

## Effective Dialogue with Companies

**Barbara Hayes**

Broadly, there are four ways in which church investors are drawn into specific corporate responsibility issues: as a result of media or NGO coverage; from theological concerns; from concerns arising from our own research; from concerns arising from impacted communities, particularly co-religionists.

### Examples of issues and concerns

As an instance of media and NGO coverage, BP's Baku-Tbilisi-Ceyhan oil pipeline has been controversial, with concerns about environmental and community impacts, security, and labour disputes. ECCR took up the issue after publishing a report on BP in 2002.<sup>1</sup> But we were reliant on the reports of others about the pipeline and adopted a more supporting role in this instance.

Stem cell research is a concern for some religious investors. ECCR member CCLA Investment Management produced an excellent report on the issue in 2003 as guidance for investment policy.<sup>2</sup>

Currently there is little opportunity for engagement with major companies about stem cell research. The big pharmaceutical corporations use the research of small companies, distancing themselves from responsibility, although this may change. Firms further along the supply chain are harder to detect, and impacts still unclear.

Other theological concerns may be more amenable to dialogue, such as child labour. First-hand information from affected communities is always needed for engagement to move beyond principles to specifics.

ECCR uses the *Bench Marks* as the basis for its research and draws on company documents, media and NGO reports, plus, where possible, information from affected communities.<sup>3</sup> Research often raises a range of issues, and a decision has to be made about which to pursue.

An example of issues arising from research is GlaxoSmithKline's application of its human rights policies in different cultures. What do equal opportunities mean for Dalit people in India? is a question ECCR raised with the company. But progress was limited, in part because of lack of pressure from Dalit communities, for whom access to employment is only part of the agenda.

The classic example of concerns arising from impacted communities is Shell. In Nigeria and Ireland people on the ground provide solid information, including an understanding of the wider political and social context.

### Essential steps

Before engaging with a company, you need information from a wide range of sources, preferably including impacted communities. Understand the industry and its issues. Get the vocabulary right, to appear serious.

Use the *Bench Marks* to clarify what it's legitimate to expect of a company. Think how to engage so as to support a local community and influencing impacts.

Companies dialogue with investors, NGOs and sometimes local communities. Needs, motivations and styles of these groups affect how companies respond. Sometimes groups combine, or they give different angles on the same situation. Media coverage forms public opinion and can also be a spur. ECCR members cross these boundaries, so we need to explain who we are and be open to working with allies.

### **Engagement methods**

Main methods of engagement are letters, public meetings, private meetings, AGM questions and resolutions. Media interest and working with other investors add to these approaches, and one method may lead to another.

Letters are, by and large, a weak form of engagement but are a starting point. A letter is likely to get a standard reply even when you exhibit knowledge, unless the company knows you or your 'credentials'. It may be possible to ask your fund manager to write on your behalf. A letter campaign involving several actors may help, but impact is uncertain.

A public meeting or debate provides an opportunity to inform or influence company personnel and open the possibility of further dialogue.

A question at an AGM may lever a further meeting - particularly if you obtain company recognition of an issue's complexity. The question needs to be phrased to inform other shareholders and avoid a simplistic or dismissive answer.

For a private meeting with the company, ground rules should be clear. ECCR's view is that information shared at such a meeting will be available to all ECCR members and possibly to allies, unless an element is agreed to be confidential. The meeting is an opportunity to get into more detail and suggest 'solutions'. The company may be less defensive and thus more likely to hear and accept your ideas in private than in public.

Be reasonable but willing to push. Avoid being subjected to smooth corporate presentations. Outline your agenda beforehand so the company can get the right people in the room. Agree further actions at the end of the meeting; ask for meetings when you want one rather than as a matter of routine.

You may know more about the issue than the company people present, because of your information, research and reflection. Don't feel intimidated by posh surroundings or urbane executives.

An AGM resolution is generally a last resort. It is labour intensive and seen by companies as confrontational. Getting the right wording is essential. The resolution needs to be within the authority of the AGM and phrased to achieve greatest possible buy-in from shareholders.

Phrase a resolution in terms of corporate governance, citing specific communities and cases as instances of why a new policy or improved implementation is needed. Once wording is agreed, company law requires you obtain support from 100 shareholders to get the resolution on to the AGM agenda. Then you need to lobby other shareholders for voting support.

**Barbara Hayes is a Board member and former Chair of ECCR. This article is based on a presentation at ECCR's meeting Shareholder Responsibility: Challenges and Opportunities, Friends House, London, 18 March 2006.**

**Notes**

1. ECCR report on BP, *Beyond Innovations?*, 2002.
2. For CCLA on stem cells, see [www.cofe.anglican.org/info/ethical/policystatements/stemcellapr03.pdf](http://www.cofe.anglican.org/info/ethical/policystatements/stemcellapr03.pdf).
3. *Principles for Global Corporate Responsibility: Bench Marks for Measuring Business Performance*, 2003, [www.bench-marks.org](http://www.bench-marks.org).

**ECCR Bulletin no. 61 June 2006**