensation arrangements for relocation, inadequate community development.	A call for more transparent and credible participation by the public in future EIAs, independent monitoring and verification and a community led approach to development programmes.
Stakeholder Democracy Network	Three key challenges that Shell faces in the delta.	<ul style="list-style-type: none"> • Reliance on security-focused surveillance contracts. • An ageing pipeline network means oil spills still occur and give opportunity for exploitation by actors. • Gas flaring. 	Reconsider the approach to security, apply Shell's General Business Principles, end gas flaring, and enhance operational transparency.
Trans-Border Missionaries Interface Initiative	Conducted a survey to determine communities' living conditions.	Common problems identified were: poverty and hunger, environmental destruction, unemployment, high child mortality and underdevelopment.	An end to gas flaring, the establishment of a rehabilitation programme, retraining of field staff, the establishment of community-level peace

			centres.
Pro-Natura International	Considers the current Global Memorandum of Understanding (GMoU) model to community development.	Far reaching shortcomings in in the implementation process. Rushed roll-out means the essential participatory principles of GMoU have been neglected.	Training courses for SPDC implementation staff, removal of staff with no competence in sustainable development, take action to address the marginalisation of women from the programme.

Source: ECCR (2010a)

Appendix 10: A Full Version of the Questions Asked at Shell's AGM (2013, 2014)

Organisation	Question
ShareAction (2013)	<p>My name is ... and I am a shareholder. My question relates to contractor oversight within the Shell group. The annual report itself mentions that contractor oversight and the activities of contractors presents a risk to the company – something BP knows all about following the Deepwater disaster. So therefore it is quite concerning to see issues about contractor oversight being raised repeatedly in relation to the Shell group. The US department of the interior in its review of your Alaskan operations in 2012 said that the most significant shortcomings in Shell's management systems were in the area of contractor management and oversight. The executive summary from the IUCN scientific panel which was established by Shell said that stricter monitoring of contractors carrying out remediation in the Niger Delta is required. Peter Voser himself at last year AGM when asked about remediation in the Niger Delta referred to contractors being at fault. So my question is: 'What specific steps are Shell currently taking to address the shortcomings that Peter Voser himself referred to, that the US department of the interior report refers to and that the IUCN scientific panel's executive summary of their report refers to?'</p>
Amnesty International (2013)	<p>My name is... I am a shareholder and also a member of AI in the UK. I am concerned to understand exactly where accountability for group wide environmental standards and their performance lies. From a stakeholder and a shareholder viewpoint this is a very important question and I am personally finding it increasingly difficult to accept our company's assurances that the highest standards are applied group wide when for example we see the diff in the arctic, last week's concerns in terms of antitrust and the IUCN report that has already been referenced. That again, contrary to Shell's assurances says that clean-up and remediation is not satisfactory in the Niger delta. When I look at group literature – most recently the 2012 sustainability report where on page 5 in terms of accountability it states 'overall accountability for sustainable development rests with our chief executive and the executive committee and there are group-wide standards that are set and are expected to be adhered to across our group'. Now this seems very clear but then it also is directly contradicted by legal statements that our company has made in court most recently in Holland where it states categorically that Royal Dutch Shell and its directors are in no way accountable for the actions of subsidiaries and are certainly not obliged to act even if they are aware of issues of concern at subsidiary levels, whether these are environmental or otherwise. So I am sure that this certainly leaves me and also other stakeholders and shareholders confused on this vital issue and I'd appreciate clarification regarding where accountability for group-wide standards actually lies and if this accountability isn't with the CEO and board executive committee, then is group literature somewhat misleading on this point? Thank you!</p>
FoE	<p>Good afternoon! My name is... I work for FoE Netherlands. I am happy to see that gas flaring is going down but still gas flaring is contributing highly to the climate emissions by the Shell group and therefore I have some</p>

<p>Netherlands (2013)</p>	<p>questions about gas flaring in Nigeria and Iraq and elsewhere. For Nigeria we are fairly curious which project would be built over the coming years and what the results would be and if zero flaring is still the objective? The same question is for Iraq – anew country with a lot of flaring where we are a bit astonished to see that Shell starts in a new country where there is a lot of flaring that is still not finished...Thank you!</p>
<p>Platform (2013)</p>	<p>I am not only speaking here for myself but on behalf of a colleague – Peter. He lives in Pour Harcourt and he was eager, desperately keen to come to this shareholder meeting to be able to present to the board. Unfortunately, he couldn't get the visa to get into the Netherlands despite a great deal of trying. It interests me that Chad Holliday has been twice to Peter's homeland over the last 24 months or so and Peter can't come here. It makes it very difficult to have a level playing field. It's very difficult for him to travel here as it is. But let me get to the point that he asked me to ask you ('A question please!', the chairman interrupts)... He works with the villagers in Ogoniland, it's now two years since the UNEP plan for the cleaning of the environment in the Ogoniland was agreed and it's awaiting the go ahead of Shell, as far as he understands, to go ahead and push forward. The finances are there, why isn't it going forward? And the question is why is Shell not going ahead with this? I think this is an important question in relation to this changing security situation. Over the last two years there has been a better security situation in Nigeria and the opportunity wasn't taken up to push forward with the UNEP plan. Why not and when is it going to go forward?</p>
<p>The Dutch Association of Investors for Sustainable Development (VBDO, hereafter) (2013)</p>	<p>My name is ... I am from the Dutch association of investors for sustainable development. I have three short questions – one about CO2 emissions, the other for sustainable supply chain and the last for Nigerian oil clean-ups. If I remember well last year Mr. Voser told here 'If there is a spill in Nigeria whatever the cause, we will clean it up' so I ask if you are still committed to it. I saw in your presentation that 70 per cent or something like this of the spills are cleaned up last year. This is my last question.</p>
<p>Dutch Shareholder (2013)</p>	<p>My name is... I am Dutch and I am a shareholder. My question is concerned with the communication about and publicity regarding the role of Shell in the Niger Delta. I for one have been very upset and very uncomfortable with the role Shell has been playing, as well as uninformed. I would like to address the question to the board – does the board feel comfortable with the way we have been, the Dutch public and international public, have been informed about the role of Shell in the tragedy in the Niger Delta?</p>
<p>Representative of a number of pension funds in the Netherlands (2013)</p>	<p>As institutional investors we were also invited to visit the Niger Delta and some of us did. It provided new insight into the challenges that Shell faces over there and the observation of the extent of illegal refining activities oil pollution of the delta still remains. We see that complexity despite the progress Shell has with remediation of oil spills. We have some questions left on this issue for example on the UNEP report and further progress on how Shell intends to cooperate with the UNEP going forward and we also have questions about highprep which is responsible for the delta wide clean-up and how soon Shell is going to start, together with them, the wider clean-up. But we will follow-up on these questions later on, if I may chairmen.</p>

<p>Platform (2014)</p>	<p>My name is... I am a shareholder and I also work for a group called Platform. We have been engaged in questions related to Nigeria for twenty years now, we have a long experience with the situation in the Delta. I want to raise questions in relation to your reference to transparency which I herald and I think it is a good thing but also in relation to the United Nations environmental study on the pollution in the Delta. I would like to emphasise the fact that although, in your presentation, you refer a great deal to the oil theft that takes place in the Delta, we should also remember exactly the scale of the pollution that has taken place there, as is identified by the United Nations in their study published in 2011. The area that is covered in the study is a huge area. In that enormous area, the place is dominated by oil pollution. Some part of that oil pollution is 5 metres deep – that’s the depth of a double decker bus, into the soil, into farmland which people attempt to farm. And the water in the area is polluted at a level which means that people have to drink water imported by truck. This is an area which is one of the world’s great wetlands and because of oil exploration by this company, and others, over the last 50 years, it has become so polluted that people can’t actually drink the water. The report emphasises in detail what needs to be done to remediate this destruction. It was published in 2011 as I said and tragically little has been done about that. You did identify some small amount of what the company is doing but very little has been done about that. What is interesting to me (Can we have the question please?). Yes, I am coming to the question... The description is that the company is unable to move because of the government not making a first move on this. I believe that this is untransparent – it is a smoke screen which you would not apply if the pollution has taken place in another area. Behind that smoke screen, I want to ask a very simple question – who is it who is responsible for the decision not to act on the UNEP report? Who is on the committee that makes that decision? Is it Mr. van Beurden, is it Mr. Ollila, is it the head of Shell Nigeria – who is on that committee? We as shareholders and other people would like to know who is it who is responsible for that action or failure to act and should be held responsible for that? Thank you!</p>
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Source: Fieldwork Notes (2013)

**Appendix 11: A Full Version of the Questions Asked at Vedanta’s AGM
(2013, 2014)**

Organisation	Question
Bianca Jagger (2013)	After the ruling by the Supreme Court and the decision of the gram sabhas, what are the lessons learnt by Vedanta from the Niyamgiri experience which will be applied to all other projects with regard to issues of consultation and impact assessment? My second question is, does Vedanta now accept the need to gain the free, prior and informed consent of Adivasi ¹⁰⁰ people before embarking on any future projects? Thirdly, has Vedanta conducted an internal investigation into the charges by the Indian National Human Rights Commission (INHRC, hereafter) that the company was fabricating evidence against opponents of its Lanjigarh operation who were targeted by the company and falsely imprisoned as a result? If so, will those Vedanta officials responsible be held accountable? If no internal investigation has been conducted, may I continue by suggesting that this is a disgrace given the serious nature of the offenses that the INHRC an independent watch dog has drawn attention to.
Stephanie Meier – Aviva (2013)	Since the beginning of 2010, Vedanta’s share price has underperformed in relation to its mining peers by 25 per cent. We consider that a proportion of this can be attributed to mismanagement of sustainability issues. This year we have commissioned an independent report assessing progress against the seven recommendations we outlined in 2010. We are pleased to note that progress has been made putting in place a framework to manage sustainability issues and the remaining recommendations have now been met at a basic level. While we very much welcome this progress, we note that it has taken the board four years to get to this point. The progress has been slower than expected, suggesting a lack of appropriate focus by the board and there are still some gaps remaining. We are still to see the evidence that these policies and practices are being comprehensively embedded in the culture of the company and translated into action on the ground. This cultural change should be driven by the board and appropriately trained and experienced board is therefore crucial. We are disappointed, therefore, to see another director [Deepak Parekh] appointed without a credible track record in mining or sustainability issues and we withhold support for all non-executive directors as we do not consider that there is sufficiently robust and independent challenge and oversight at board level. We want to make sure that these good policies are translated into good practice. A focus on sustainability will help the board deliver value to Vedanta and its shareholders.
Amnesty International	You give a very strong emphasis on your commitment to sustainability. In your sustainability report you say that you follow the UN Guiding Principles on Business and Human Rights and these principles put a very strong emphasis on the need for companies to do human rights impact assessments proactively before their embark on projects. And the whole point of these impact assessments is to avoid problems in the first place.

¹⁰⁰ The term Adivasi is used to describe India’s indigenous communities.

(2013)	That seems to be the root of the problem, you are creating so many problems across your operations because you don't do proper impact assessments, this is at the essence of these guiding principles. My question to you is are you prepared to make a commitment that in any future projects you will undertake human rights impact assessments at the outset and that the decision whether to go ahead with the project will depend on these impact assessments that will address the full socio-economic and human rights impacts and that these assessments will be shared with affected communities so that they can take a view on whether they want the project to go ahead or not. Are you willing to make that commitment?
A Dongria Kondh Representative (2013)	Last year you said you will delete that part of your report where you say the Dongria Kondh are backward. In the 'Vedanta Perspective' report you have made racist comments about the Dongria Kondh... [Here the person asking the question is interrupted by the Chairman, Anil Agarwal who speaks in Indian and they briefly exchange words that are not translated to the rest of the attendees in the room]. Then, the tribal representative stands up and says he wants to sing a song on behalf of the Dongria Kondh, the main message of which is that Vedanta is not welcomed in Niyamgiri. The song is in Indian but the man slips in a few sentences in English while singing: 'We won't leave Niyamgiri. We won't leave, we won't give'.
Amnesty International (2014)	Good afternoon, I am...from AI UK and I have been to quite a lot of Vedanta's AGMs – we have been following Vedanta over the years. My question is to Mr. Tom Albanese. Having visited most, if not all of the company's assets, do you believe that a fundamental shift in the corporate culture of Vedanta is required in order for the company to be able to improve significantly its human rights and environmental impacts? From AI's perspective there appears to have been over the years a culture of misinformation and concealment of information. We believe that the CSO have done everything they could to uncover what is happening in the business units but we think that they have been kept in the dark and occasionally they have come to us asking us for information that is not available internally. My question is to what extent do you feel confident that you are going to receive comprehensive and accurate information across all the companies' business units to make sure that the approved policies are being properly implemented. I think a test case of that relates to the public hearing in Lanjigarh where the majority of people supported the refinery expansion. I think the three questions you might want to investigate are: Was it really an open meeting as far as the affected communities had sufficient advanced notice and were not subject to any harassment or intimidation in order to attend the meeting. Our contacts at the meeting tell us that those who were opposed to the refinery expansion were either not invited to speak or were cut short and at the end of the meeting there was no summary of the proceedings and views expressed according to the standards required by Indian law.
A Shareholder (2014)	I've got a question...I wonder about your role and your relationship with the board because you came from a company with some difficulties. I wonder how much of your future performance is relying on a 600% expansion in Lanjigarh and whether there is a real rigorous economic evaluation of that and whether you'd make that public?

Appendix 12: List of all FTSE 100 Companies whose AGMs were attended by Members and Supporters of ShareAction/ChristianAid with the Aim of Asking a Question on Tax

2012 AGM Season		2013 AGM Season	
Company	Industry	Company	Industry
AstraZeneca	Pharmaceuticals & Biotechnology	Aviva	Financial Services
Barclays	Financial Services (Banking)	Barclays	Financial Services (Banking)
BP	Oil and Gas	BP	Oil and Gas
BT	Fixed Line Telecommunications	Lloyds	Financial Services (Banking)
Diageo	Beverages	RBS	Financial Services (Banking)
Glencore	Commodities (Metal and Mining)	Resolution	Investments
Man Group plc.	Financial Services	Rio Tinto	Metals and Mining
Marks and Spencer	Retailing	Smith and Nephew	Healthcare Equipment and Services
Petrofac	Engineering, Procurement and Construction, Oil and Gas	Standard Life	Financial Services
Rio Tinto	Metals and Mining	Tate & Lyle	Food Processing
Standard Chartered	Financial Services (Banking)	Tesco	Retailing
Schroders	Investment Management	WPP	Advertising and Public Relations
Severn Trent	Utility		
Shell	Oil and Gas		

2014 AGM Season	
Company	Industry
Admiral	Insurance
AstraZeneca	Pharmaceuticals & Biotechnology
Aviva	Financial Services
BAE Systems	Aerospace, Defence, Information Security
Barclays	Financial Services (Banking)
British American Tobacco	Tobacco
BG Group	Oil and gas
Fresnillo	Mining
GlaxoSmithKline	Pharmaceutical, Biotechnology
Intercontinental Hotels Group	Hospitality
Lloyds	Financial Services
Morrisons	Retailing
Rio Tinto	Metals and Mining
Royal Bank of Scotland	Financial services
Reckitt Benckizer	Consumer goods
RSA	Insurance
Shire	Pharmaceuticals
Tullow Oil	Oil and gas exploration
Unilever	Consumer goods
Severn Trent	Water
Whitbread	Leisure and Hospitality