



HAL
open science

Socially Responsible Investment in the USA : evolution of the shareholder advocacy to improve social performance of the firms. Updating a database for a longitudinal study

Laura Martinez

► **To cite this version:**

Laura Martinez. Socially Responsible Investment in the USA : evolution of the shareholder advocacy to improve social performance of the firms. Updating a database for a longitudinal study. Economics and Finance. 2011. dumas-00662320

HAL Id: dumas-00662320

<https://dumas.ccsd.cnrs.fr/dumas-00662320>

Submitted on 23 Jan 2012

HAL is a multi-disciplinary open access archive for the deposit and dissemination of scientific research documents, whether they are published or not. The documents may come from teaching and research institutions in France or abroad, or from public or private research centers.

L'archive ouverte pluridisciplinaire **HAL**, est destinée au dépôt et à la diffusion de documents scientifiques de niveau recherche, publiés ou non, émanant des établissements d'enseignement et de recherche français ou étrangers, des laboratoires publics ou privés.

**SOCIALLY RESPONSIBLE INVESTING IN THE USA:
EVOLUTION OF THE SHAREHOLDER ADVOCACY TO IMPROVE
SOCIAL PERFORMANCE OF THE FIRMS.
UPDATING A DATABASE FOR A LONGITUDINAL STUDY**

Laura Martinez Bonafous

Rapport présenté en vue de l'obtention du Master 2 Economie
Spécialisation : Commerce International Equitable

Chaire de Responsabilité Sociale et de Développement Durable
1290, rue Saint-Denis, Montréal, Québec, Canada

Tuteur enseignant : M. Nicolas Péridy

Université du Sud Toulon Var
Faculté de Sciences Économiques et de Gestion
Master professionnel Commerce International Equitable
(deuxième année)
2009 - 2010

Socially Responsible Investment in the USA: evolution of the shareholder advocacy to improve social performance of the firms.

Updating a database for a longitudinal study

Summary

The aim of this report is to analyze the Socially Responsible Investment in the USA from the shareholder's point of view. Based on the rule 14a-8, dissatisfied investors or activists may submit proposal to be implemented in order to improve social, societal and environmental performances of a firm; they may change the firm strategy through their proposals. The internship mission consisted of updating a database from 1997 to 2007. This database results from the merging of two databases; one with data from 1997 to 2004, and one containing new data from 2005 to 2007. Observations are made from this constructed database containing nature of 3,428 filed resolutions, targeted companies, resolution's outcomes and filers. Empirical analysis reveals that while religious and individual investors are becoming less present, resolutions submitted by mutual funds, public pension funds and advocacy groups come at the front of the stage. In the same way, propositions concerning abortion and contraception and tobacco and military involvement are getting less important whereas energy and environment, animal rights and political involvement questions are increasing. Assuming that Socially Responsible Investment is a growing phenomenon, this report contributes to knowledge about the nature of the resolutions and their vote, and the involvement of filers.

KEY WORDS: Shareholder advocacy, social policy shareholder activism, social policy resolutions, socially responsible investment in the USA, Corporate social responsibility.

Résumé

L'objet de ce rapport est d'analyser l'Investissement Socialement Responsable aux Etats-Unis d'un point de vue actionnarial. Sur les fondements de la règle 14a-8, activistes et investisseurs non satisfaits soumettent des propositions aux dirigeants dans le but d'améliorer les performances sociales, sociétales et environnementales de l'entreprise. L'implication des actionnaires peut faire évoluer la stratégie de l'entreprise pour que cette dernière devienne plus responsable. L'objectif de ce stage était la mise à jour d'une base de données de 1997 à 2007, une base de données provenant de la fusion de deux bases différentes. La première contient les données des années 1997 à 2004 et la seconde, les informations de 2005 à 2007. L'analyse s'effectue donc à partir d'un fichier contenant la nature de 3 428 propositions d'actionnaires, leurs déposants, les entreprises ciblées ainsi que le résultat des votes. L'analyse empirique révèle une augmentation du nombre de propositions soumises par les fonds mutuels, les fonds de pension publics et les groupes de plaidoyer. A contrario, les investisseurs individuels et religieux apparaissent de moins en moins actifs. Concernant la nature des propositions, l'étude observe que les thèmes relatifs à l'énergie et l'environnement, les droits des animaux et l'implication politique des entreprises sont de plus en plus abordés. De manière opposée, les questions relatives à l'avortement et la contraception, l'implication militaire de l'entreprise mais aussi la prise de participation dans des sociétés de tabac, se font de moins en moins fréquentes. Ce rapport fait état du caractère grandissant de l'investissement responsable et de la prise en compte des enjeux sociaux et environnementaux par ses acteurs.

Table of contents

1- Introduction	1
2- The Social Responsibility and Sustainable Development Research Center	2
3- Introduction to the mission	3
a. What are of links between formation and internship?	3
b. What was the Corporate Social Responsibility department looking for?	4
i. Intern profile required	4
ii. The mission	4
4- Contextualization of the Socially Responsible Investment -SRI-	6
a. SRI evolution into the financial markets	6
b. SRI evolution out of the financial markets	7
i. Firm and management	7
ii. From Agency Theory to Corporate Social Responsibility -CSR-	9
iii. CSR, international scandals and financial crisis	11
iv. The Quality concept	12
v. Environmental context	13
5- What Socially Responsible Investment is?	14
a. Civil society opinion leaders	14
b. Who are the users of Socially Responsible Investment?	14
c. Frame and regulation	15
i. International and political organizations	15
ii. Public powers	16
d. Socially Responsible Investment service providers and tools	17
i. Rating agencies	17
ii. Stockbrokers	17
iii. Socially responsible indicators	17

6- Inside the mission	18
a. Construction of the database	18
i. Social proxy, filers and outcomes	18
ii. Financial and accounting data	19
b. Univariate variables	20
i. Companies targeted by involved shareholders	21
ii. Shareholder targeting companies with social policy proposals	22
iii. Issues addressed by filers to targeted companies	25
iv. Outcome of the submitted resolutions	28
7- Conclusion	31
8- References	33
9- Bibliography	35
10- Websites list	36
11- Annexes	37
a. Annex n°1	37
b. Annex n°2	38
c. Annex n°3	39
d. Annex n°4	40
e. Annex n°5	41
12- Internship assessment sheet	44

1- Introduction

I should firstly highlight that I did not worked as an intern in a commercial firm but as an intern in a research center in Montreal, Canada. I was looking for an internship abroad, in a country sharing my values and wishes. Canada and, in particular, Montreal, was a promise land in terms of work conditions and mentality. The impression I have when I step back on my experience is that Montreal is a non-stressful and pleasant city to work in. My internship research was oriented towards any kind of organizations as long as their activities were in the fair trade, social or sustainable development fields. I contacted approximately sixty Canadian firms and organizations among which only four were interested on my profile: three in British Columbia and one in Quebec. It was clear at the end that targeting the Quebec province was the smarter way to find a work placement. In fact, Quebec has several agreements with France that make student exchanges easier but one of the most important things is that their cultural anchoring through practices and language are closer to ours compared to the others Canadian provinces and the USA.

I received the positive answer from the Social Responsibility and Sustainable Development Research Center -CRSDD*- , but particularly from Dr. Bouchra M'zali. They were looking for researchers and research assistants to advance research in Corporate and Social Responsibility and my profile was in line with their beliefs. Dr. Bouchra Mzali told me she was offering me an “environment in which I could learn a lot and to which I could contribute” and I felt comfortable with this idea, point that became true as my work progressed. I realized that working in a research centre would be really different than being employed in a commercial firm and that my experience would be valuable to them.

I started my internship solely in June because I had to face immigration and visa barriers. In the end I was accepted to do the internship as part of an exchange program between Canada and France called "International Experience Canada".

I had the opportunity to choose a project to be involved in. I decided to update an analysis on the social and environmental proposals submitted by US shareholders between 2005 and 2007.

*Chaire de Responsabilité Sociale et de Développement Durable

My work consisted first of updating a database containing all information about every social and environmental proposals (firms targeted, filers, issues, vote, vote turnover and resolution by itself) and financial data for every targeted firm.

I had to study the questions: did the social policy shareholder activism landscape changed during the years 2005-2006-2007? What kind of evolution can we observe? Does a crisis impact exist? How can we describe and perhaps explain it?

We answer the questions handling the social policy resolutions submitted by US shareholders to be voted at general meetings in term of issues, filers and success. The term 'resolutions' is synonymous with the terms 'proposals' or 'social proxy'.

2- The Social Responsibility and Sustainable Development Research Center

The Social Responsibility and Sustainable Development Research Center (CRSDD, www.crsdd.uqam.ca) was created in the year 2000, as part of the School of Management Sciences of the 'Université du Québec à Montréal' -UQAM-. Located in downtown Montreal, the CRSDD is on the sixth floor of a mixed activities building. The floor is composed by two open spaces, one where Master and Ph.D. students work and another one dedicated to the finance area; eleven personal offices for teachers and researchers; two common rooms, a library and an eating area.

The CRSDD and the Eco-Advising Chair¹ (support environmental advisor profession) in northern Quebec are the only two institutions of their category in Quebec. The CRSDD gathers professors, students, other researchers and guests to work and discuss about new social regulations and new socioeconomic innovating practices made by social actors in a globalized world context. The research center is popular among Quebec business population and plays a role informing people and sensitizing them about social responsibility and sustainable development, and how they can be involved by human actions.

The research center defines its global goal by saying: "While global problems require new coordination models for solution, traditional modes of regulation are being questioned and new governance forms are being suggested. In this context, the enterprise, economy's key institution, finds itself at the centre of the debate, concentrating both the preoccupations and

¹ http://www.uqac.ca/recherche/organismes/chaire_ecoconseil.php

the expectations of the population in seek of sustainable development. Research undertaken at the CRSDD on social corporate responsibility and sustainable development focuses on these mutations and on the challenges that they represent for management, for the social organization, and for mechanisms of regulation”².

The three activities of the CRSDD are the research, the training programs for managers, and the education. To talk about my research department, the collegial structure of researchers is concentrated on three different axes: Corporate Social Responsibility -CSR-; sustainable development, and the new social movements and regulations. Researchers come from diverse disciplines and work all together on fundamental and applied research.

Regarding the internship itself, I worked as a research assistant for Dr. Bouchra M’zali, professor of finance in the Corporate Social Responsibility section. My schedule was flexible and I worked 35h weekly. I shared an open space with three Ph.D. candidates working under her supervision. The CRSDD provided me with a desk, computer, printer and access to any documents, software and research results. I also had a special status allowing me to have access to the library and the different databases.

3- Introduction to the mission

a. What are the links between formation and internship?

The link between the Master courses and the internship is drawn by the willingness to live in a fair global economic society through responsible investment. On our scale, what we can do is to run studies, research, advice investors and inform general or specialized public. I was already interested in the subject and my first year Master report dealt with the necessity of developing tools such as the micro finance and insurance in developing countries. The International Fair Trade Master degree includes the question: how could we trade fairly and in a responsible way taking into account the global interests? Multinational and national firms such as those set up in the United States will be our field of action, and fairness will be treated in a shareholder and social policy angle. Shareholder advocacy means that shareholders investing in firms open a usually constructive and militant dialogue with the management³ to

² <http://www.crsdd.uqam.ca/Pages/presentation.aspx>

³ Cesar de Brito ; Jean-Philippe Desmartin ; Valéry Lucas-Leclin et François Perrin (2005). L’investissement socialement responsable. ed. Economica.

improve social, societal and environmental performances. Shareholders can be heard during the general meeting proposing resolutions to be voted on. An involved investor can firstly pressure the firm to make it evaluate instead of not invest in it.

b. What was the Corporate Social Responsibility department looking for?

i. Intern profile required

Dr. Bouchra M'zali and her research team were seeking someone to manipulate economic and financial data, someone able to read and write in English, able to do econometric analysis and interpret results. They were looking for someone independent to verify if their previous conclusions remain the same after the financial crisis (we will keep working and updating the database to include the years 2008, 2009 and 2010). They were also looking for someone turned to the ethical aspect of the economy and especially interested in the Socially Responsible Investment -SRI-, taking into account that it is a broad and controversial subject mostly due to the connection between social and financial performances. I was highly interested in doing so. I have to say that to approach responsible investing in the USA, where the financial crisis that affected and still affects the whole world started, was exiting.

I was directly involved in the team and they made me participate in their weekly seminar since my first day. The team is composed by professors and Ph.D. students and their seminars consist in sharing ideas and discussing the results of their ongoing research. Several projects and thesis are run and they help each other giving their point of view. Power Point and oral presentations are done followed by positive and negative critics. They also welcome international professors with whom they work to talk about their papers and review their own different databases to launch new projects.

ii. The mission

The final outcome of the work Dr. Bouchra M'zali committed me to do was to show whether or not the financial crisis had impacted the US social shareholder activism. Questions are asked: did the social policy shareholder activism in the US firms changed between 1997 and 2007? Does a financial crisis impact exist? How can we describe and perhaps explain it?

Precisely, what I had to do was updating the thesis work of Dr. Miguel Rojas, former Ph.D. candidate in finance which subject was: “Three essays on social policy shareholder activism: actors and issues, types of targeted firms, and outcomes” (2010). Dr. Rojas studied, from 1997 to 2004, the social policy resolutions filed by the US shareholders to the firms listed on NYSE or NASDAQ stock exchanges in order to improve their corporate social responsibility. They asked me to establish a database with new data available from 2005 to 2007 (We are expecting to buy complementary data to MSCI⁴ to be able to update the database until 2010) to evaluate the effects, if there are, of the financial crisis on the filing of social policy resolutions.

Dr. M’zali gave me autonomy to update the database. I had to read and codify the raw data; to decide for every resolution, filers and vote in which category order them to standardize the previous database to the current one. She gave me names, email addresses, and phone numbers to contact the people I needed. I primarily contacted Dr. Rojas who was the best person to help me understand how the previous study was run. Dr. Rojas built the previous database under Dr. M’zali supervision. They decided the definition of categories for every component of the raw data. Dr. Rojas knew the data I needed to collect among different organisms and databases, and how I needed to code them to run econometrical tests. It was not an easy thing since M. Rojas does not work in Montreal anymore but in another Canadian province and we had to communicate by phone and emails. Other organisms such as MSCI provided me with databases and documents. The final database had to include both financial data and information on proposals. Data related to proposals was gathered from MSCI and financial data had to be extracted from Compustat. My work consisted of updating a database which required to merge MSCI and Compustat data. I needed training to use certain software such as Compustat⁵. I also had to ask for help to the research team members to understand financial and other types of data.

Before going any further, we must contextualize the paper. I worked in the Corporate Social Responsibility research department and the subject, the Social and Responsible Investment, was treated in a shareholder and social policy governance point of view. Shareholders are those who fund the company and who can impact the management compartment through several actions, in our case thanks to the Rule 14a-8. The Rule 14a-8

⁴ Definition page 21

⁵ Definition page 22

was enacted in 1934 by the US Securities and Exchange Commission to give voice to the shareholders. US shareholders are allowed, using the Rule 14a-8, to propose resolutions to be voted on in the proxy material of a firm at the annual or special meeting of shareholders. This is done to improve either the financial performance of the firm or the social performance. These two fields correspond to different governance approaches: financial enhancement corporate proposals fit with the so-called corporate governance of a firm (also including external and internal control questions); social policy shareholder resolutions match with social corporate governance⁶ and the subject of this report. Social corporate governance is complementary but also somewhat opposed to corporate governance.

4- Contextualization of the Socially Responsible Investment -SRI-

During the last thirty years economy has been deregulated, on one hand the role of financial markets is becoming stronger and on the other, possibilities of state intervention in this financialized economy are low. The concept of responsible investment is not a recent one and comes from two sides. It is possible to say that changes were both internal and external of the financial markets⁷.

a. SRI evolution into the financial markets

From a historical point of view, the financial markets started to change when US religious organizations proposed ethical funds in the twenties to prohibit sin values such as alcohol, gambling or tobacco. This is also known as exclusionary or negative criteria because it excludes the negative and unmoral values for investment. In the sixties, new exclusionary criteria appeared such as those against the use of Napalm or weapons during wars. It was the beginning of the socially responsible funds: we found community funds in the USA, solidarity funds and sharing funds in Europe. Their aim was for example to support employment for disadvantaged people. In the eighties, it was the beginning of funds based on positive criteria. Funds selected firms that were for example proactive in sustainable development.

⁶ Rojas and all (2010). How Do Sponsors of Social Proxies Decide Which Companies to Pick Up? An Empirical Analysis in the Context of the United States. *Les cahiers de la CRSDD-collection recherche*, n°8.

⁷Cesar de Brito ; Jean-Philippe Desmartin ; Valéry Lucas-Leclin et François Perrin (2005). *L'investissement socialement responsable*. ed. Economica.

In the nineties, funds started to link responsible investing with financial performance. Then we were able to distinguish two types of funds. Ethical funds were labeled as “Ethical SRI” and used negative criteria of exclusion with no interest in financial performance. Those taking into account the financial performance were labeled “SRI of performance” and based on positive selection criteria⁸.

The concept of market value and intangible capital is really important as it is at the heart of the subject. Investors invest in firms buying shares and securities and the market value is measured by the market capitalization of firms which is equal to the shares value multiply by their number⁹. Market value has nothing to do with accounting value. The price of a share reflects the investor’s point of view concerning financial performance, management, products portfolio, clients but also work conditions and practices of a firm¹⁰. Market value is considered hard to measure because information is hardly collectable from enterprises

b. SRI evolution out of the financial markets

We discuss the evolution that occurred within the corporate management field; from the traditional management concept to the definition of the Stakeholders Theory and Corporate Social Responsibility. CSR is to corporate management what SRI is to the financial area. We also contextualize SRI in a broader way.

i. Firm and management

According to traditional theories, management of a firm has an objective of shareholder value creation to reach. That means to increase the long term market value¹¹ of a

⁸Cesar de Brito ; Jean-Philippe Desmartin ; Valéry Lucas-Leclin et François Perrin (2005). L’investissement socialement responsable. ed. Economica.

⁹ <http://bourse.trader-finance.fr//capitalisation+boursiere/>

¹⁰Cesar de Brito ; Jean-Philippe Desmartin ; Valéry Lucas-Leclin et François Perrin (2005). L’investissement socialement responsable. ed. Economica.

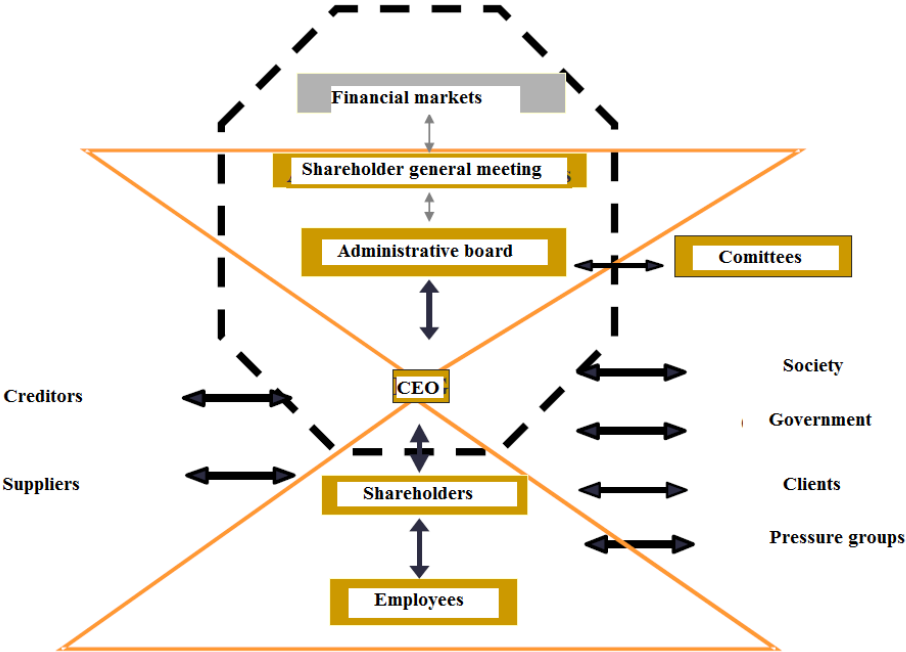
¹¹ Michael C Jensen (2002). Value maximisation, Stakeholder theory, and the corporate objective function. *Business ethics quarterly*, vol76. n2. p236.

firm. This market value depends on the capital costs compared to the remuneration of the capital knowing the project risk at the beginning and the end of a period. The positive result expected is named the free cash flow.

The shareholder value creation has to be reach through the establishment of a strategic objective. Which means: what is the economic activity of the enterprise around which every counterpart is turned to?

Firms are made up of 1) executive organs divided between the shareholders and firm’s owners or CEO*; 2) management organs comprising one or several managers; and 3) all partners that contribute the production process. A schematic is proposed on the next page to understand it clearly:

*Chief Executive Officer



Source: Andrée De Serres (2009)

Among shareholders, we can distinguish controlling shareholders, who own a certain amount of firm’s securities and hold a part of the enterprise (also named majority

shareholders or blockholders), and the others non-controlling shareholders and investors. The controlling shareholders and the managerial team constitute the strategic core of the enterprise¹² in charge of the definition of the strategic project.

The management is a specialised function because a manager is an employee with delegated executive power. The shareholders, administrators and CEO seek into the salaried manager market to find the one manager who fits their interests.¹³ The behavior of the manager is controlled by both, an external and an internal control. 1) The internal control is executed by majority shareholders controlling the strategic project evolution. 2) The external control is executed by other shareholders or investors who fund the firm activity. Their control corresponds to sanctions that they can give, for instance, on the capital market selling their securities. Managers should communicate with shareholders to avoid misunderstandings and sanctions.

ii. From Agency theory to Corporate Social Responsibility - CSR-

Different theories explain the relationship between manager, shareholders, diverse investors and other stakeholders. In the seventies, the Agency Theory¹⁴ described a dual relationship between shareholders and manager. Management and shareholders are bond by a contract and the manager is the agent of the shareholder, the principal. Shareholders seek into the manager market and hire a manager to do tasks on their behalf. Authority is then given to the agent. The manager is autonomous and benefits from a decision-making power without supporting the whole consequences. Decision making and control are separated, and no control power is delegated to the manager¹⁵. The agent receives a salary while the principal earns the free cash flow. Emphasis is put on the relationship between shareholders and

¹² Eugene F. Fama and Michael C Jensen (1983). Separation of Ownership and Control. *Journal of Law and Economics*, vol.26, n°2, p 16.

¹³ Eugene F. Fama (1980). Agency problems and the theory of the firm. *Journal of political economy*, vol. 88, n°2, p288-307.

¹⁴ Michael C Jensen and William M Meckling (1976). Theory of the firm: managerial behaviour, agency costs and ownership structure. *Journal of financial economics*, vol.3, n°4, p309.

¹⁵ Eugene F Fama and Michael C Jensen (1983). Separation of ownership and control. *Journal of law and Economics*, vol. 26, n°2, p301-325.

manager but it doesn't take into account the different partners with whom the company has to work with.

In the eighties, the Stakeholder Theory takes up the agency theory to explain corporate governance in a broader way. The linear relation described above is no longer considered. Instead, the firm is viewed as complex interactions between several actors such as shareholders, management and employees that are looking for a cooperative equilibrium¹⁶. It is said that the manager is a special employee able to create a consensus between actors due to the amount of information he has access to. This amount is considered as asymmetric compared to what the others partners could have¹⁷. The firm is viewed as a contract nexus¹⁸, and the stakeholders are the ones who own the diverse resources and that collaborate to the final and strategic aim of the firm. A consensus among literature defines stakeholders as shareholders, employees, suppliers, clients, community and State¹⁹. In contrast with the Agency theory, the Stakeholder theory defines the strategic core as composed by manager, controlling shareholders and non-controlling ones, and the whole stakeholders taking part to the strategic aim of the firm.

The partnership governance model of Charreaux and Desbrieres describes that a residual amount of money stays in the manager's hands after the partner's payments. The above is named managerial slack and it allows the manager to have a leeway in maintaining equilibrium.

The Stakeholders theory is criticised because we don't know how to progress towards the global consensus between all partners and because the manager has to satisfy the interest of stakeholders and to do so, he distributes among stakeholders the resources which would normally go to the shareholders and do not create any shareholder value but destroy it.²⁰ The objective a shareholder value creation cannot be reached.

¹⁶ Masahiko Aoki (1982). Equilibrium growth of the hierarchical firm : shareholder employee cooperative game approach. *American Economic Review*, vol. 72, n°5, p1097-1110.

¹⁷ Charles W L Hill et Thomas Jones (1992). Stakeholders-agency theory. *Journal of management studies*, vol. 29, n°2, p134.

¹⁸ Olivier E Williamson (1988). Corporate finance and corporate governance. *Journal of finance*, vol. 43, n°3, p574.

¹⁹ Jeremy Morvan (2008). L'investissement socialement responsable: une nouvelle gouvernance d'entreprise. Coll. L'harmattan, p52.

²⁰ Michael C. Jensen (1997). Value maximization, stakeholder theory. *Corporate governance : an international review*, vol. 5, n°1, p14 and 236.

Three types of governance can now be described²¹. The shareholding governance that comprises investors exercising an external and internal control, and decision-making managers; the partnership governance with the resources owners; and the citizen governance made up with actors concerned by the firm's activity in a neo-institutional approach. The last category suffers from spillover effects, such as, extraction of collective resources²². The citizen governance value creation is different from the other because there is no formal contract with the firm and this type of stakeholder participates to the strategic objective of the firm through their ability to block the transaction²³. Their payments are hardly assessable and carried by the media coverage.

The management team has to prioritize the demands from stakeholders and treat them fairly²⁴, being aware that they influence the strategic goal of the firm²⁵. Managers have to turn the firm objectives towards responsibility and satisfy their stakeholders, but moreover the majority shareholders that are funding the firm's project and facing risk.

iii. CSR, international scandals and financial crisis

An approach such as the Corporate Social Responsibility one started to be needed facing management opportunism, lack of trust due to previous public scandals and financial crisis. There is a gap between the strategic core and other stakeholders, those that are struggling for social, societal and environmental problems²⁶. The financial crisis is part of the global context; it started with the subprime mortgage crisis, the US real estate market collapsed in 2006 due to the monetization of assets through

²¹ Jeremy Morvan (2008). L'investissement socialement responsable: une nouvelle gouvernance d'entreprise. Coll. L'harmattan, p52.

²² J Meyer et B Rowan (1977). Institutionalized organizations : formal structure as myth and ceremony. *American journal of sociology*, vol. 83, n°2, p340-363.

²³ Thomas Donaldson et Lee E Preston (1995). The stakeholder theory of the corporation: concepts, evidence and implication. *Academy of management review*, vol. 20, n°1, p68.

²⁴ Chris E. Metcalfe (1998). The Stakeholder Corporation. *Business Ethics: a European review*, vol. 7, n°1, p.30-36.

²⁵ Thomas Donaldson et lee E Preston (1995). The stakeholder theory of the corporation: concepts, evidence and implication. *Academy of management review*, vol. 20, n°1, p67.

²⁶ Jeremy Morvan (2008). L'investissement socialement responsable: une nouvelle gouvernance d'entreprise. Coll. L'harmattan, p 81.

securitization of real estate credit²⁷. The subprime mortgage crisis was passed to the financial market and then to the monetary one.

Since then, the Socially Responsible Investment has taken more and more meaning. Being a socially responsible enterprise is considered as an indicator of performance but also a trust one that can be measured. The evolution of the shareholder resolutions (content, types of filers and success) is a way to evaluate the SRI power of a firm.

Corporate Social Responsibility is intrinsically linked to the sustainable development concept. Enterprises have to insert economical, social and environmental consequences in their day to day management²⁸. In a shareholder value maximization objective, the strategic core has to take into account the firm activities effects on investors, primary partners involved in the production process, and on his secondary stakeholders partners. Partners can be represented by media, whatever being ecological or societal²⁹. This context matched with the new data I had to collect.

During the last twenty years, the governance model had to face crisis and questioning due to several scandals. Here is a non-exhaustive list of important scandals that occurred. 1992, Robert Maxwell scandal in the United Kingdom: manipulation of the stock prices and embezzlement of 900 million of sterling pounds by a British press baron³⁰. 2001, USA, Enron that was one of the largest US companies by market capitalization: financial conspiracy and offshore companies in tax heavens; political lobbying on the behalf of G.W. Bush and his administration members³¹. 2001, Vivendi Universal in France: manipulation of stock prices³². 2002, Tyco scandal (USA): embezzlement for CEO personal use and its administration members³³. 2002, Worldcom the second biggest US telecom companies: accounting fraud and disguised borrowing³⁴. 2002, Anderson which was one of the big five financial and

²⁷ Elie Cohen (2002). Crise des subprimes : le point de vue de deux économistes . *le monde.fr* (2007).

²⁸ Commission Européenne, 2002. <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:52002DC0347:FR:HTML>

²⁹ Jeremy Morvan (2008). L'investissement socialement responsable: une nouvelle gouvernance d'entreprise. Coll. L'harmattan, p 81.

³⁰ http://lexpansion.lexpress.fr/entreprise/l-enquete-sur-le-scandale-maxwell-accouche-d-une-souris_89072.html

³¹ <http://www.monde-diplomatique.fr/dossiers/enron/>

³² http://www.rfi.fr/actufr/articles/051/article_27174.asp

³³ <http://www.liberation.fr/economie/0101415661-tyco-le-scandale-de-trop>

³⁴ http://www.lexpress.fr/actualite/economie/l-engrenage-fatal_498396.html

accounting audit firms in the world: dismantled to have been involved in financial scandals such as Enron's one. Etc.

Following the scandals, the public opinion gave rise to the respect of the shareholders rights; struggled for independent administration members and interest conflicts. The public opinion also fought for the management internal and external control and the independence of the different firm committees³⁵.

iv. The Quality concept (Annex n°1)

The concept of quality³⁶ appeared between the twenties and the fifties with the quality control of the product which the Scientific Management of Ford is an example. Since the fifties, prevention concerns (consequences of non-quality) became important and were identified under the Quality Assurance. International norms such as the ISO* ones, illustrate how quality impacts our economy. The notion of Total Quality Management appeared in Japan during the fifties with quality circles and influenced USA and Europe in the eighties. It took into account both the internal and external environment of a company. Latest trends about quality proposed to integrate the quality assurance within the total quality concept to obtain an Integrated Quality (M. Weill).

v. Environmental context

The concept of sustainability started to be globally understood when the United Nations asked the question in 1972 during the Stockholm summit: How can we preserve and promote the environment?

It really became an objective when the UN gave in 1987 a proper definition of what sustainable development is. "Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs. It contains within it two key concepts: the concept of 'needs', in particular the essential needs of the world's poor, to which overriding priority should be given; and the idea of limitations

³⁵ Cesar de Brito ; Jean-Philippe Desmartin ; Valéry Lucas-Leclin et François Perrin (2005). *L'investissement socialement responsable, Ed. Economica.*

³⁶ Michel Weill (2001). *Le management de la qualité. Ed. La Découverte.*

imposed by the state of technology and social organization on the environment's ability to meet present and future needs”³⁷

In 1992, the Rio summit gathered 182 states who signed the Rio declaration but especially the program ‘Agenda 21’ constraining each country to adopt and put in place its own sustainable development plan in order to: struggle against poverty and social exclusion; promote the production of sustainable goods and services; and protect the environment³⁸. Agenda 21 is still valid today; it is for instance the topic of a national forum in Canada.

Others meeting occurred, Kyoto in 1997 and Johannesburg in 2002.

Sustainable development took a social aspect thanks to the UN summits but it also tried to insert himself within the business world through the ‘Global Compact’ launched in 2001 by the UN³⁹. Global Compact is a strategic policy initiative to which companies may join and which promotes labor rights, human rights, environmental *International Standards Organization and anti-corruption programs. The clearer example of sustainable development progress in the firm area is the concept of Corporate Social Responsibility and mostly the Stakeholder Theory we defined previously in line with the Socially Responsible Investment.

5- What Socially Responsible investment is?

Socially Responsible Investment is to the financial field what Corporate Social responsibility is to the corporate one⁴⁰. What kind of actors play a role and who or what regulates and frames this activity? Actors can be separated in three categories: civil society opinion leaders, SRI clients and regulation’s actors⁴¹.

a. Civil society opinion leaders

Civil society is defined by trade unions, consumer’s associations, media and alterglobalist movement. Social policy shareholder advocacy increased in power with the development of the NGO’s in the seventies. The civil society asks enterprises for transparency

³⁷ <http://www.un-documents.net/ocf-02.htm#l>

³⁸ <http://solidarites.info/sommet-de-la-terre.php>

³⁹ <http://www.unglobalcompact.org/AboutTheGC/>

⁴⁰ Cesar de Brito ; Jean-Philippe Desmartin ; Valéry Lucas-Leclin et François Perrin (2005). L’investissement socialement responsable . *Ed. Economica*.

⁴¹ Cesar de Brito ; Jean-Philippe Desmartin ; Valéry Lucas-Leclin et François Perrin (2005). L’investissement socialement responsable . *Ed. Economica*.

and security, and disposes of financial and new non-financial means to threat firms such as media, politics or international stage. It is a local, national and now a global powered actor of Socially Responsible Investment.

b. Who are the users of Socially Responsible Investment?

The shareholder advocacy started after the 1929 crash in USA. As we said before, it firstly aimed to improve financial performance of the firms (corporate governance) while social policy governance only appeared during the seventies to prohibit firms linked with Vietnam War.

*Non Governmental organizations

Religious investors are clients of SRI and represent an important part; they were the first organizations to fight unmoral values. The long term institutional investors represent the largest SRI users. Public pension funds played an important role in the SRI expansion overs years and they will probably continue to forge ahead. Management companies such as mutual funds optimize investments of institutional investors. They follow ISR policy, select the service providers like rating agency and stockbrokers, analyze opportunities and are in contact with firms.⁴² Individual investors also weight in the balance as they were the first to invest in ethical funds using negative criteria. Nonetheless, tax benefit systems only exist in the USA, Canada and Northern Europe.

c. Frame and regulation

Regulation is something quite new since no consensus existed at an international level concerning a definition of sustainable development to be applied to firms or financial worlds. Things became clearer in the nineties when definition was given by the UN. In addition to the fact of being defined, responsible investment is framed by international organizations, political meeting and governments.

⁴² Cesar de Brito ; Jean-Philippe Desmartin ; Valéry Lucas-Leclin et François Perrin (2005). *L'investissement socialement responsable. Ed. Economica*

i. International and political organizations

International organizations such as the United Nations are really active on this field, through organization of summits and states involvement. The International labor Organization –ILO- gathers states with their economic and employee representatives, defines concepts and draws up labor standards. International organization are facing a more involved audience since fifteen years. We found regulation concerns within resolutions pooled by shareholder to be voted under the ‘Labor & human rights’ issue (see page 25). And among this ‘Labor & human rights’ section gathering 16% of the social proxy filed between 1997 and 2007, we should take an interest in what shareholders asked. Resolution were addressed to management to respect ILO standards, subscribe to the Principles for Responsible Investment -PRI- or to the Equator Principles -EPs-. The PRI were launched by the UN in 2006 to allow investors to “act in the best long-term interests of their beneficiaries” respecting environmental, social and corporate governance issues⁴³. EPs were launched in 2003 and adopted by global financial institutions; they are a “credit risk management framework for determining, assessing and managing environmental and social risk in project finance transactions”⁴⁴.

Regarding the sustainable reporting of the firms, only one international reference exists: the Global Reporting Initiative⁴⁵ set up in 1998. It gives a framework to sustainable reporting under the name ‘G3 Guidelines’. However, and at a national level, firms can refer to sustainable texts drawn up within their industrial sector. The UNEP Finance Initiative is a prominent example; it is a partnership between the United Nations Environment Program and the financial sector launched in 1991 to “understand the impacts of environmental and social considerations on financial performance”⁴⁶.

ii. Public powers

Since the nineties, public powers played a role in bordering and encouraging firms to be responsible. Europe is for example a pioneer fostering firms to be transparent. The US

⁴³ <http://www.unpri.org/principles/>

⁴⁴ <http://www.equator-principles.com/index.php/about-the-equator-principles>

⁴⁵ Latest version in 2006, G3 Guidelines.

<http://www.globalreporting.org/AboutGRI/WhatIsGRI/>

⁴⁶ <http://www.unepfi.org/about/index.html>

Security Exchange Commission and the Sarbanes-Oxley act⁴⁷ require enterprises to communicate about the financial and non-financial risks.

d. SRI service providers and tools⁴⁸

i. Rating agencies

Extra financial rating agencies are essential (Annex n°2). They offer to clients such as institutional or individual investors, extra financial information and analyses on how to pick companies that are socially responsible. These agencies started their expansion in the eighties and almost thirty were created since then. Certain come from the activist sphere (ex. KLD, Ethibel etc.) and use public available information. Others come from private sphere (ex. SAM, Innovest etc.) and use firm's information to classify firms according to their social performance by sector.

ii. Stockbrokers

Stockbrokers are considered as a SRI tool because they connect investors to sustainable development actors during meetings and propose extra financial study concerning enterprises, sectors or subjects. The integration of a responsible attitude in their transaction helps the markets to become more responsible.

iii. Socially responsible indicators

Socially responsible indicators help rating agencies to study and classify firms. They also make the SRI concept accessible to the general public. Indicators bring transparency and credibility concerning the methods of the socially responsible rating agencies. Social indicators are used by firms as an image and social assessment, and are employed in firm's sustainable reporting. It gives a signal to the market of good or bad social policy governance.

⁴⁷ <http://www.soxlaw.com/index.htm>

⁴⁸ Cesar de Brito ; Jean-Philippe Desmartin ; Valéry Lucas-Leclin et François Perrin (2005). *L'investissement socialement responsable. Ed. Economica.*

6- Inside the mission

I started with M. Rojas's work to analyze: an overview of the social policy shareholder activism in the US over the year 1997 to 2004. Then I started to collect information about the years 2005-2006-2007 to construct a database similar to his and merge the two databases.

i. Construction of the database

1. Social proxy, filers and outcomes

As we explained it, I asked information to organisms and one of the most important was the directory of the whole social policy resolutions submitted to US firms between 2005 and 2007 that MSCI provided to the CRSDD. MSCI ESG procures to institutional investors, assets managers, research center and individual research, rating and analysis of the environmental, social and governance-related firm practices of thousand companies over the world⁴⁹.

I got details concerning the companies, the resolutions they faced and the filers or shareholders submitting them in the resolution directory. Documents were in paper or PDF format and grouped together the total resolutions received by US firms for one year. Inside each category, resolutions are presented by proposal if several firms are receiving the same proposal or by company names when one proposal corresponds to one firm. MSCI suggests a categorization of the resolutions depending on the type of issues (Annex n°3). M. Rojas took up the classification including some changes and I did the same.

⁴⁹ Morgan Stanley Capital International, Environmental, Social & Governance. http://www.msci.com/products/esg/about_msci_esg_research.html. "MSCI ESG Research builds on the expertise and achievements of sustainability pioneers KLD, Innovest and IRRRC, acquired through MSCI's acquisition of RiskMetrics".

The database I had to build needed to be in Excel format to then complete an econometrical study. I entered resolutions one by one and year by year, by their issue category and filer according to the companies' name index. Then I captured the result of the voted resolutions, the threshold each proposal needed to reach to be resubmitted (3%, 6% or 10%; see page 28) and the year of submission (1st, 2nd or 3rd and more).

As the MSCI's categorization does not completely fit with that of M. Rojas, I used a new classification to encode the resolutions. For example, MSCI ESG distinguishes the themes 'Management and reporting', 'Bioengineering and "Global climate change"' while we do not and gather the three under the "Energy & environment" section. Following this, I was able to codify the resolutions according to the type of issue: 'Energy and environment' corresponds for instance to the code '7'.

Nevertheless, there were some resolutions that needed to be discussed because I was not sure under what topic I had to enter them. The help and the time of M. Rojas and others researchers was really beneficial for me.

Regarding the different filers, MSCI doesn't give category. It was then necessary to classify them according to their nature. Are they, in the context of Socially responsible Investment, mutual funds investors, religious ones etc.? I visited their website and read their documentations to understand what they were. I codified them in the same way I did for resolutions: a "Mutual funds" investor matches for example with the code "5".

Once that work done, I merged the three years: 2005, 2006 and 2007. I got the whole resolutions in one file and this allowed me to see if trends appear among the type of resolutions, types of filers etc. to compare it to the 1997-2004 study previously done.

2. Financial and accounting data

To analyze the companies and their characteristics, I used datasets that the company Capital IQ Compustat offers to institutional investors, asset managers, analysts etc. It is a leading provider in financial market intelligence; it provides datasets of financial, statistical and market information. IQ Compustat covers "98% of the world's market capitalization with timely data on over 90 000 global securities"⁵⁰. I was trained and received a password to use

⁵⁰ <http://www.compustat.com/content.aspx?id=226>

the Compustat database on the Wharton Research Data Services -WRDS⁵¹ - platform to obtain financial and accounting data about the companies' sample.

Companies are registered under their Ticker symbol or their CUSIP number. I firstly needed to collect them to obtain data such as the total current assets of a firm from Compustat. The ticker symbol is a combination of letters and sometimes other characters identifying a particular security on one specific stock market. Investors use the ticker symbol to place trade orders in the financial markets⁵². The ticker could change from one year to another, when firms merge, run to bankruptcy or for other reasons. To give an example, the ticker symbol of Microsoft is 'MSFT' and the one of Ford Motor is 'F'. The CUSIP* number is a disposition of nine characters with numbers and sometimes letters. It is a universal identifier for financial instruments and allows identifying securities of North American companies, US government and municipal bounds⁵³. To illustrate, 717081103 is the CUSIP number of Pfizer. I found the ticker of almost each company on the 'NYSE Euronext' website⁵⁴ thanks to the "symbol lookup" tools or on the 'Yahoo! Finance' website⁵⁵. About the CUSIP, I found it directly using the Company and Identification tool of the WRDS platform (Annex n°4). Unfortunately, even if I started to collect certain financial information of the companies, I didn't had time to collect them all and analyze them before this report is presented.

ii. Univariate variables

I synthetically present the variables we need to analyze social proxy voting in a longitudinal way. Between 2005 and 2007, I gathered 1118 resolutions and I worked on it, but I also possessed files containing resolutions from 1997 to 2004. I could observe evolution of 3428 resolutions from 1997 to 2007 and see whether tendencies exist or not? The number of resolutions presented each year increased by 22% from 1997 to 2007; it could then be

⁵¹ "Wharton Research Data Services (WRDS) is a web-based business data research service from The Wharton School at the University of Pennsylvania; WRDS is the de facto standard for business data, providing researchers worldwide with instant access to financial, economic, and marketing data though a uniform, web-based interface". http://wrds-web.wharton.upenn.edu/wrds/demo/demoform_compustat.cfm

⁵² <http://www.investopedia.com/terms/t/tickersymbol.asp#axzz1W3FgwQYh>

⁵³ <https://www.cusip.com/cusip/about-cgs-identifiers.htm>

⁵⁴ <http://www.nyse.com/>

⁵⁵ <http://finance.yahoo.com/>

acceptable that some movements are due to this rise. Also, each number is round up or down to the nearest figure to make the results easier to understand.

*Committee on Uniform Securities Identification Procedures

1. Companies targeted by involved shareholders (Annex n°5)

Companies targeted are those present in the New York Stock Exchange –NYSE- or the National Association of Securities Dealers Automated Quotations –NASDAQ-. The total number of companies observed over the years 2005-2007 is 406. Companies can be huge ones such as Altria Group who owes Philip Morris USA, US Smokeless Tobacco company, John Middleton and Ste Michelle Wine Estates and making profit of 25 781 0000 \$ in 2005; or the Boeing company, world's largest aerospace company and leading manufacturer of commercial jetliners and defense, space and security systems, with 21968 0000 \$ of assets in 2005. Companies can be big size ones such as Amgen, a biotechnology leader and doing 9235 0000 \$ in 2005. And it finally can also be a medium size firm such as Cummins, global leader of complementary business units that “design, manufacture, distribute and service engines and related technologies, including fuel systems, controls, air handling, filtration, emission solutions and electrical power generation systems”, and making 3916 0000\$ of assets in 2005. Companies are not categorized but we can determine their industrial sector thanks to the Standard Industrial Classification -SIC- code and we will test in future research if the social policy shareholder activism varies from one sector to another.

2. Shareholders targeting companies with social policy proposals

We consider 9 types of filers that submitted 3428 resolutions in 11 years. We must remember the fact that one filer can submit proposals to several firms in a year. From 1997 to 2004, details of the filer’s composition were not available to me, then we only discuss about the years 2005-2007 where 152 filers were present and propose 1118 resolutions. They are composed by a category of Religious investors; they were 56 investors to be socially responsible. A religious investor example is the Interfaith Center of Corporate Responsibility

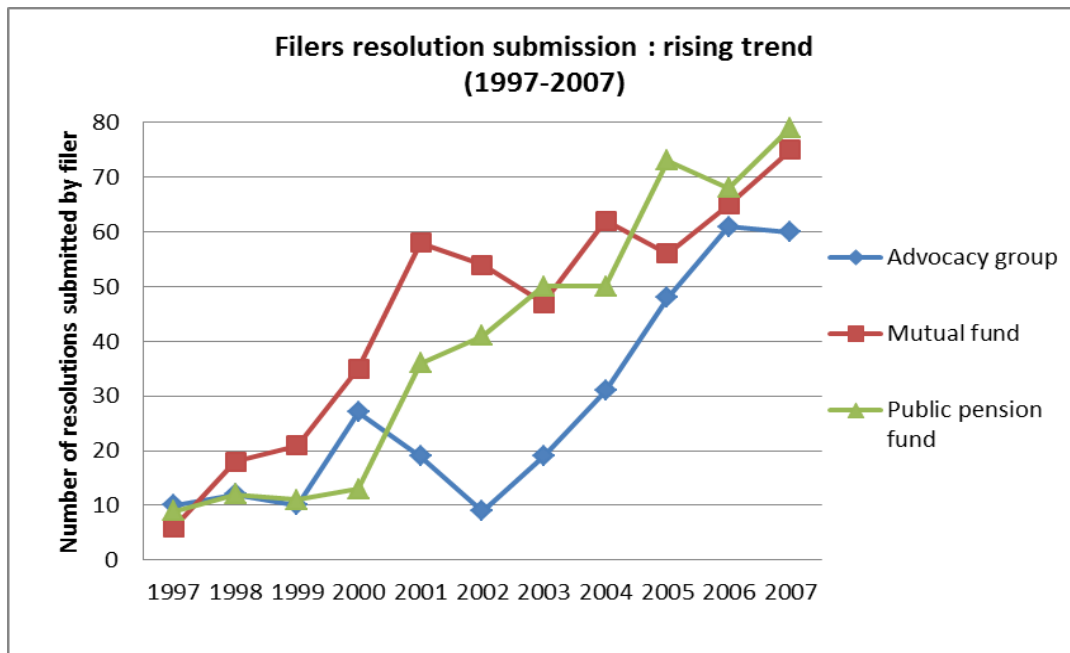
-ICCR-, it is a faith-based organization and its “members promote corporate transformation from the inside by engaging and advising management towards sustainable practices”⁵⁶. We counted 45 Individual investors within the tree years and 9 mutual funds. As mutual fund, we can quote Calvert Investments that offers equity funds and other type of funds (assets allocation fund, bond funds...) ⁵⁷. Pension funds were 8 in number and the New York City Employee Retirement System –NYCERS- is an example of an active public pension fund. Another category of filer is the Advocacy groups, they were 15 groups. The PETA organization -People for the Ethical Treatment of the Animals- is a large advocacy group struggling for animal rights. In the background, we find the Asset managers (5 groups) such as the Boston Common Asset Management -BCAM-; trade unions like the International Brotherhood of Du pont Workers –IBDW- with 10 trade unions; The General Board of Pension and health of the United Methodist Church –GBPUMC- is the only one Church-based pension fund; finally Trade union-based pension funds were 4 organizations (ex: Central Laborers’ Pension Welfare & Annuity Fund).

What about the number of resolutions each category submitted between 1997 and 2007? In descending order, Religious investors are the first socially responsible investors with 32% of the 3428 resolutions. Then Individual investors come with 17% of proposal submitted. The third one that proposed 14% of the resolution is the mutual funds category. With 9% of the submittal, advocacy groups are an important part of the filers. Assets managers are responsible of 6% of the total resolutions; trade unions, 4%; Church based pension funds, 3%; and finally 1% for the Trade union based pension funds.

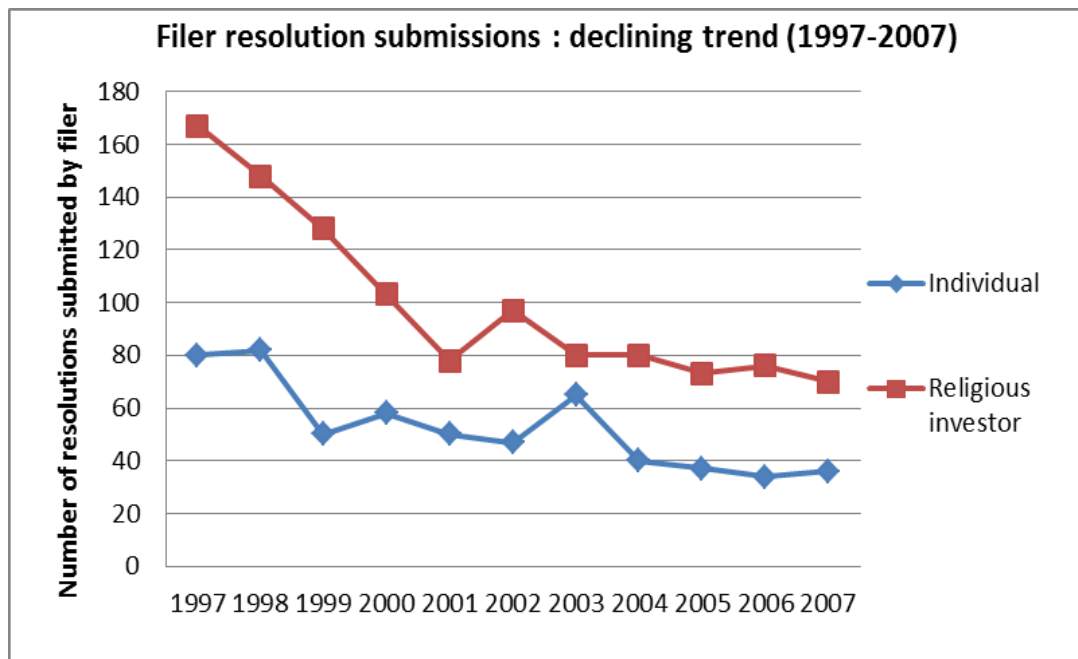
We observed important trends between 1997 and 2007. We split those who are rising, those decreasing and the others. Mutual funds is an emerging category, they started with 6 resolutions submitted in 1997 to finish in 2007 with 75. The number was multiplied by 12.5. The second one concerns the proportion of Public pension funds; submitted resolutions increased over the years: resolutions are multiplied by 9 between 1997 and 2007. Advocacy group resolutions rose as well, they faced a 500% raise over the 11 years.

⁵⁶ <http://www.iccr.org/about/>

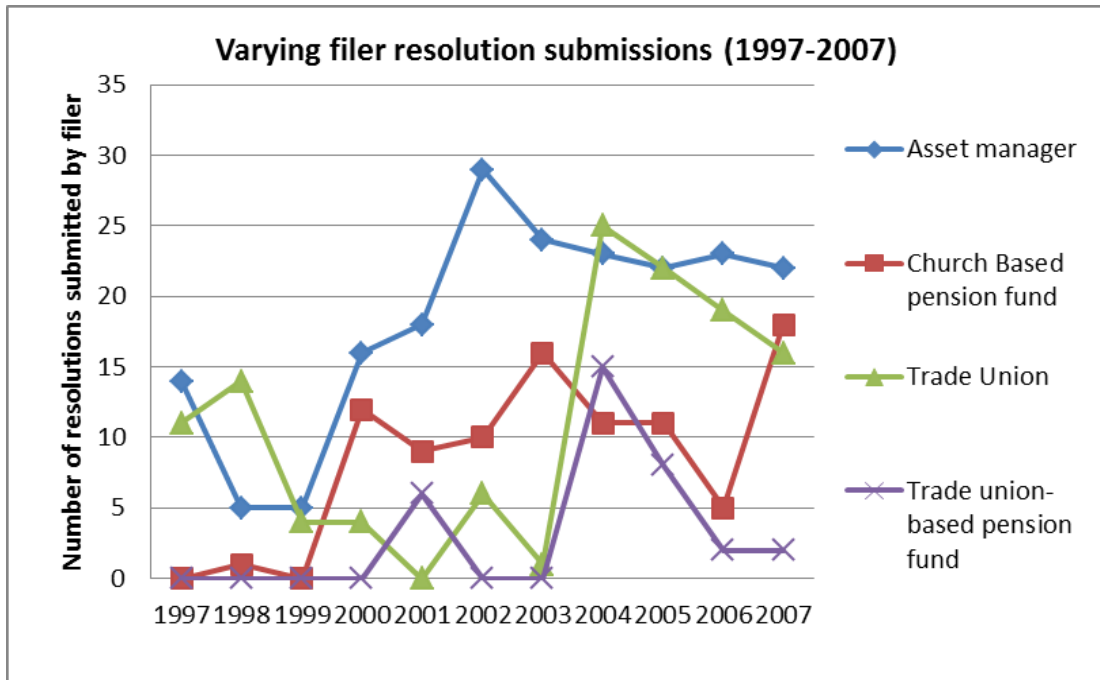
⁵⁷ <http://www.calvert.com/products-mutualfunds.html>



Declining filers: Religious investors suffered an important 58% decrease between 1997 and 2007. In the same way, Individual investor's resolution number was divided by 2.

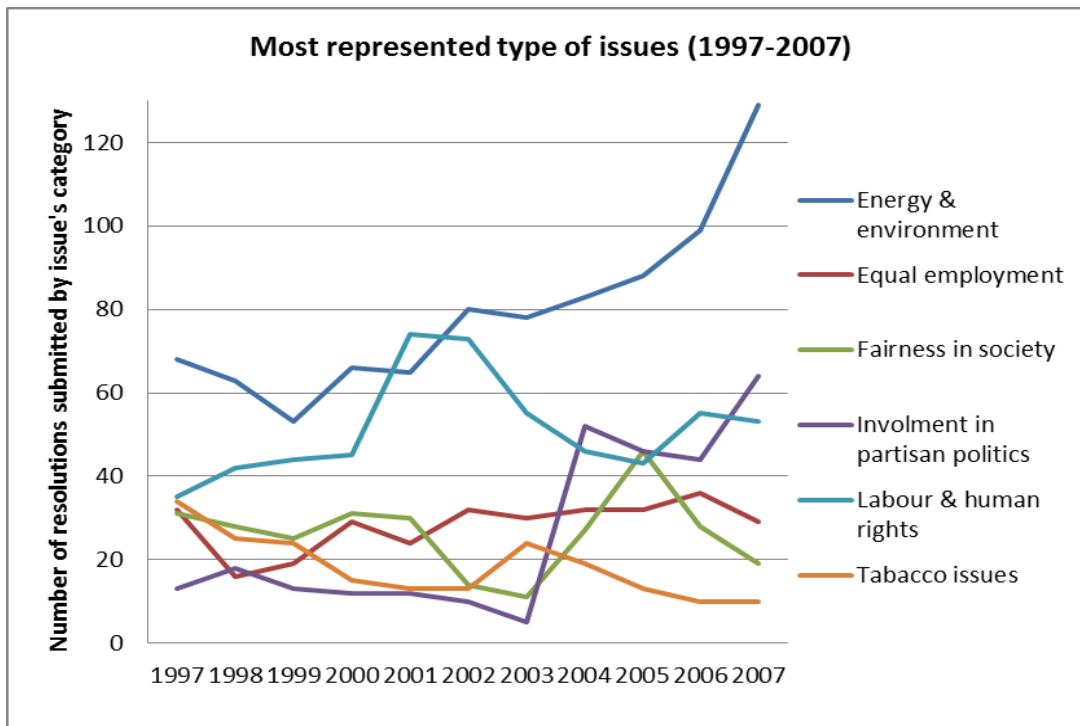


The resolutions submitted by the Asset managers, trade unions, trade union-based pension funds and church based-pension funds are irregular. Even if their overall proportion seems to increase, we cannot find specific tendencies.



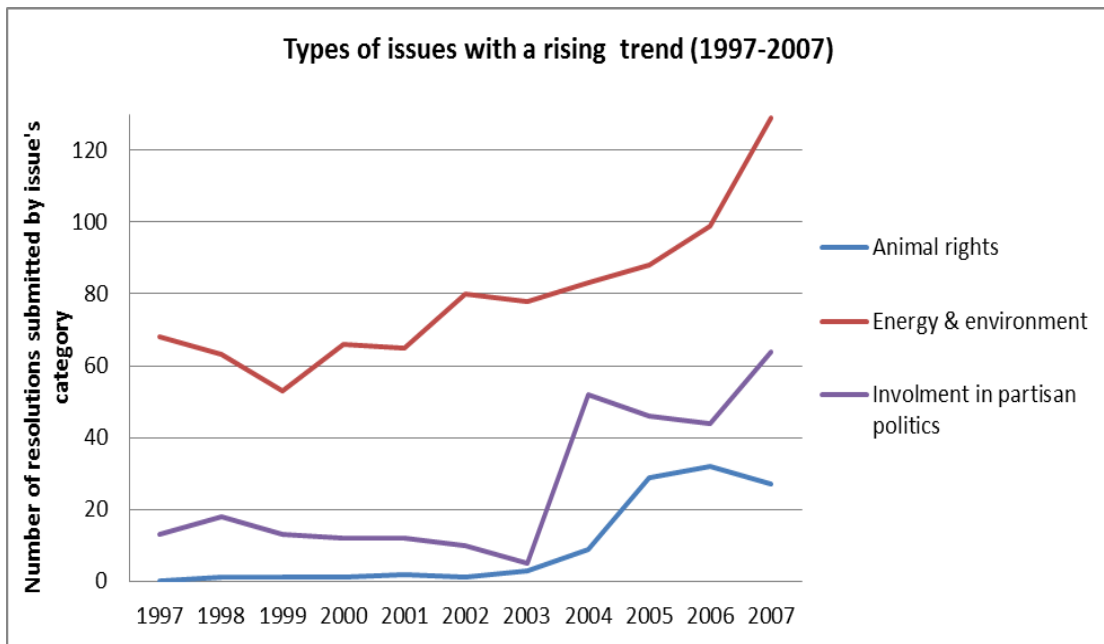
3. Issues addressed by the filers to targeted companies

We count 21 sort of issues addressed to companies and among them, 6 categories are more present. The category that comes most often is the ‘Energy & environment’ one, it represents 25% over the 3428 total resolutions submitted between 1997 and 2007. Then, issues concerning the ‘Labor & human rights’ question gathered 16% of the total proposals. We noticed that the ‘Equal employment’ issues assembled 9% of the proposals; 8% for ‘Involvement in partisan politics’ of a firm; the ‘Fairness in society’ topic 8% and the ‘Tobacco’ issues 6%. The first six types of issues gather 74% of the propositions over 11 years.

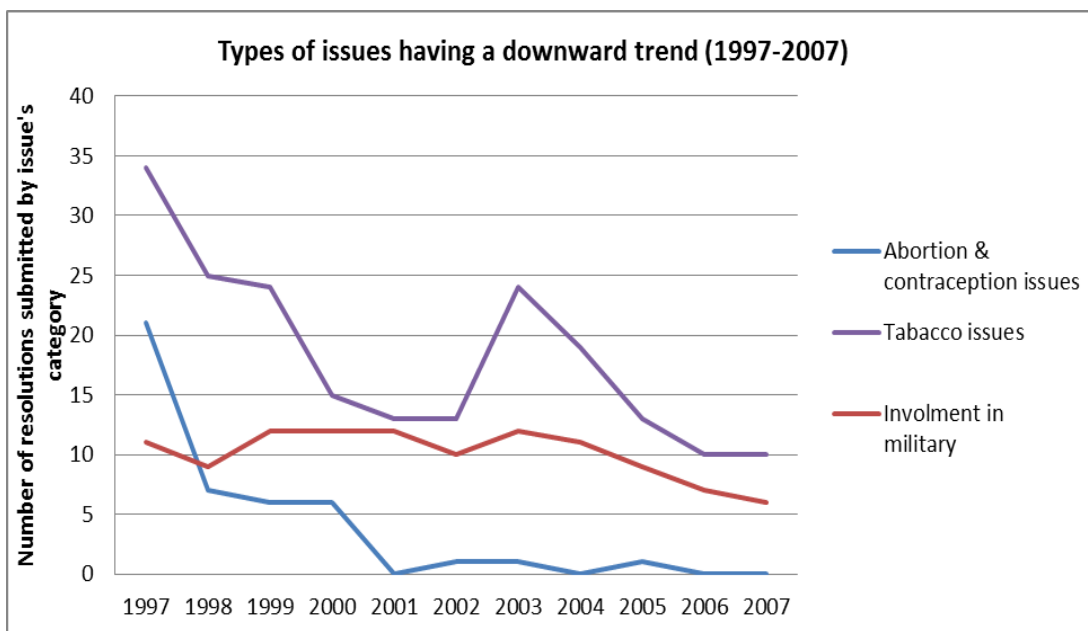


Within the remaining 26% submission, we could find and class 16 different themes in descending order: ‘Human health issues’ (4%); ‘Board diversity’ (4%); ‘Charitable giving’ (4%); ‘Involvement in military’ (3%); ‘Animal rights’ (3%); ‘Abortion & contraception issues’ (1%); ‘Other or unknown’ (1%) ‘Product and service quality, safety & reliability’ (1%); ‘Local community rights’ (1%); ‘Workplace issues’ (1%); ‘restriction or removal of equal employment practices’ (1%); ‘Corruption’ (1%); ‘Ethnic & nationally-based discrimination’ (<1%); ‘Family & conservative values’ (<1%); ‘Corporate welfare & government link’ (<1%); ‘No involvement in pornography’ (<1%).

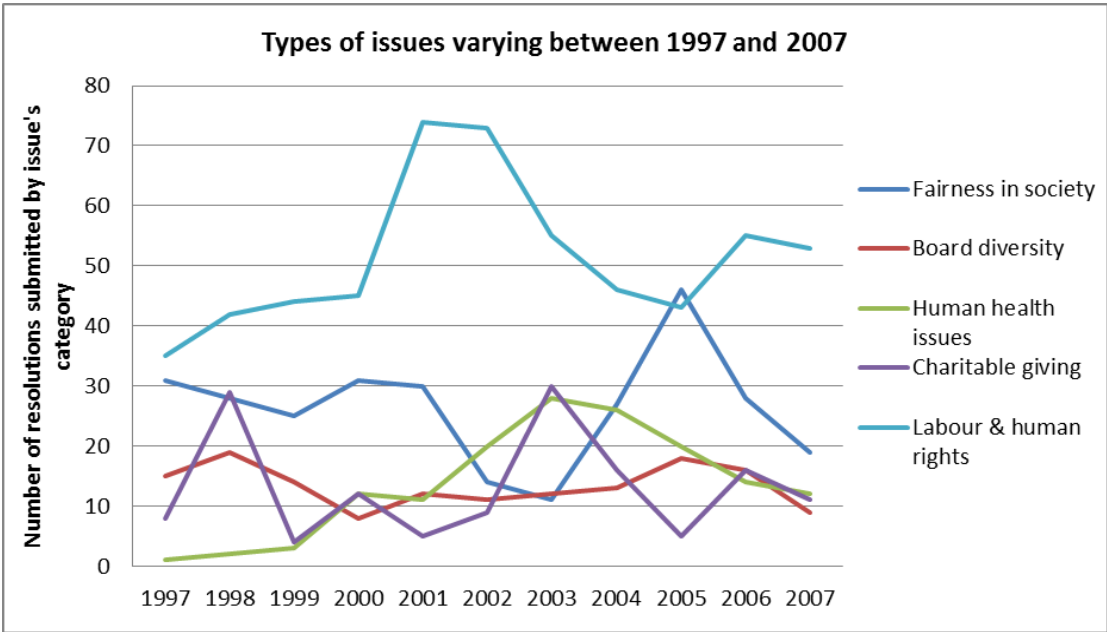
We observed several trends concerning the evolution of the type of issues the shareholders suggested and as we did for the filers, we make the difference between those that have a tendency to increase, those with a decreasing tendency and the others. Issues that increased between 1997 and 2007 firstly concerns the Energy & environment theme because it contains ¼ of the 3428 resolutions and the number of proposals rose by 82% from 1997 to 2007. As a rising trend, we saw that the number of resolutions submitted to fight against Political donation and support, presents high proportions from 2004 to 2007 (82% rise). Again, Animal rights issue exploded and since 2005, 29% of the animal rights proposals were submitted between 2005 and 2007.



Within the issues having a downward tendency, Tobacco resolutions firstly because they decreased by 71%. They have been successful during the first years observed. It counted for 11% of the resolutions in 1997 against 3% in 2007. Concerning the struggle against Involvement in military, the number of resolutions are stable from 1997 to 2004 with an average of 11 per year but it starts decreasing since 2005 (45% of diminution between 2004 and 2007). Same thing happened with the Abortion and contraception issues, they represented 7% of the 1997 proposals against 0% of the 2007 ones.



Others categories are undergoing many changes. We primarily talk about the Labor and human rights social proxy. We observe 111% of increase from 1997 to 2001 followed by a 30% diminution until 2007. When we observe the proportion of Fairness in society concerns resolutions since 1997, we notice that the proportion varies a lot over years: 11% of proposals of this category were submitted in 1997, 5% in 2002, 16% in 2005 and finally 7% in 2007. Something interesting appears when we overlook the number of Human health issues over 11 years; resolutions are multiplied by 28 between 1997 and 2004 and then decreased by 54% until 2007. Again, the proportion of Board diversity questions submitted by year varies a lot: 10% of diversity issues in 1997, 5% in 2000, 12% in 2005 and again 6% in 2007. As a fifth note, we observed that Charitable giving concerns are not stable. It varies between 3% and 21% of the category's proposal submitted in year.



4. Outcome of the submitted resolutions

There are three possible outcomes. The first one corresponds to the fact that a resolution could be voted on during the general annual meeting of shareholders, but it does not mean that the policy will be put into place by the management. To solve that, shareholders can resubmit the proposal during the next year but only if the votes collected previous year reached a certain threshold: 3% of vote the first year of submission, 6% for the second and 10% for the third one or more.

Resolutions can also be withdrawn by shareholders. It means that a discussion - positive or negative- happened between filer and manager and that they both agree to make it easier by withdrawing the proposal. And finally, resolutions can be omitted by the SEC that regulates the rule 14a-8, this omission prevent shareholders from resubmitting the proposal the year after and is considered as a failure in negotiation.

So then, outcomes determine if the submitted resolution was a success or not, whether shareholders succeed to forced management to think about improving their corporate and social responsibility.

Several theories explain the fact of being withdrawn. Some of them such as Chidambaran and Woidtke⁵⁸ consider a withdrawal as a success and that a proposal being submitted to vote represents a failure in negotiation. Tkac⁵⁹ also considers that a withdrawn resolution usually leads to management action like dialogue, agreement or other compromises. Proffitt & Spicer⁶⁰ explained that filers may accept gesture from the management in exchange for withdrawing.

But Rojas and all⁶¹ expounded the fact that, on the contrary, to withdraw a resolution expecting a low level of vote is avoiding it to be omitted for years. Outlining this, they thought that counting each withdrawal as a success will lead research to overestimate the efficacy of filling resolution. They hypothesized that when a resolution is withdrawn for unknown reason, it tends to be a sign on failure in negotiation. They also consider that when a resolution is submitted in consecutive years (same resolution, filer and firm) and withdrawn several times, we can only count the last withdrawal. In fact, a resolution can be withdrawn while no dialogue between shareholders and management is initiating or dialogue does not lead to the expected results. To answer to this problem, Rojas and all, in their 1997-2004 study, examined the number of proposals that were withdrawn during the previous year to avoid double counting in the case of successful or dialogue initiated withdrawals. I did so as

⁵⁸ Chidambaran, N.K., and Woidtke, T. (1999). The role of negotiations in corporate governance: Evidence from withdrawn shareholder-initiated proposals. *New York University, Center for Law and Business, Working Paper CLB-99-012*, available online: http://papers.ssrn.com/sol3/papers.cfm?abstract_id=209808, March 7, 2008.

⁵⁹ Tkac P. (2006), "One proxy at a time: pursuing social change through shareholder proposals" *Economic Review-Federal Reserve Bank of Atlanta*, 91.

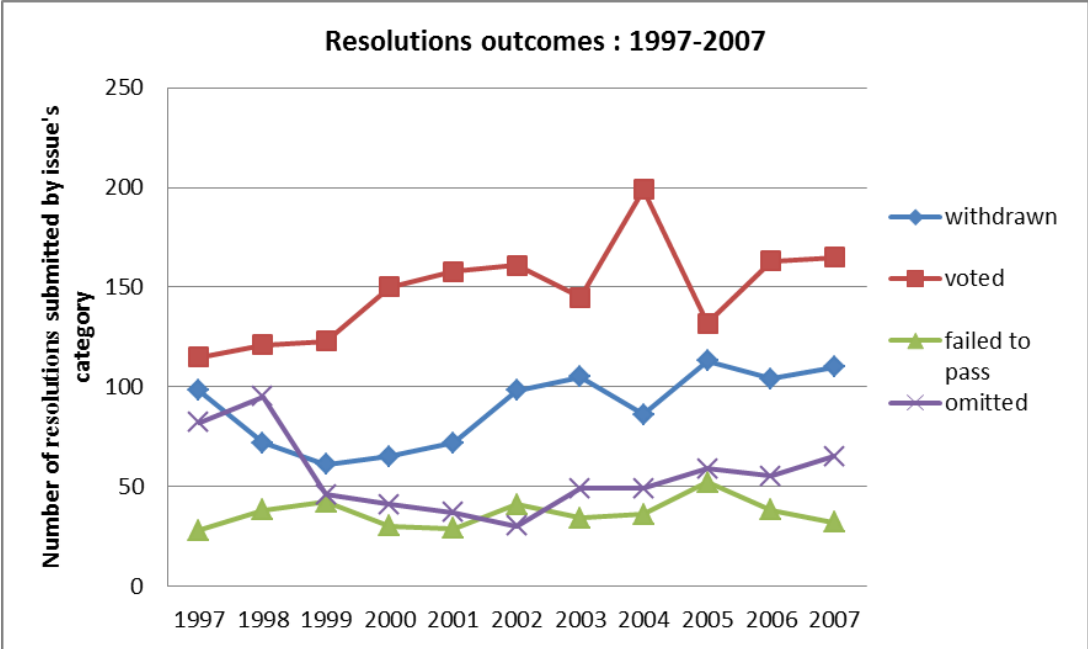
⁶⁰ Proffitt, W. T. and Spicer, A. (2006). Shaping the shareholder activism agenda: institutional investors and global social issues. *Strategic Organization*, 4 (2): 165–190.

⁶¹ Rojas and all. (2009). Bringing about changes to corporate social policy through shareholder activism: filers, issues, targets and success. *Business and Society review*, 114.

well for the years 2005-2007, I observed each resolution and gave them a specific code when they have been previously submitted.

29% of the 3428 resolutions submitted by shareholders between 1997 and 2007 were withdrawn. Among the withdrawn ones, we do not make the difference between those that have been a success or lead to dialogue and those that can be considered as a failure (research will go into detail in the future). As a consequence, we agree that consider 29% of the social proxy as successes corresponds to an overestimation. The number of withdrawal slightly rose by 12% between 1997 and 2007 but it could be due to the general increase of resolution submitted.

To the contrary, we noticed that 48% of the social proxy have been submitted to vote and reached the required thresholds. This percentage increased by 44% from 1997 to 2007 while the number of resolutions failing to pass stays stable over the years (mean of 36 proposals per year). Omitted propositions followed a decrease of 63% from 1997 to 2002 and a rise of 116%. As we did before, we observe the evolution of the resolution’s outcomes and illustrate it with a graph.



Due to lack of time to organize seminar during the Canadian university holidays, we did not discuss the interpretation of the previous graphics and results I found. What we can say is that the future evolution of US social proxy voting will probably be done by shareholders such as: Mutual funds, Public pension funds and Advocacy groups. The

proportion of this three filers soared over the year; in 1997, they represented 8% of the proposals against 56% in 2007. We could think that these shareholders will keep going on that way. Concerning the issues that will surely remain the more discussed, we can quote the Energy and environment and Political involvement ones. Energy and Environment represent such an important global issue that was highlighted by speeches on global warming like the Albert A. Gore (2006) one. The fact that the submitted resolutions that reached the required thresholds increased, can be considered as a sign of success; same thing the proportion of withdrawals that rose, and the omitted proposal number that decreased over the years. These figures show that filing social policy resolutions is not vain.

7- Conclusion

My Canadian work experience was worth to be lived. I approached North America on a research and work condition point of view. Cultural customs of the business world are different compared to the French ones. We do not feel the hierarchical pyramid, and professors, researchers, research assistants, Master students, Ph.D. students and employees are judged as equal. The decision-making power and authority are easily delegated and there are no standard ways to work or carry out a task as long as we reach the fixed objective.

In this report, I presented my work and its context but unfortunately, I did not have enough time to end my mission and present it in its wholeness. This is why I will go back to Montreal. The CRSDD proposed me to continue to work with them until the writing of a final paper comprising data of the years 2008, 2009 and 2010. Socially Responsible Investment integrates in the Corporate Social Responsibility area the fact to trade in a more fairly way and in a long term approach. SRI is a growing part of the international investment and we should grab our attention on its impact on the market transactions.

Concerning the environmental, social and societal approach, I have to say that Canadians appeared aware and involved; they are willing to change habits. An important market is emerging and companies are looking for being more responsible. Enterprises try to be credible to their stakeholders and audience in term of corporate and social responsibility and, in term of sustainable development.

This internship was in line with what I wished and it has opened me doors to the Quebec labor market. I was heavily involved in this abroad internship and I do not regret the steps taken.

References

- ¹ http://www.uqac.ca/recherche/organismes/chaire_ecoconseil.php
- ² <http://www.crsdd.uqam.ca/Pages/presentation.aspx>
- ³ Cesar de Brito ; Jean-Philippe Desmartin ; Valéry Lucas-Leclin et François Perrin (2005). L'investissement socialement responsable. ed. Economica.
- ⁴ Definition page 21
- ⁵ Definition page 22
- ⁶ Rojas and all (2010). How Do Sponsors of Social Proxies Decide Which Companies to Pick Up? An Empirical Analysis in the Context of the United States. *Les cahiers de la CRSDD-collection recherche*, n°8.
- ⁷ Cesar de Brito ; Jean-Philippe Desmartin ; Valéry Lucas-Leclin et François Perrin (2005). L'investissement socialement responsable. ed. Economica.
- ⁸ Cesar de Brito ; Jean-Philippe Desmartin ; Valéry Lucas-Leclin et François Perrin (2005). L'investissement socialement responsable. ed. Economica.
- ⁹ <http://bourse.trader-finance.fr//capitalisation+boursiere/>
- ¹⁰ Cesar de Brito ; Jean-Philippe Desmartin ; Valéry Lucas-Leclin et François Perrin (2005). L'investissement socialement responsable. ed. Economica.
- ¹¹ Michael C Jensen (2002). Value maximisation, Stakeholder theory, and the corporate objective function. *Business ethics quarterly*, vol.76, n2. p236.
- ¹² Eugene F. Fama and Michael C Jensen (1983). Separation of Ownership and Control. *Journal of Law and Economics*, vol.26, n°2, p 16.
- ¹³ Eugene F. Fama (1980). Agency problems and the theory of the firm. *Journal of political economy*, vol. 88, n°2, p288-307.
- ¹⁴ Michael C Jensen and William M Meckling (1976). Theory of the firm: managerial behaviour, agency costs and ownership structure. *Journal of financial economics*, vol.3, n°4, p309.
- ¹⁵ Eugene F Fama and Michael C Jensen (1983). Separation of ownership and control. *Journal of law and Economics*, vol. 26, n°2, p301-325.
- ¹⁶ Masahiko Aoki (1982). Equilibrium growth of the hierarchical firm : shareholder employee cooperative game approach. *American Economic Review*, vol. 72, n°5, p1097-1110.
- ¹⁷ Charles W L Hill et Thomas Jones (1992). Stakeholders-agency theory. *Journal of management studies*, vol. 29, n°2, p134.
- ¹⁸ Olivier E Williamson (1988). Corporate finance and corporate governance. *Journal of finance*, vol. 43, n°3, p574.
- ¹⁹ Jeremy Morvan (2008). L'investissement socialement responsable: une nouvelle gouvernance d'entreprise. Coll. L'harmattan, p52.
- ²⁰ Jeremy Morvan (2008). L'investissement socialement responsable: une nouvelle gouvernance d'entreprise. Coll. L'harmattan, p52.
- ²¹ J Meyer et B Rowan (1977). Institutionalized organizations : formal structure as myth and ceremony. *American journal of sociology*, vol. 83, n°2, p340-363.
- ²² Michael C. Jensen (1997). Value maximization, stakeholder theory. *Corporate governance : an international review*, vol. 5, n°1, p14 and 236.
- ²³ Thomas Donaldson et Lee E Preston (1995). The stakeholder theory of the corporation: concepts, evidence and implication. *Academy of management review*, vol. 20, n°1, p68.
- ²⁴ Chris E. Metcalfe (1998). The Stakeholder Corporation. *Business Ethics: a European review*, vol. 7, n°1, p.30-36.
- ²⁵ Thomas Donaldson et Lee E Preston (1995). The stakeholder theory of the corporation: concepts, evidence and implication. *Academy of management review*, vol. 20, n°1, p67.

- ²⁶ Jeremy Morvan (2008). L'investissement socialement responsable: une nouvelle gouvernance d'entreprise. Coll. L'harmattan, p 81.
- ²⁷ Elie Cohen (2002). Crise des subprimes : le point de vue de deux économistes . *le monde.fr* (2007).
- ²⁸ Commission Européenne, 2002. <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:52002DC0347:FR:HTML>
- ²⁹ Jeremy Morvan (2008). L'investissement socialement responsable: une nouvelle gouvernance d'entreprise. Coll. L'harmattan, p 81.
- ³⁰ http://lexpansion.lexpress.fr/entreprise/l-enquete-sur-le-scandale-maxwell-accouche-d-une-souris_89072.html
- ³¹ <http://www.monde-diplomatique.fr/dossiers/enron/>
- ³² http://www.rfi.fr/actufr/articles/051/article_27174.asp
- ³³ <http://www.liberation.fr/economie/0101415661-tyco-le-scandale-de-trop>
- ³⁴ http://www.lexpress.fr/actualite/economie/l-engrenage-fatal_498396.html
- ³⁵ Cesar de Brito ; Jean-Philippe Desmartin ; Valéry Lucas-Leclin et François Perrin (2005). L'investissement socialement responsable, *Ed. Economica*.
- ³⁶ Michel Weill (2001). Le management de la qualité. *Ed. La Découverte*.
- ³⁷ <http://www.un-documents.net/ocf-02.htm#l>
- ³⁸ <http://solidarites.info/sommet-de-la-terre.php>
- ³⁹ <http://www.unglobalcompact.org/AboutTheGC/>
- ⁴⁰ Cesar de Brito ; Jean-Philippe Desmartin ; Valéry Lucas-Leclin et François Perrin (2005). L'investissement socialement responsable . *Ed. Economica*.
- ⁴¹ Cesar de Brito ; Jean-Philippe Desmartin ; Valéry Lucas-Leclin et François Perrin (2005). L'investissement socialement responsable . *Ed. Economica*.
- ⁴² Non Governmental Organization
- ⁴³ Cesar de Brito ; Jean-Philippe Desmartin ; Valéry Lucas-Leclin et François Perrin (2005). L'investissement socialement responsable. *Ed. Economica*
- ⁴⁴ <http://www.unpri.org/principles/>
- ⁴⁵ <http://www.equator-principles.com/index.php/about-the-equator-principles>
- ⁴⁶ Latest version in 2006, G3 Guidelines.
<http://www.globalreporting.org/AboutGRI/WhatIsGRI/>
- ⁴⁷ <http://www.unepfi.org/about/index.html>
- ⁴⁸ <http://www.soxlaw.com/index.htm>
- ⁴⁹ Cesar de Brito ; Jean-Philippe Desmartin ; Valéry Lucas-Leclin et François Perrin (2005). L'investissement socialement responsable. *Ed. Economica*.
- ⁵⁰ Morgan Stanley Capital International, Environmental, Social & Governance.
http://www.msci.com/products/esg/about_msci_esg_research.html. "MSCI ESG Research builds on the expertise and achievements of sustainability pioneers KLD, Innovest and IRRC, acquired through MSCI's acquisition of RiskMetrics".
- ⁵¹ <http://www.compustat.com/content.aspx?id=226>
- ⁵² "Wharton Research Data Services (WRDS) is a web-based business data research service from The Wharton School at the University of Pennsylvania; WRDS is the de facto standard for business data, providing researchers worldwide with instant access to financial, economic, and marketing data though a uniform, web-based interface". http://wrds-web.wharton.upenn.edu/wrds/demo/demoform_compustat.cfm
- ⁵³ <http://www.investopedia.com/terms/t/tickersymbol.asp#axzz1W3FgwQYh>
- ⁵⁴ <https://www.cusip.com/cusip/about-cgs-identifiers.htm>
- ⁵⁵ <http://www.nyse.com/>
- ⁵⁶ <http://finance.yahoo.com/>

⁵⁷ <http://www.iccr.org/about/>

⁵⁸ <http://www.calvert.com/products-mutualfunds.html>

⁵⁹ Chidambaran, N.K., and Woitke, T. (1999). The role of negotiations in corporate governance: Evidence from withdrawn shareholder-initiated proposals. *New York University, Center for Law and Business*, Working Paper CLB-99-012, available online:

http://papers.ssrn.com/sol3/papers.cfm?abstract_id=209808, March 7, 2008.

⁶⁰ Tkac P. (2006), "One proxy at a time: pursuing social change through shareholder proposals" *Economic Review-Federal Reserve Bank of Atlanta*, 91.

⁶¹ Proffitt, W. T. and Spicer, A. (2006). Shaping the shareholder activism agenda: institutional investors and global social issues. *Strategic Organization*, 4 (2): 165–190.

⁶² Rojas and all. (2009). Bringing about changes to corporate social policy through shareholder activism: filers, issues, targets and success. *Business and Society review*, 114.

Bibliography

Cesar de Brito ; Jean-Philippe Desmartin ; Valéry Lucas-Leclin et François Perrin (2005). L'investissement socialement responsable. ed. Economica.

Chidambaran, N.K., and Woidtke, T. (1999). The role of negotiations in corporate governance: Evidence from withdrawn shareholder-initiated proposals. *New York University, Center for Law and Business, Working Paper CLB-99-012*, available online: http://papers.ssrn.com/sol3/papers.cfm?abstract_id=209808, March 7, 2008

Chris E. Metcalfe (1998). The Stakeholder Corporation. *Business Ethics: a European review*, vol. 7, n°1, p.30-

Elie Cohen (2002). Crise des subprimes : le point de vue de deux économistes . *le monde.fr* (2007).

Eugene F. Fama and Michael C Jensen (1983). Separation of Ownership and Control. *Journal of Law and Economics*, vol.26, n°2, p 16

Eugene F. Fama (1980). Agency problems and the theory of the firm. *Journal of political economy*, vol. 88, n°2, p288-307.

Jeremy Morvan (2008). L'investissement socialement responsable: une nouvelle gouvernance d'entreprise. Coll. L'harmattan, p52.

Masahiko Aoki (1982). Equilibrium growth of the hierarchical firm : shareholder employee cooperative game approach. *American Economic Review*, vol. 72, n°5, p1097-1110.

Charles W L Hill et Thomas Jones (1992). Stakeholders-agency theory. *Journal of management studies*, vol. 29, n°2, p134.

Meyer and B Rowan (1977). Institutionalized organizations : formal structure as myth and ceremony. *American journal of sociology*, vol. 83, n°2, p340-363.

Michael C Jensen (2002). Value maximisation, Stakeholder theory, and the corporate objective function. *Business ethics quarterly*, vol76. n2. p236.

Michael C. Jensen (1997). Value maximization, stakeholder theory. *Corporate governance : an international review*, vol. 5, n°1, p14 and 236.

Michael C Jensen and William M Meckling (1976). Theory of the firm: managerial behaviour, agency costs and ownership structure. *Journal of financial economics*, vol.3, n°4, p309.

Olivier E Williamson (1988). Corporate finance and corporate governance. *Journal of finance*, vol. 43, n°3, p574.

Proffitt, W. T. and Spicer, A. (2006). Shaping the shareholder activism agenda: institutional investors and global social issues. *Strategic Organization*, 4 (2): 165–190.

Rojas and all. (2009). Bringing about changes to corporate social policy through shareholder activism: filers, issues, targets and success. *Business and Society review*, 114.

Rojas and all (2010). How Do Sponsors of Social Proxies Decide Which Companies to Pick Up? An Empirical Analysis in the Context of the United States. *Les cahiers de la CRSDD-collection recherche*, n°8.

Thomas Donaldson et Lee E Preston (1995). The stakeholder theory of the corporation: concepts, evidence and implication. *Academy of management review*, vol. 20, n°1, p68.

Tkac P. (2006), “One proxy at a time: pursuing social change through shareholder proposals” *Economic Review-Federal Reserve Bank of Atlanta*, 91.

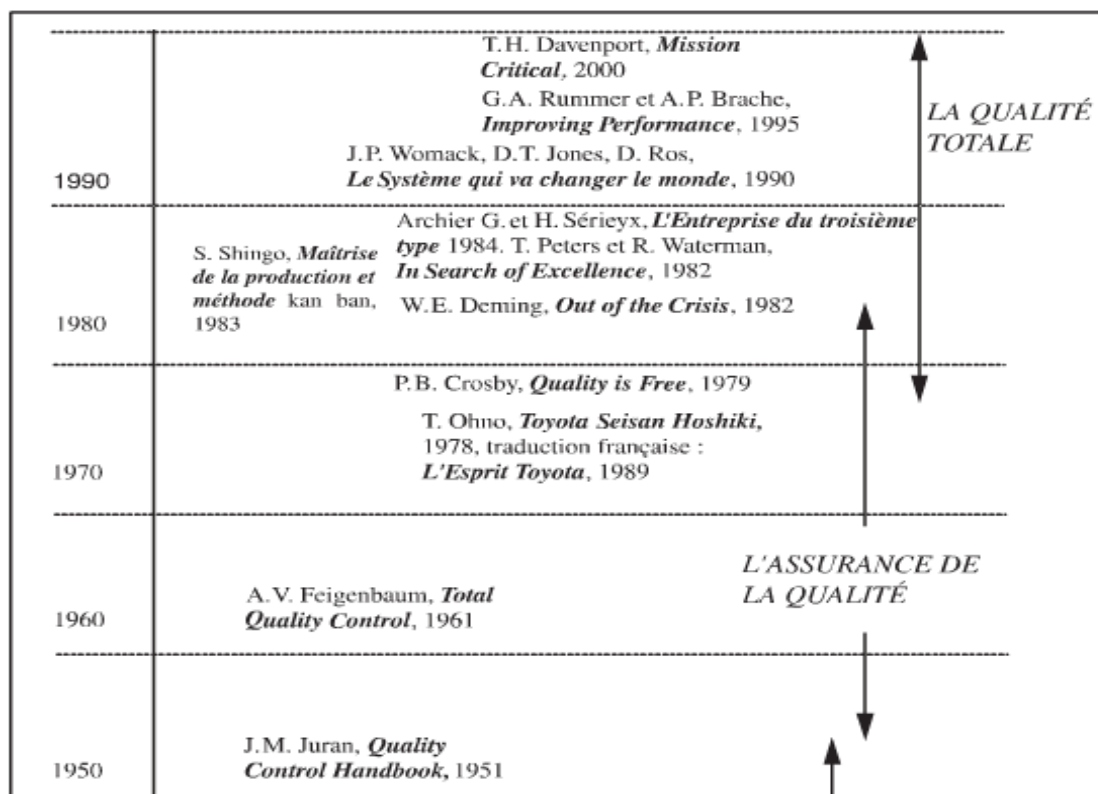
Websites list

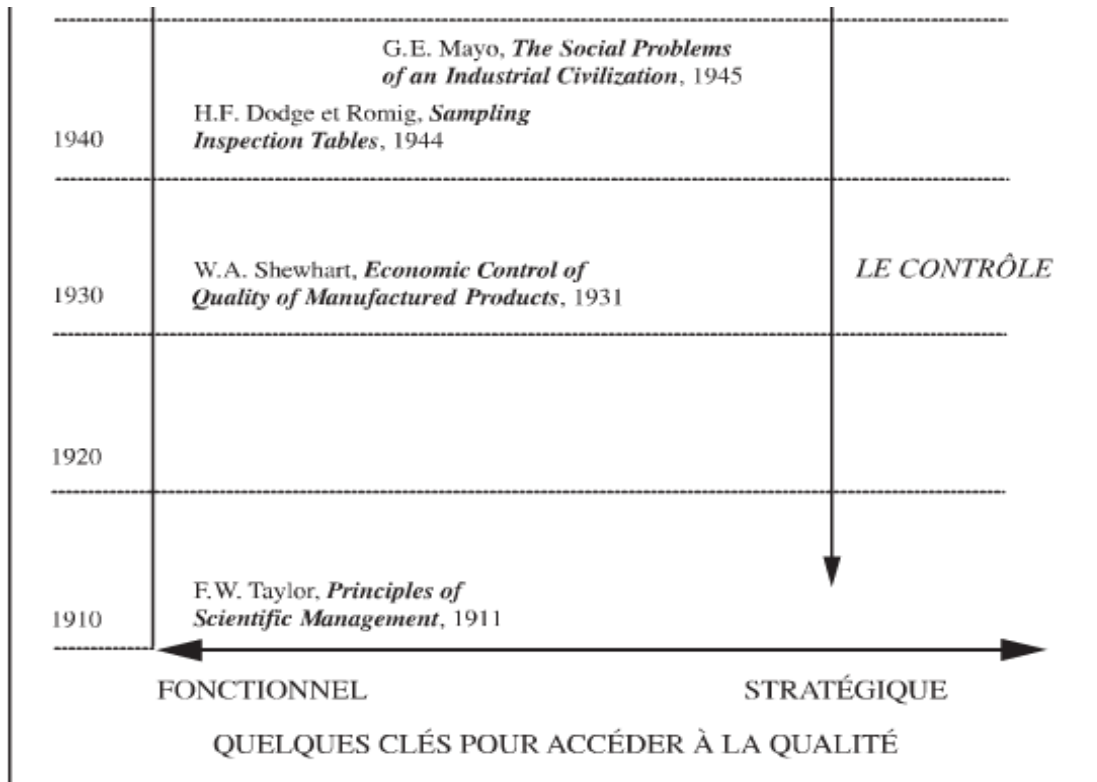
<http://bourse.trader-finance.fr//capitalisation+boursiere/>
<http://www.calvert.com/products-mutualfunds.html>
<http://www.compustat.com/content.aspx?id=226>
<http://www.crsdd.uqam.ca/Pages/presentation.aspx>
<https://www.cusip.com/cusip/about-cgs-identifiers.htm>
<http://www.equator-principles.com/index.php/about-the-equator-principles>
<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:52002DC0347:FR:HTML>
<http://finance.yahoo.com/>
<http://www.globalreporting.org/AboutGRI/WhatIsGRI/>
<http://www.iccr.org/about/>
<http://www.investopedia.com/terms/t/tickersymbol.asp#axzz1W3FgwQYh>
http://lexpansion.lexpress.fr/entreprise/l-enquete-sur-le-scandale-maxwell-accouche-d-une-souris_89072.html <http://www.monde-diplomatique.fr/dossiers/enron/>
http://www.lexpress.fr/actualite/economie/l-engrenage-fatal_498396.html
<http://www.liberation.fr/economie/0101415661-tyco-le-scandale-de-trop>
http://www.msci.com/products/esg/about_msci_esg_research.html
<http://www.nyse.com/>
http://www.rfi.fr/actufr/articles/051/article_27174.asp
<http://solidarites.info/sommet-de-la-terre.php>
<http://www.soxlaw.com/index.htm>
http://www.uqac.ca/recherche/organismes/chaire_ecoconseil.php
<http://www.un-documents.net/ocf-02.htm#l>
<http://www.unepfi.org/about/index.html>
<http://www.unglobalcompact.org/AboutTheGC/>
<http://www.unpri.org/principles/>
http://wrds-web.wharton.upenn.edu/wrds/demo/demoform_compustat.cfm

Annexes

Annex n°1

Evolution of the Quality concept





Source: Weill (2001)

Annex n°2

Rating agency positioning by mission and methodology

Mutual fund	Bq Sarasin (CH) 1980 Calvert (US) 1981 Citizen Advisor (US) 1982 KLD (US) 1990 MJRA (Can) 1992	Storebrand (Nor) xx	SAM (CH) 1995 Innovest (US) 1995
		Stockat (Bel) 2000	Arèse (Fr) 1997
Rating	Ethiscan (Can) 1988 Triodos (NL) 1980	PIRC (UK) 1986 OEKOM (D) 1993	Caring Co (S) 1992 Centre Info (CH) 1992 SERM (UK) 1996
		Eiris (UK) 1983 Ethibel (Bel) 1992 IRRC (US) 1972	IMUG (D) 1992 SIRS (US) 1985 Avanzi (I) 1999 FED (S) 1992 SCORIS (D) 2000 CFRIB (US) 1969
Consultant		ODE (Fr) 1997	
	Exclusion	Compilation	Sustainable development

Annex n°3

MSCI directory of social policy resolutions (2005)

DEFENSE CONTRACTING**(2005 Background Report D)**

Proposal: Asks the board to "review and if necessary amend and amplify our company's code of conduct and statements of ethical criteria for military production-related contract bids, awards and contract execution, and report the results of this process to shareholders within six months of the annual meeting."

Alliant Techsystems

Primary Filer: School Sisters/Notre Dame
Vote: 5.7 percent
Vote needed: 3 percent

Boeing

Primary Filer: School Sisters/Notre Dame
Vote: 7.7 percent
Vote needed: 6 percent

United Technologies

Primary Filer: Sisters Charity/St. Elizabeth
Vote: 3.8 percent
Vote needed: 6 percent
 * * *

General Dynamics

Proposal: Requests that the board report, within six months of the annual meeting, on its "foreign sales of weapons-related products and services."
Primary Filer: Sisters of Loretto
Vote: 6.2 percent
Vote needed: 10 percent

NORTHERN IRELAND**(2005 Background Report M)**

Proposal: Asks the company to "make all possible lawful efforts to implement and/or increase activity on each of the nine MacBride Principles."

Primary Filer: NYC funds

Claire's Stores

Vote: 12.1 percent
Vote needed: 10 percent

Raytheon

Vote: 9.8 percent
Vote needed: 10 percent

TeleTech Holdings

Vote: 4.9 percent
Vote needed: 10 percent

Yum Brands

Vote: 14.7 percent
Vote needed: 10 percent

POLITICAL CONTRIBUTIONS/TIES**(2005 Background Report F)**

Proposal: Requests that the company provide an annual or semi-annual report on its website that discloses the company's:

1. Policies and procedures for political contributions (both direct and indirect) made with corporate funds.
2. Monetary and non-monetary contributions to political candidates, political parties, political

committees and other political entities organized and operating under 26 USC Sec. 527 of the Internal Revenue Code including the following:

- a. An accounting of the company's funds contributed to any of the persons described above;
- b. The business rationale for each of the company's political contributions; and
- c. Identification of the person or persons in

Source : MSCI

Wharton UNIVERSITY OF PENNSYLVANIA **wrds** WHARTON RESEARCH DATA SERVICES The Global Standard for Business Research Welcome, laura! [Log Out]

HOME TOOLS SUPPORT E-LEARNING FORUMS NEWS ABOUT MyWRDS Search WRDS

Home → Tools → Company Search

Select a Data Set:
 Select an available dataset ▾
 Help me find my data

WRDS Tools
 WRDS Tools Home
 Variable Search
 Dataset List
 Company Search
 Dataset Tools
 SASTemp Directory Usage
 Option Value Calculator

Contact WRDS
 Info/Support Request

Search WRDS

 [Advanced Search](#)

Company and Identification Search For North America
 This search tool produces tables of company names and associated ID keys from the COMPUSTAT Industrial Annual, CRSP Daily and Monthly, IBES, TAQ, GSIOnline M&A, IRR, Thomson and OSIRIS databases that primarily cover U.S. and other North American companies. For European companies, see [Company Search for Bureau van Dijk](#).

Select Data Sets to Search:

- COMPUSTAT North America
- CRSP Stocks
- IBES Analysts Forecasts and Estimates
- TAQ Trades and Quotes
- GSIOnline Mergers and Acquisitions
- IRR Takeover Defenses and Directors
- Thomson Institutional Holdings Insiders
- OSIRIS US Company Financials

Search By: ▾

Enter company ticker, cusip, or name:

Company Name search: A company will be displayed if its name contains the search string in any position. Upper and lower case differences are ignored.

Ticker Symbol search: All companies will be displayed whenever they have tickers that either (1) match exactly the search value, (2) precede the search value with a single numeric digit, or (3) follow the search value with a period (only relevant in Compustat and IBES). For example, a search for "PHRM" (or "phrm") would be matched by tickers such as PHRM, 3PHRM, PHRM., PHRM.Y, and 3PHRM.Y. Note that IBES foreign companies usually have ticker symbols that start with "@". Such cases are identified using USFIRM variable and are excluded from the display.

CUSIP search: A company or security will be displayed if the CUSIP starts with the search string. For example, searching by CUSIP Number for "3073" (without the quotes) displays all companies with 3073 in the first 4 digits of their CUSIP numbers (e.g. 30736210 and 30738720 and 30732720 and not 03073E10 or 17307310). The six characters in Compustat CNUM, the issuer code, are searched as well.

Source : http://wrds-web.wharton.upenn.edu/wrds/tools/company_search.cfm

Annex n°5

Companies targeted by shareholders

Annex n°5 : US companies targeted by social policy shareholders

3M	Apple	Burlington Resources	Comcast	Group
Abbott Laboratories	Applebee's International	C H Robinson Worldwide	Comerica	Dollar Tree Stores
Activision	Applied Digital solutions	C.R. Bard	Commerce Bancorp	Dominion Resources
Advance Auto parts	Applied Materials	CACI International	Commercial Metals	Domino's Pizza
Aetna	Aquila	Campbell Soup	Computer Sciences	Donaldson
AES	Arch Coal	Capital One Financial	Conagra Foods	Dover
AFC Enterprises	Archer-Daniels-Midland	Caremark Rx	ConocoPhillips	Dow Chemical
AFLAC	Armor Holdings*	Carlisle	Consol Energy	DTE Energy
AGCO	Astoria Financial	Cash America International	Continental Airlines	Du Pont (E I) de Nemours
Albertson's	AT&T	Catellus Development	Convergys	Echostar Communications
Alcoa	Avery Dennison	Caterpillar	Cooper Cameron	EI Paso Corp
Alleghany	Avista	CBS corp	Cooper Industries	Electronic Arts
Allegheny Energy	Avon Products	Centex	Cooper Tire & Rubber	Eli Lilly
Allegheny Technologies	Baker Hughes	Century Tel	Corning	EMC
Allergan	Baldor Electric	Cerner	Corrections Corp. of America	Emerson Electric
Alliant energy	Bank of America	Charles Schwab	Corrections of America	Emulex
Alliant technologies	Bard (CR)	CheeseCake Factory	Costco Wholesale	Energy Future Holdings*
ALL TEL	Barr Pharmaceuticals	Chesapeake Energy	Crane	Energy
Altria Group	BB&T	Chevron	Crown Castle International	EOG Resources
Ameren	BE Aerospace	Chico FAS	Cummins	Espeditors Intl of Washington
American Electric Power	Becton, Dickinson	Church & Dwight	CVS	Everest Re Group
American express	Bed Bath & Beyond	CIGNA	CVS Caremark	Exelon
American financial group	BellSouth	Cinergy	D.R. Horton	Exxon Mobil
American Greetings	Bemis	Circuit city store	dana	FedEx
American International Group	Berkshire Hathaway	Cisco Systems	Danaher	Fist Data
AmeriCredit	Best Buy	Citizen Communications	Dean Foods	FirstEnergy
Angen	Black & Decker	Claire's Stores	Dell	First Horizon National
Amphenol	Blockbuster	Clarcor	Delphi	Fisher Scientific
AmSouth Bancorporation	Boeing	Clear Channel	Delta Air Lines	International
Anadarko Petroleum	Boston Properties	Clear Channel communications	Denny's	Fluor
Analog devices	Brinker International	Cleveland-Cliffs	Devon Energy	Ford Motor
Anheuser-Bursh Companies	Bristol-Myers Squibb	Coca-Cola	Dillard's	Fortune Brands
Aon	Broadcom	Colgate-Palmolive	Disney (Walt)	Freddie Mac
Apache	Burlington Northern Santa Fe		Dollar General*	Freds
			Dollar Thrifty Automotive	Freeport-McMoRan Copper & Gold

<p>Genercrop General Dynamics General Electric General Mills General Motors Gentex GEO Group Gilead Sciences Goldman Sachs Group Goodyear Tire & Rubber Google Great Plains Energy H&R Block H.J. Heinz Halliburton Harrah's Entertainment Hartford Financial Services Group Hasbro HCC Insurance Holdings Health Care Property Investors Health Management Associates Hershey Co Hewlett-Packard Home Depot Honeywell International Hormel Foods Host Hotels & Resorts Hubbell Illinois Tool Works Intel International Business Machines International Paper Johnson & Johnson JPMorgan Chase</p>	<p>JPMorgan Chase (cont'd) Juniper Networks Kansas City Southern Kellogg Key Energy Services Kimberly-Clark Kinder Morgan Kohl's Kraft Foods Kroger LandAmerica Financial Group Lear Leggett & Platt Lehman Brothers Holdings Lennar Liberty Property Trust Lilly (Eli) Limited Brands Lincare Holdings Lockheed Martin Loews Lowe's Lucent Technologies Lyondell Chemical* Macy's Manpower Marathon Oil Marrion International Markel Marsh & McLennan Massey Energy Mattel Maytag McCormick McDonald's Men's Wearhouse Merck</p>	<p>Merrill Lynch Met-Pro MGE Energy Micron Technology Microsoft Mohawk Industries Monsanto Monster Worldwide Morgan Stanley Motorola Nabors Industries Nathan's Famous National Financial Services NCR New York Community Bancorp Newell Rubbermaid Newmont Newmont Mining Nike Norfolk Southern Northern Trust Northrop Grumman NSTAR Nucor Occidental Petroleum Office Depot OfficeMax Omnicare ONEOK Oracle OSI Restaurant Partners Owens-Illinois Overseas Shipholding Group Paccar Panera Bread Peabody Energy Pentair</p>	<p>PepsiAmericas PepsiCo PETsMart Pfizer PG&E Pilgrim's Pride Plains Exploration & Production Plum Creek Timber PPG Industries Primus Telecommunications Group Procter & Gamble Progress Energy Prudential Financial Pulte Homes R. R. Donnelley & Sons Range Resources Raytheon. Reliant Energy Renal Care Group Republic Bancorp Reynolds American Rite Aid Robert Half International Roper Industries Ryland Group Ruby Tuesday Safeway Sanmina-SCI Sara Lee SBC communication Schering-Plough Scotts Miracle-Gro Seaboard Sears Holdings Corp Sempra Energy Servicemaster Company</p>	<p>Sherwin-Williams Simon Property Group Six Flags SkyWest Smithfield Foods Southern Southwestern Energy Sprint Nextel Corp St. Joe St. Paul Travelers Standard Pacific Staples Starbucks Starwood Hotels & Resorts worldwide Stericycle Strayer Education Sun Trust Banks SUPERVALU Synagro Technologies Take-Two Interactive Holdings Take-Two Interactive Software Target Taser International TD Ameritrade Holdings TeleTech Holdings Teradyne Terex Tesoro Texas Industries Texas Instruments Tetxon TJX Timberland Time Warner Timken Toll Brothers</p>
--	---	---	---	---

<p>Torchmark Toys 'R' Us Tyson Foods U.S. Bancorp Union Pacific Unisys Unit United Technologies Universal Health Services Unocal Urban Outfitters US Airways Group UST U.S. Bancorp Verizon Communications VF Viacom Vintage Petroleum Vishay Intertechnology Visteon Wachovia Walgreen Wal-Mart Stores Walt Disney Washington Group Washington* International* Washington Mutual Waste Management WellPoint Wells Fargo Wendy's International Werner Enterprises Wesco International Western Union Weyerhaeuser WGL Holdings Whole Foods Market</p>	<p>Williams Wm. Wrigley Jr. World Fuel Services Worthington Industries WPS Resources Wyeth Xcel Energy Xerox XTO Energy Yahoo! Yum Brands</p>		
--	---	--	--