Shareholder Activism – Opening the Door to Private Politics for NGOs and Ordinary Citizens

Abstract

With trust in governments falling and corporate power rising, citizens and third sector organisations have found other ways of expressing their position rather than through the traditional political process of casting a vote in an election. Voting through your feet (or boycotting certain products or companies) and the ethical consumerism movement are the most well-known alternatives. However, there is another, comparatively new and underused avenue for participation in corporate affairs and political processes – namely – shareholder activism. The term can be operationalised as the use of ownership rights to actively shape corporate policy and behaviour. Shareholder activism allows access to big corporations to ordinary citizens and non-governmental organisations (NGOs, hereafter) through avenues such as attendance at an annual general meeting (AGM), engagement with investors, tabling a resolution, letter writing and others. This paper draws on one case study – the campaign against Vedanta Resources and its operations in Orissa, India ran by Amnesty International and ActionAid. It discusses the various shareholder activist strategies used as part of the intervention, paying particular attention to the role of ordinary citizens. It considers the propensity of this form of campaigning for democratising large corporations and reflects on the factors that have contributed to the success of the intervention. The research is based on participant observation, qualitative interviews and document analysis.
Abbreviations

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tr>
<td>ABG</td>
<td>Amnesty Business Group</td>
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<td>AGM</td>
<td>Annual General Meeting</td>
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<td>AI</td>
<td>Amnesty International</td>
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<td>CDP</td>
<td>Carbon Disclosure Project</td>
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<td>FoE</td>
<td>Friends of the Earth</td>
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<td>JRCT</td>
<td>Joseph Rowntree Charitable Trust</td>
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<td>MoEF</td>
<td>The Ministry of Environment and Forests</td>
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<td>NGO</td>
<td>Non-governmental organisation</td>
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<td>OMC</td>
<td>Orissa Mining Corporation</td>
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<td>OSPCB</td>
<td>The Orissa State Pollution Control Board</td>
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Introduction

In the early days of NGO activity, protesters targeted the obvious source of power – the governments that permitted unethical practices to continue without any sanctions being imposed. However, although still relevant, this dynamic of activism has been increasingly supplemented by pressure directed at multinational corporations. The contemporary conception of civil society organisations, which dates back to the late 20th century, distinguishes between the state and the market economy and regards civil society as balancing the power of both, responding to consumer and citizen needs where governments and companies have failed at mitigating some of the social problems resulting from the excesses of capitalism. Among others, Cohen and Arato (1994), Mathews (1997), Kaviraj and Khilnani (2001), and Colas (2002) are prominent proponents of this perspective. Ever rising corporate power and economic influence, as well as corporations’ ability to have a significant impact on societal welfare (Davis, 1973; Klonoski, 1991) and the environment, have made business relevant to NGOs.

The ways in which NGOs have tried to exercise influence over corporations have been examined extensively in the literature leading to the advancement of a variety of different classifications that seek to encompass the strategies and tactics employed by the third sector. For example, den Hond and de Bakker (2007) talk about reformative and radical NGOs who use either symbolic gain or symbolic damage strategies (positive or negative publicity) and either material gain or material damage strategies (boycotts or buycotts). Similarly, Frooman (2003) classifies strategies into coercive (negative in nature; involve the threat to reduce a benefit or increase a cost to a firm) and compromise (positive in nature; either reduce a cost to the firm or increase a benefit). An interesting work that departs from the predominant categorisation of strategies as engaging v. confrontational is that by Smith (1990) who distinguishes between indirect and direct form of action. Examples of indirect action include research writing and the provision of data to stakeholders. Direct action, in turn, involves demonstrations, protests, boycotts, sabotage, picketing, stunts and others.

This paper moves away from the traditional NGO tactics described above and examines a comparatively new and under-researched avenue for influencing corporations, which is rapidly gaining popularity in civil society circles – namely – shareholder activism. Third
sector organisations are now more than ever increasingly aware of their ability to use the financial market and their shareholder status to call for change in corporate actions (Sjostrom, 2007). In recent years, the tactic has been adopted by NGOs such as Friends of the Earth (FoE, hereafter), Amnesty International (AI, hereafter), the World Wildlife Fund, Greenpeace, to name but a few. In the UK context, prominent cases of NGO activism have included: the resolution submitted to Balfour Beatty (a UK construction company) in 2001 by FoE, the Kurdish Human Rights Project and The Corner House; Oxfam’s 2006 ‘Patents v. Patients’ campaign aimed at securing the availability of affordable generic medicines in developing countries; and ShareAction’s 2012 JustPay! campaign, among others. The current article regards shareholder activism as a powerful tool which has the potential to give NGOs and ordinary citizens access to corporate politics. It is based on a qualitative case study analysing the shareholder activist tactics of two NGOs (AI and ActionAid) in relation to the campaign against mining company Vedanta Resources. The main aim is to examine the ways in which NGOs and the public can participate in corporate decision making by discussing a number of different shareholder activist campaign strategies. The study also analyses the propensity of shareholder activism for democratising the corporation through making the voices of a diverse range of stakeholders heard.

The paper is structured as follows. To begin with, the literature review defines the term ‘shareholder activism’, considers two different typologies of the phenomenon advanced in the literature and positions the study with respect to them, discusses the origins of NGO share activism and its growth in prominence over recent years, reviews the key academic papers on the subject, summarises the gaps in the literature, and outlines the research questions, as well as the theoretical perspective of the study. Second, the methodology underpinning the research is examined. Third, a brief section looks at the context and history of the Vedanta campaign, outlining the campaign objectives of the involved NGOs. Fourth, the empirical findings are analysed and the outcome of the campaign is considered. Finally, a discussion section examines the contribution of the study and its implications.

**Literature Review**

The recent financial crisis has given a new impetus towards rethinking the fundamental principles of corporate governance, emphasising the need for more active engagement by shareholders in the management of their companies and highlighting the role of shareholder activism for changing corporate actions. As owners, providers of capital and primary
stakeholders, investors can engage with companies with the aim of expressing dissatisfaction over the way they are ran. For this study, shareholder activism is defined as the attempt to bring about change in corporate policies and practices through the use of shareholder rights. This encompasses techniques such as the selling of shares (or the so called ‘Wall Street walk’), informal dialogue with management, letter writing and posing a question at an AGM, media campaigns, filing of resolutions (or shareholder proposals), and lawsuits.

Marinetto (1998) makes a useful comparison by suggesting that shareholder activism can either be focused on instrumental issues or on ethical issues. In the former case, investors express discontent about corporate governance practices and feel that management is not acting in their best financial interests. In the latter case, investors’ demands are related to some aspect of the ethical, environmental or social practices of the corporation. In reality, the underlying genuine motives of activist shareholders (both investors and NGOs) can often remain hidden – they may engage in activism on social, ethical and environmental (SEE, hereafter) issues with a view of accruing reputational and financial benefits, or they may use instrumental arguments to advance their social motives. As such, the boundaries between instrumental and ethical shareholder action can often become blurred. However, the study aims to explore socio-ethical activism sparked by the underlying SEE motivations of campaign groups. When discussing how NGOs use the capital markets to achieve their aims, Waygood and Wehrmeyer (2003) distinguish between direct and indirect tactics, whereby the NGO either uses its own influence as a shareholder to initiate change at company level by, for example, buying shares in a company and attending its AGM (direct) or co-opts the influence of financial institutions which hold shares in the targeted companies (indirect). Applying the authors’ classification, it could be argued that the tactics employed in this case study are of both direct and indirect nature.

Most of the papers written on NGO shareholder activism contend that there is an upsurge in the phenomenon and consider whether civil society organisations’ capital market interventions have the potential of changing corporate policy (Waygood and Wehrmeyer, 2003; Sjostrom, 2007; Guay et al., 2004). The origins of NGO shareholder activism can be traced back to the 1970s when, in a high-profile media campaign, NGOs and their supporters used AGMs as a mechanism to publicly embarrass those corporations operating in apartheid South Africa. For example, in 1977 the End Loans to South Africa Campaign filed a resolution at the AGM of Midland Bank. Although the academic research devoted to the
topic has been scarce, the phenomenon has been on the rise over the past three decades, especially in the US and the UK. There are now more than fifty NGOs in the UK\(^2\) that have integrated the use of shareholder activism in some of their campaigns.

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

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

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

Another study that focuses on the issue of campaign effectiveness and the ability of NGO shareholder activism to generate the desired results adopts a quantitative approach and analyses the extent to which the Carbon Disclosure Project\(^3\) (CDP, hereafter) has managed to encourage firms to disclose environmental information (Wegener et al., 2011). The results of the study reveal that management’s decision to disclose information on climate change indicators is influenced by domestic rather than foreign signatory investors. Moreover, the majority of firms that tend to disclose information are from lower polluting industries with less exposure to litigation risk. This puts into question the effectiveness of the shareholder activist strategy used (an investor letter sent to companies), as the success is most visible in firms that are less likely to be negatively impacted by stricter environmental regulations (Wegener et al., 2011).

Despite the recent ascendancy of SEE activism, the number of studies examining this type of action, both empirically and theoretically, remains limited. As Lee and Lounsbury (2011) argue, the study of instrumental shareholder activism has garnered much more attention. This statement is even more true for the UK context as most of the academic literature, including the literature on NGO shareholder activism, has originated from the US and covers activism there (see Clark et al., 2006; Hoffman, 1996; Proffitt and Spicer, 2006). Furthermore, empirical literature on shareholder engagement has been primarily preoccupied with analysing the results of shareholder proposals, whereas other activist strategies and tactics such as raising questions at an AGM or writing letters have rarely been accounted for (Monks et al., 2004; Tkac, 2006). Moreover, researchers have traditionally employed quantitative methods, directing their efforts towards examining the effects that socio-ethical activism has on corporate social performance (David et al., 2007; Neubaum and Zahra, 2006), as well as testing the causal link between different variables such as activism and financial returns, and
activism and shareholder value (Black, 1998; Gillan and Starks, 1998; Becht et al., 2010). Although such methodology is useful in identifying certain trends, a more in-depth analysis and multifaceted approach, which takes into account the nuances of the phenomenon, is necessary in order to account for the interactions between NGOs, investors and companies, and to answer how and why such trends arise. A qualitative approach based on case studies, semi-structured interviews and document analysis can be of benefit for achieving this (Mason, 2002).

Taking into account the under-researched nature of NGO activity in the sphere of SEE shareholder activism, the current study aims to provide an insight into the use of the tactic by NGOs. It also endeavours to discuss how activism opens avenues for participation in corporate politics to non-immediate stakeholders of the corporation such as NGOs and citizens. The main research questions are:

1. What avenues does shareholder activism provide for the participation of NGOs and ordinary citizens in corporate politics?
2. How effective a mechanism shareholder activism is for democratising the corporation?

When it comes to the theoretical perspective of the research, the study does not rely on a single, well-established theory as a reference point to all future data collection and analysis because this is not a theoretical paper. Rather, when discussing the findings, insights from the social movement literature are drawn to explain, substantiate and position the research within a broader academic field. Social movement scholars have traditionally focused on how movements interact with the state to influence policy (Giugni et al., 1999). The impact that movement activity has on shaping organisational behaviour has started receiving increasing attention only recently (Lounsbury, 2001; King, 2008; King and Soule, 2007). However, as Zald and Berger (1978) have suggested more than three decades ago, little attention has been dedicated to those actors who steer away from radical tactics such as boycotts and protests and engage in activism inside corporations through leveraging the power of share ownership – a type of activism which, according to Lee and Lounsbury (2011) “facilitates the creation of legitimate agenda items in corporate decision-making processes” (p.157). Therefore, an application of the knowledge on social movement dynamics will be of benefit to the study of socio-ethical shareholder activism and, at the same time, exploring SEE activism will provide valuable insights into how movements shape corporations and institutional investors.
Methodology

The current study considers the shareholder activist efforts of UK based NGOs in relation to one campaign – the Vedanta Resources campaign (involving ActionAid and Amnesty International). The case study was chosen because it represents a high profile, long-lasting intervention which generated extensive media coverage and relied upon a variety of different shareholder activist strategies.

Founded in 1972 ActionAid’s mission is to “work with poor and excluded people to eradicate poverty and injustice” (ActionAid, no date). Operating in 45 countries across continents, it has a fundraising income of £63.7 million as of 2013 and 135,225 supporters (ActionAid UK, 2013). In the past the organisation has not deployed a shareholder activist strategy as often as some NGOs with a focus on responsible investment, or some environmental NGOs, but it has used such a tactic more often than most development NGOs. Established in 1961, AI strives to create “a world in which every person enjoys all of the human rights enshrined in the Universal Declaration of Human Rights and other international human rights instruments” (AI, 2014). The organisation has offices in more than 80 countries worldwide, a total of £24.8 million fundraising income for 2013 and 232,252 supporters (AI UK, 2013). AI has been moderately active in shareholder activism, with 5 significant interventions between 2003 and 2013.

The adoption of a UK perspective is beneficial given that shareholder action is very much embedded in country-specific macro structures (such as legislative frameworks, political clout and economic landscape) which put into question the possibility for generalisation beyond the US context. Furthermore, Black and Coffee (1994) compare the UK and the US and argue that the former is an ideal institutional setting for investor activism, because it provides more legal tools to shareholders than the US4. The regulatory environment in the UK is also conducive to shareholder engagement, which is reflected in the number of shareholder activist campaigns occurring in the UK when compared to other countries:
Given the gaps in the literature identified in the previous section, the current study adopts a qualitative approach based on semi-structured interviews with NGO members and responsible investment experts, participant observation involving attendance at Vedanta’s AGMs and document analysis (newsletter archives, investor briefings, press releases, campaign information). The merit of using a qualitative approach stems from its ability to provide a rich, holistic and nuanced account of social reality (Mason, 2002) and to explain the complex interaction between NGOs, investors and companies. It adds flexibility to the research process by facilitating the researcher to explore unforeseen issues as they arise (Lewis, 2003) and to tailor the methods to the circumstances of each interviewee (Bryman, 2008). This helps create what Mason (2002, p. 65) calls “situated knowledge”. What is more, when collecting data on shareholder activism, the temporal aspect should be considered carefully since campaign outcomes may not be evident in the short-term (Sjostrom, 2008). Qualitative research facilitates the exploration of the temporal aspect of campaigns.

Altogether nineteen interviews were conducted with members of ActionAid and Amnesty International, investors that engaged with Vedanta and experts in the field of responsible investment. Lasting between thirty and ninety minutes, all conversations were digitally recorded and subsequently transcribed. The documentary material was reviewed with the aim of identifying key personnel in a position to provide the necessary insight. The data collection

Source: Khorana et al., 2013.

![Fig. 1: Breakdown of Shareholder Activist Campaigns outside North America since 2006](image)
process was governed by purposive sampling – individuals were carefully selected based on their time spent in the organisation (and to what extent this coincided with the timespan of the campaign), their role (whether they were involved in investor engagement, AGM attendance and strategy formulation), or their broader knowledge on responsible investment. As the fieldwork progressed, there was also an element of a ‘snowball’ effect in getting access to interviewees.

Twenty one questions were devised prior to the interviews. In terms of the interview schedule, there were standard campaign-specific questions which addressed the research aims and applied across all participants. Broadly speaking, these were concerned with the objectives and timeframe of the campaign, the role of the interviewee, the strategies used, and the investor and company response. There were also additional emerging questions during the interviews which allowed for the exploration of emergent themes (Gubrium and Holstein, 2002). Data triangulation achieved through extensive field notes, participant observation and document analysis ensured the validity and reliability of the findings. In addition, member checking was used to eliminate bias during data interpretation.

The first step in the data analysis process involved transcribing the interviews and, together with the field notes, transforming them into a coherent ‘text’ (Silverman, 1993). Thematic analysis was used to organise the text in analytically relevant subsets. The process relied on a mixture of both a predefined and data-driven approach to coding. First, a number of predefined broad codes which related directly to the research questions were devised. The researcher was interested in examining: 1.) shareholder activist strategies and 2.) the impact of campaign actions. Second, the data was content analysed to identify representative inductive themes within these categories obtained directly from the raw data. Reoccurring trends emerged after a careful reading and re-reading of the interviews and the participant observation notes. Coding was an on-going process that became more refined over time – each interview was coded shortly after it was conducted and before any further data was collected. Such an approach was adopted because, as Miles and Huberman (1994, p.65) suggest: “Coding is a form of early (and continuing analysis)... on-going coding discovers real or potential sources of bias, and surfaces incomplete or equivocal data that can be clarified next time out”.

11
Vedanta Resources – Environmental and Human Rights Concerns in India

The campaign against Vedanta is focused on the environmental, social and human rights implications of the company’s operations in the state of Orissa, Eastern India. The NGOs that have been involved in the campaign are numerous, but those who have incorporated shareholder activist tactics in their broader strategy are ActionAid and Amnesty International.

Vedanta has come under increasing international scrutiny for its plans to carry out a six-fold expansion of its existing alumina refinery in Lanjigarh and to open a bauxite mine which was to cover 700 hectares of land on top of the Niyamgiri hills – a sacred and traditional land of the local indigenous people – the Dongria Kondh.

The mining project was to be carried by the South-west Orissa Bauxite Mining Corporation – a joint venture between a subsidiary of Vedanta (Sterlite Industries) and the state-owned Orissa Mining Corporation (OMC, hereafter). The construction of the mine threatens the culture, tradition, religion, physical, and economic survival of the Dongria Kondh as they rely on the Hills for food, water, firewood, medicinal plants, and forest produce. The Niyamgiri Hills are also a sacred place for the indigenous population which worships Niyam Raja Penu – a male deity believed to be living on top of the Hills. The refinery expansion is opposed on the grounds of environmental devastation, pollution, health problems, and human rights violations associated with the operation of the existing plant.

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

**Table 1: Vedanta Resources in India: A Historical Perspective**

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
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<tbody>
<tr>
<td>2005-2006</td>
<td>Vedanta Aluminium begins some stages of construction of the mining project (clearing of ground and erecting of pillars) but has to suspend the work following complaints of forest law violations.</td>
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<tr>
<td>Mid 2006-early 2008</td>
<td>The construction of a 1 million tonnes per annum alumina refinery at Lanjigarh, Orissa state, Eastern India by Vedanta Aluminium is completed and the refinery begins production.</td>
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<tr>
<td>October 2007</td>
<td>Vedanta Aluminium seeks environmental clearance from The Ministry of Environment and Forests (MoEF, hereafter) for a six-fold capacity expansion</td>
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of the refinery.

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

All twelve gram sabhas unanimously oppose mining in the Hills.

A public hearing is held in the Biswanathpur village of Odisha to seek the consent of locals for the six-fold expansion of the Lanjigarh refinery. Amid many controversies and criticisms regarding the way the hearing was conducted, it was announced by a local official that the majority of attendees had given their consent for the expansion (FoilVedanta, 2014).

Source: AI (2010), EIRIS (2010, 2013)

AI started campaigning on the issue in 2009 when it first attended Vedanta’s AGM. However, the publication of its report “Don’t Mine Us Out of Existence” in 2010 marked the beginning of its dialogue with investors on the issue. An AI official summarises the main concerns of the NGO in relation to Vedanta:

The key concerns revolve around two aspects of Vedanta’s work in Orissa – one is in relation to an existing aluminium refining plant and historic concerns with regard to that in terms of damage to the environment, pollution, impact on people’s health, and access to water. Related to that, Vedanta wanted to develop a bauxite mine, with bauxite being the raw material for its aluminium refinery in the same area. And that was on a mountain that was sacred and extensively used by a local indigenous group [Fieldwork Interview, 2013].

ActionAid has a long standing programme in India, with ActionAid India being its first country programme, established in 1972. The UK branch of the NGO first became aware of the problems in Orissa when staff on the ground in India reported that Vedanta was planning to build the mine and that the community was strongly opposed to it. As a result, ActionAid UK first started campaigning on the issue in 2004. However, it was not until 2007, when it attended Vedanta’s AGM for the first time, that shareholder activism was introduced as a tactic. According to one interviewee involved in the running of the campaign, the main aim was to: “stop Vedanta from building a mine in Niyamgiri and also to stop them from expanding the refinery there” [Fieldwork Interview, 2013].

Shareholder Activist Strategies for Participation in Corporate Politics

Enlisting the support of third parties such as consumers, labour unions and states, who can impose sanctions and put significant pressure on their targets, is a common method used by social movements in order to gain salience (Luders, 2006). Thus, mobilisation of powerful
third party constituents such as investors, who have more influence to push for change, can facilitate NGOs in creating a credible threat against a targeted firm (Sjostrom, 2007). With reference to the Vedanta case study, this section examines what shareholder activist strategies have been used by third sector organisations to incite action by investors and the public, with the ultimate goal of changing corporate practices. It also considers the direct action of campaigning NGOs at the AGMs of Vedanta.

Frame Blending and Speaking the Language of Investors

In order to gain allies among the investor community, NGOs use what Raeburn (2004) labels as “frame blending”. According to him, frame blending is the use of two or more frames, at least one of which appeals to the target and at least one of which appeals to activists. In Raeburn’s case study, activists successfully ‘blended’ the ethics of domestic partnership benefits with the potential financial benefits that could be accrued by the targeted companies, making the arguments more easily understood by corporate leaders who are ultimately concerned about the bottom line.

This frame blending strategy was adopted by both AI and ActionAid which blended the moral arguments for taking action with business case arguments which appeal to the company and its investors. On the one hand, the reports written by the two NGOs (ActionAid, 2007; AI, 2010; AI, 2011) emphasise the human rights abuses and environmental destruction caused by Vedanta’s operations in Orissa. On the other hand, during their private engagement with investors, both NGOs have adopted a different communication strategy with the aim of persuading shareholders to take action. As a former staff member of ActionAid explains: “We did try to present the case that the company was a financial risk to investors. The picture that was being painted was of a company that wasn’t to be trusted with investors’ money” [Fieldwork Interview, 2013]. The key argument was centred on the legality of Vedanta’s operations. The company was portrayed as a financial risk because it was operating against the laws of India – trying to build a mine that has no real basis in legal permit, violating environmental laws (the environmental impact assessments described in AI’s report from 2011 which fail to meet India’s regulatory requirements), and building the refinery without the right permits (Vedanta began work on the six-fold expansion of the refinery before receiving clearance). Similarly, AI had a dedicated staff member in charge of the NGO’s investor engagement work, whose role was to “translate to investors why what is happening partly should be addressed by them, there is a moral concern but also they should
understand that these issues often translate into a financial impact sooner or later” [Fieldwork Interview, 2013].

The empirical data collected suggests that there is an overall trend in the NGO community towards employing predominantly business case arguments for advancing moral concerns – an overwhelming number of participants emphasise the importance of ‘speaking the language’ of investors for achieving campaign success. As a former member of ActionAid explains, the reason behind this strategic choice stems from the nature of the investor community which is primarily interested in shareholder value and financial returns:

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

The literature on investor activism substantiates these findings. In their article, Mackenzie and Sullivan (2008) consider whether investors are prepared to intervene in situations where there is no evident business case for companies to improve their environmental and social practices, hence, no financial reason for shareholders to engage. They conclude that the new European investor activism continues to pursue only goals that are aligned with investors’ financial interests. Even the seemingly altruistic investor activism on an issue such as climate change, which can safely be termed the biggest market failure of all (and exploiting market failures maximises profits), is driven by self-interest – there are long-term benefits to be accrued and investor engagement has been limited to goals that are pursued without damage to investors’ short-term interests (Mackenzie and Sullivan, 2008).

**Delivering the Message to the Investor Community**

Once the language of the message that needs to be expressed is perfected, the objective becomes to deliver the information to investors. Amnesty’s reports (AI, 2010 and AI, 2011) contain very detailed research (each one is more than a hundred pages long) and this information was made available to a group of investors together with either direct meetings, telephone calls, sending of briefing materials, letters, or emails. ActionAid also sought to engage with and disseminate information to the investor community via written and face-to-face conversations with key shareholders. Furthermore, NGOs often organise launch events such as seminars and roundtables for investors where they present the findings of their most recent reports. For example, AI has participated in a yearly roundtable organised by EIRIS
and Aviva during which EIRIS presented its latest report on Vedanta and answered questions from other investors who were present.

Another method of reaching investors is by distributing a printed copy of the reports to shareholders inside the venue where an AGM takes place prior to the commencement of the meeting. For example, AI used this tactic at Vedanta’s 2013 AGM when an employee of the organisation approached investors present at the meeting, giving them a copy of AI’s latest briefing “Vedanta’s Perspective Uncovered: Policies Cannot Mask Practices in Orissa” published in 2012. Investors accepted the paper with interest and the small pile of reports was distributed in no time despite Vedanta’s attempt to prevent it. The company must have anticipated this action by Amnesty based on experience from previous years since shareholders were allowed to take their seats only five minutes before the start of the meeting – something unusual when compared to other AGMs observed by the researcher.

What was interesting to note was that the message delivered by the two campaigning NGOs differed to an extent. The aim of AI was to: “focus on the public shareholders through engagement, relationship and provision of information to in turn try and get them to put pressure on the companies that they are investing in to alter the way they behave and therefore to stop or prevent human rights abuse occurring” [Fieldwork Interview, 2013]. While AI sought to encourage continuous shareholder engagement with the company with the aim to “effect change”, ActionAid started advocating at some point divestment as an only option to the problem because, as an ActionAid’s employee puts it: “This is a very black and white decision – either they build the mine or they do not. The community did not want the mine, Vedanta was digging in its heals in refusing, you’d already seen divestment as you’d seen the Norwegian Pension Fund divest, so we felt that at this point in the campaign calling for divestment was the right choice” [Fieldwork Interview, 2013]. ActionAid targeted specific shareholders such as the Church of England seeking divestment.

When it comes to the nature and scale of investor involvement in the engagement process with Vedanta, The Church of England and the Joseph Rowntree Charitable Trust (JRCT) were in dialogue with the company between 2009 and 2010 before deciding to divest completely. Other high profile divestments included that of the Norwegian State Pension Fund and the PGGM (a large Dutch pension fund). In addition, large and well-known shareholders such as Standard Life, Legal and General, Black Rock, Newton Asset Management, and Aviva raised questions from the floor at the AGMs (Popham, 2012).
Following a report produced by investor consultancy PIRC in 2010, which recommends opposition of certain key resolutions at the 2010 AGM, shareholders voted against the election of some of Vedanta’s non-executive directors, against the acceptance of the annual report and against compensation (PIRC, 2010, Dawber, 2010, Reuters, 2011). Apart from the AGM activities described above, interested investors also engaged with Vedanta privately via letters, emails, and face-to-face meetings with company officials, as well as collaboratively through the Principles for Responsible Investment engagement Clearinghouse⁶.

Empirical evidence suggests that the campaigning NGOs played an instrumental role in investors’ decision to initiate a dialogue with the company in the first place:

I would say that the focus by NGOs (ActionAid and then later on AI) on the company was instrumental in devoting our attention to the company. NGOs did bring to our attention the issues with Vedanta and that was when we started engaging with them [Fieldwork Interview, investor, 2013].

The campaigning groups were also recognised by investors as a useful source of information once the engagement process had begun:

With ActionAid, they kept us updated on what Vedanta was doing. Because they were able to give us information about the company, background information that we would have found it very hard to find out for ourselves – it was very valuable, the information they could give us [Fieldwork Interview, investor, 2013].

The role of NGOs, particularly Amnesty, it has been outstanding entity in raising specific issues with direct evidence of on the ground issues which we don’t have access to. We don’t routinely go to these areas and decide for ourselves what is going on, so we have to rely on experts such as Amnesty International [Fieldwork Interview, investors, 2013].

As the extracts above reveal, NGOs are much better placed than investors to document the misdoings of a company – both AI and ActionAid have regional offices in India which can collect valuable on-the-ground information and feed it back to the NGOs’ UK branches. Additionally, both NGOs have collaborated with India-based local civil society organisations to produce their detailed reports. These findings support Sjostrom’s (2007) claim that shareholder activism can serve as a powerful educational device, the argument being that through activism NGOs alert investors to problems with their companies that they might not have previously been aware of. By becoming more informed, shareholders have the potential to serve as allies to civil society organisations.
Mobilising Members of the Affected Communities and Detached Stakeholders

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

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

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

Apart from the Vedanta campaign, there are numerous other instances whereby this strategy has been used by NGOs to secure the attention of companies and investors alike. For example, the first time someone asked a question about living wages at an AGM was in 2003, when Citizens UK helped a cleaner at HSBC to buy shares and attend the meeting [Fieldwork Interview, 2013]. As part of the Living Wage campaign, other workers who are paid below the living wage have stood up from the floor to ask questions and, at some occasions, this has resulted in great successes such as trade unions being able to secure meetings with companies [Fieldwork Notes, 2013].

The Vedanta campaign has proven that there is a way through which the emotional message can be delivered to the board but, rather than via NGOs, this happens via members of the affected communities who attend the AGM to ask a question and deliver valuable information about the conditions on the ground. Their story is more credible, more influential and more moving than any passionate long speech an NGO member can ever deliver. And the role of the third sector is to make sure that these community representatives are always present at the AGM so that they keep the pressure on the company in question.
Shareholder activism offers another avenue for participation in corporate governance to detached stakeholders, or those younger members of the public who do not necessarily have a stake in the financial system through their pension savings, but who are nevertheless valuable members of society. These detached citizens can participate in corporate politics through buying a single share and attending a company’s AGM with the aim of asking a question. This makes ordinary citizens corporate ‘insiders’, or shareholders (King and Soule, 2007), who are able to use their position as owners of the corporation to bring about change. ShareAction is raising awareness of this possibility among its supporters and other NGOs via its annual AGM training event. The event is free of charge but there is one prerequisite – that each participant attends at least one company AGM during the year. This way, ShareAction creates what it labels its own ‘shareholder army’.

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

**Direct Action at the AGM**

Much like individual citizens, NGOs can also buy shares in a company and attend its AGM in order to ask a question. This tactic has been used by both AI and ActionAid in relation to the Vedanta campaign and the aim of this section is to outline the dynamics of NGO-company interaction during the 2013 and 2014 Vedanta AGMs observed by the researcher. According to Luders (2006), engaging in the disruption of routines is a key method used by social movements to compel change. By carrying out activities such as boycotts, protests, strikes, and litigations, social movements attract negative publicity and can increase the cost of doing business for the targeted company. Filing a resolution and attendance at an AGM with the aim to ask a question or stage a demonstration (either inside or outside the venue) are prime examples of the disruption of routines described by Luders (2006).

ActionAid members have bought token shares and have attended the AGMs of Vedanta since 2007. AI has done the same since 2009. Alongside the questions asked in the boardroom
there were protests outside organised by the NGOs involved so as to “make sure that investors were aware of the scale of the controversy” \cite{Fieldwork Interview, 2013}. ActionAid adopted a direct strategy in order to: “confront the company in their home territory, so to speak, in terms of where they are registered and where their financial base is, to get them to address those questions” \cite{Fieldwork Interview, 2013} and AI’s aim was to “add weight to whatever issues AI was seeking to change, to challenge the board of directors and to publicly highlight the issue where there are concerns” \cite{Fieldwork Interview, 2013}.

Over the years numerous questions have been asked at Vedanta’s AGMs revolving around issues such as the legality of mining and refinery operations in terms of the permits the company had, environmental pollution, human rights abuses, the procedures used for land acquisition and building permissions, and others. The company’s AGM in 2013 was attended by representatives of Aviva Investors, Amnesty International, the Dongria Kondh and by Bianca Jagger, who all stood up to challenge the board. A tribal representative sang a song on behalf of the Dongria Kondh, the main message of which was that Vedanta was not welcome in Niyamgiri. The song was in Indian but the man slipped in a few sentences in English while singing: “We won’t leave Niyamgiri. We won’t leave, we won’t give”. The song served to once again reinforce the position of the local people and to remind the company that its development story is lacking in real substance. His performance was listened to in complete silence and welcomed with a moderate applause \cite{Fieldwork Notes, 2013}.

Campaigners asked what lessons has the company learnt throughout the engagement process and tested its willingness to: follow international human rights standards, respect the right to free, prior and informed consent of indigenous groups, conduct comprehensive human rights impact assessments as part of its future projects, embrace sustainability, and embed its new policies and practices in its culture, translating them into actions on the ground. It is interesting to observe the stark contrast in language and tone between the question delivered by a representative of the institutional investor Aviva and the questions asked by some campaigners. In the first case, Aviva’s representative argued there was a “mismanagement of sustainability issues” but she used the language of investors to address the company, making reference to share price performance and emphasising that the ultimate goal is to “deliver value to Vedanta and its shareholders” \cite{Fieldwork Notes, 2013}. In contrast, one of the campaigners asked her question with a voice full of emotion and the sound of her last
reprimanding words echoed in the room: “may I continue by suggesting that this is a disgrace given the serious nature of the offenses…” [Fieldwork Notes, 2013].

Both written documents and the verbal accounts of interviewees suggest that, when the campaign first started, the company was very reluctant to engage with anyone and to respond to the allegations it faced. AI sought to follow-up on its research while drafting its first report on Vedanta by requesting an interview with the company in London. The organisation also gave Vedanta an opportunity to comment on two drafts of the report. However, no response was received. Similarly, an EIRIS official also argues that, initially, the company was reluctant to comment on the allegations: “to begin with they were very unresponsive and wouldn’t really communicate much at all” [Fieldwork Interview, 2013].

However, the attendance by Aviva at the AGM in 2010 marked a turning point in the way in which the company treated its investors and responded to concerned stakeholders. A representative of Aviva went to the AGM to present EIRIS’ 2010 report and urged the company to address the seven recommendations it contained. The chair – Mr. Agarwal made a commitment to respond to the report in due course. By pursuing an escalation strategy, Aviva had achieved what other investors who sold their shares had not – a response and public commitment by the company which led to an increased dialogue over the years. The public nature of the message (asking a question at the AGM), and the fact that it was coming from an institutional investor, forced Vedanta to respond:

To be seen to ignore an investor, even a small investor in a company is irresponsible and therefore you can’t do it for very long, particularly if it’s in the public realm. Had that been done all behind the scenes, I don’t think it would have had the same impact [Fieldwork Interview, 2013].

This highlights the merits of adopting a shareholder engagement over a divestment strategy. It also reveals that a direct tactic such as attending an AGM to ask a question could be a powerful tool for change. The importance of the message coming from inside the investment industry has been emphasised on various occasions in the interviews:

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

Much more important is to try to get the message from people who have credibility within the system [Fieldwork Interview, 2013].
These empirical findings are substantiated by Solomon’s (2007) claim that for socially responsible investment to have a sound future and to progress substantially, it has to be driven by players within the industry such as fund managers and trustees. Therefore, NGOs should focus their attention on gaining allies within the investor community.

One of the main discourses put forward by Vedanta in response to the questions raised at the 2013 AGM had to do with the role the company plays for the growth of the Indian economy and the well-being of the impoverished people in Orissa who have no access to jobs. Vedanta was portrayed by its Chairman and majority shareholder Mr. Anil Agarwal as the saviour who brings hope, prosperity and development to a place forgotten by everyone. The second main strategy adopted by the company was to emphasise the legality of its operations and to delegate responsibility for its actions to the state and local governments, the MoEF, the Supreme Court and its joint venture partner – the Orissa Mining Corporation [Fieldwork Notes, 2013]. Overall it could be argued that, although the company has become more responsive to its critics, it still lacked experience in its communication with stakeholders, lagging behind what is considered to be best practice in public relations terms. However, the almost fanatic passion with which the Chairman spoke about ‘his’ company was quite surprising and the overall impression was that even the changes at company level that have been achieved so far should be considered as quite remarkable given the board’s apparently firm belief in the impeccability of their actions.

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

Questions from the floor were on subjects such as the chimney disaster at Balco in 2009, illegal mining in Goa and compensation for communities, the fatality rates across Vedanta’s operations, the genuine (or not) company commitment to environmental sustainability and safety, changes in India’s democratic system since the elections, and the profitability of Sesa Sterlite’s operations in Goa. A member of AI UK talked about the need for cultural change in the company and questioned the results from the public hearing held on 30th July regarding the expansion of the Lanjigarh refinery (see Table 1). Overall, the tone of Vedanta has changed favourably compared to last year and the new CEO seemed willing to work with stakeholders to address their concerns [Fieldwork Notes, 2014].

Using the Media as A Mobilisation Device

The media plays an important role as an indirect channel of diffusion of movement tactics and collective action frames and serves as a method for mobilisation of the public. Spilerman (1976) suggests that the urban riots of the late 1960s, which spread throughout urban, black areas, were inspired by television coverage of civil rights activism. He argues that the media created a cultural linkage among African Americans across different cities. In a more recent take on the subject, Myers (2000) considers the diffusion of racial rioting in the US from 1964-71 and finds evidence that the level of media attention received is positively correlated with the propensity for riots. He concludes that those riots which received national media attention led to an increase in the subsequent national level of riots. Given the important place the media occupies in movement dynamics, it is not surprising that the ability of NGOs to generate media and public interest in a topic has played a paramount role in the Vedanta campaign described here.

The media and public interest regarding Vedanta’s operations in India is very high. Overall, the intervention against Vedanta can be considered as an example of a successful campaign. This success is partly attributed to the elaborate media strategy developed by ActionAid as part of its broader campaign efforts. The NGO has endeavoured to “make sure that the controversy around the Niyamgiri mine was picked up in the press at the time of the AGM” [Fieldwork Interview, 2013]. For example, in 2009 ActionAid hired a JCB digger and placed it outside the AGM to attract attention and provide a good photo backdrop. ActionAid also did a Photoshop stunt in 2008 – an image of St Paul’s Cathedral with a wrecking ball. The
objective was to demonstrate how destroying a sacred site would feel to a community and an actual planning application to demolish the cathedral accompanied the stunt. In 2009, this was followed by a spoof photo of Stonehenge being demolished to keep the issue alive and in the public’s imagination. These powerful images were widely circulated both through old media channels (newspapers, news programmes) and new media channels (the internet, social media websites, email alerts), ensuring that the message reaches a wide range of diverse stakeholders.

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

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

Although shareholder activism is employed with a view of changing a company’s policies and practices, the lines above suggest that this campaigning mechanism can also achieve the desired impact indirectly via influencing not only investors and members of the public, but also another type of stakeholder – namely – governments and politicians, who in turn change the regulatory environment so that companies are forced to comply with the newly introduced legislation. This is precisely what happened in the case of Vedanta when on 18 April 2013 the Supreme Court delegated the responsibility for making a decision as to whether the mine should be built to the gram sabhas (assemblies consisting of all adult voters) of two villages living nearby the mine site. The media has played a central role for the success of this campaign – the fact that all the shareholder activist tactics employed generated a lot of media attention both in the UK and in India, helped create the right political environment for the Indian government to intervene. One of the interviewees gives an interesting explanation of what might have been the reason behind the Supreme Court judgement:
You have to remember that in India the Supreme Court was also very aware of every investor that was pulling out, of every press release, and every article that was being published about Vedanta and how it was affecting not just the community, but I would say the image of India as a place to do business. I think there was a political dynamic to it as well – it became a lightning rod for how development was trampling over human rights in India and that sits uncomfortably with a country’s image of a modern democracy, so that was quite an important aspect of it as well [Fieldwork Interview, 2013].

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

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

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

One strategy often used by social movements is to draw the attention of the mass media with the expectation to win the sympathies of more powerful actors able to exert influence on decision-makers (Gitlin, 1980; Gamson and Modigliani, 1989). Such an approach can be a potentially powerful indirect way of attracting the attention of investors, especially when it
comes to large consumer facing companies with strong brand reputation for which, as suggested by Rehbein et al. (2004), the negative impact of bad publicity is far greater. Similarly, an investor who had undertaken engagement with Vedanta argues that the focus of NGOs has been on raising the issue “in the public consciousness and that has brought it to investors’ consciousness. I think that’s a different way of reaching investors” [Fieldwork Interview, 2013].

Outcome of the Vedanta Resources Campaign

Before embarking upon a broader discussion on the effectiveness of shareholder activism for democratising corporations, it would be useful to first summarise the outcomes of the campaign. On the 18th April 2013, the Supreme Court gave a verdict that the gram sabhas are to decide whether they are against the building of the mine or not. The verdict delayed once again the opening of the mine. In August 2013, all twelve gram sabhas unanimously opposed mining in the hills (Patnaik, 2013). Following their decision, in January 2014, the MoEF rejected Vedanta’s proposal for bauxite mining in Orissa. The refinery, which relied on the bauxite supplies from the mine to function, stopped operating on the 5th December 2012 as a result of inadequate supply of raw material. It resumed operations at sixty per cent capacity on 11 July 2013 after a gap of seven months.

All interviewees seem to agree on one thing – it was initially very difficult to engage with the company, as it refused to have a dialogue with both NGOs and investors. One of the most significant changes that occurred was, in the words of an EIRIS official, that Vedanta became much more willing to talk to investors and “the communication with the company improved significantly in quantity, quality and frequency” [Fieldwork Interview, 2013]. Another way of assessing the impact of the campaign on the company would entail looking at EIRIS’ final report on the progress made against its seven recommendations which was published in July 2013. Below is a summary table of Vedanta’s performance during the four years since the initial report in 2010:

Table 2: Summary Results – Vedanta’s Progress (2010 – 2013)

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The table above suggests that Vedanta has made progress and has undertaken steps to address each of the seven recommendations. However, not one of the seven recommendations is assessed as Green, indicating that there are still issues that need to be addressed across all recommendations. Positive developments during the 2012-13 financial year include training on sustainability issues and on grievance mechanisms at board level, as well as strengthening systems for overseeing compliance with ESG issues. However, the report claims that: “Vedanta is still to set up a panel of external experts to assess its operations in Orissa against international standards; its EIAs may not identify all indigenous communities as impacted by its operations; its grievance mechanisms (and especially the one in Lanjigarh) are lagging behind best practice standards” (EIRIS, 2013). These changes at company level have to be attributed to all the pressure put on Vedanta through investors, the media, indigenous people, the government of India and, last but not least, campaigning organisations. As a former campaigner from ActionAid says:

You could argue that shareholder activism by NGOs and the media and publicity around what was going on did have an indirect impact that ultimately forced Vedanta to at least pay more attention to its policies on corporate and social responsibility in a way that it may not have done otherwise [Fieldwork Interview, 2013].

**Discussion: Shareholder Activism and the Democratisation of Corporate Governance**

The current paper has enriched the literature on third sector organisations by analysing a comparatively new, increasingly popular and scarcely studied in the UK, campaign tactic – namely – shareholder activism. The study has shed light into the avenues through which
stakeholders such as citizens, members of affected communities and NGOs can gain access to corporate decision-makers. These avenues for participation in private politics include gaining the support of investors and buying shares to attend the AGMs of companies. The findings have practical implications for other activists engaging in shareholder activism as they provide insights into the role and mechanism of the AGM. It has been discovered that attending an AGM can be an effective tactic due to the public nature of this type of intervention. It gives campaigners unprecedented access to board members which can result in subsequent meetings following the AGM and it has the potential of attracting media attention. Speaking in terms of legal, financial and reputational risks, as well as shareholder value at the AGM ensures that campaigners have the attention of investors and companies alike. In addition, the way the question is asked during the meeting is of importance – contrary to what one campaigner did at Vedanta’s AGM, the presenter should speak with a natural, calm voice which does not reveal any emotions. What is more, as seen in the case of Vedanta, bringing representatives of affected communities can be helpful as they are in a good position to deliver the emotional message more successfully than a representative of an NGO.

The study’s main argument is that shareholder activism holds the means of democratising the corporation through introducing broader stakeholder participation in decision-making. At the moment, corporate governance is essentially undemocratic as control over companies is in the hands of those who have more shares and the guiding principle is one share, one vote. The paper has argued that shares are concentrated in the hands of institutional investors, but that does not preclude individual members of society and NGOs from participating in the governance of companies. Scott (2008) suggests that beneficiaries such as pension savers should be able to participate more fully in the running of the corporation. If this was to happen in reality, it could lead to a democratisation of the corporation and create a future reality in which disasters such as the BP oil spills are avoided as the stakeholder interest is taken into account to a greater extent.

Germany is an example of a country where stakeholders have a greater say in the running of the corporations as, by law, companies have a two-tiered board structure which consists of the management board and the supervisory board. The latter is responsible for overseeing the management board, appointing members to it, approving financial statements, and making decisions with regard to mergers and acquisitions, capital investments, dividends and others.
The law requires that the supervisory board has employee representation. In a company with at least five hundred employees, this means that one third of the supervisory board seats are allocated to labour representatives and, in a company with at least two thousand employees, the number grows to half the board’s seats being allocated to employees (Larcker and Tayan, 2011).

This trend toward broader stakeholder participation in corporate governance could mark the beginning of a bigger and powerful movement that transforms the way we view modern corporations today. In a time of increasing inequality, the demise of free education and healthcare and in the context of numerous scandals around big and reputable companies, people might be more prone to embracing the potential that shareholder democracy could bring.

There are potentially a great number of future avenues for research that could be identified. For example, given the divergence in engagement practices, legal frameworks, corporate governance regimes, and cultural expectations across geographical sectors, it would be interesting to pursue a comparative study which examines the differences in shareholder activist strategies across countries. Another interesting area for further study would be to explore the engagement practices of different institutional shareholders and analyse how their internal structures and organisational characteristics impact on the approach to shareholder activism they take and the outcomes they achieve.

**Conclusion**

The article has explored a variety of shareholder activist strategies used by ActionAid and AI in their campaigns against the practices of mining company Vedanta in India. The tactics discussed were: frame blending, delivering a message to the investor community, mobilising members of the affected communities and detached stakeholders, attendance at an AGM, and generating media attention with the aim of inciting action. The findings revealed that the NGOs played a crucial role in alerting investors to the problem in the first instance and were also a useful source of information for busy shareholders who have limited time and resources to dedicate to SEE issues. The level of shareholder engagement with the company was significant, especially when compared to other campaigns.

The reasons behind the success of the campaign are varied and complex and cannot be attributed to the actions of one organisation, one investor, or one newspaper article. Rather,
what made the campaign so effective was the fact that it was an international campaign with pressure from the UK, as well as within India; there was sustained criticism over a long period of time coming from different NGOs and high-profile investors; the campaigning organisations have used a variety of different tactics – detailed research, targeting of investors, attendance at AGMs, telling the personal stories of the Dongria Kondh, creating media attention, and others. All these tactics which were well documented in the media (both in the UK and in India) helped create the right political environment for the Indian government to intervene.

Notes

1. NGOs are a subset of civil society organisations and can be defined as organised, private, self-governing, non-profit and voluntary groups (Salamon et al., 1999). This definition summarises the ideas behind civil society itself and therefore the two terms (CSOs and NGOs) will be used interchangeably throughout the paper.


3. The CDP is a non-governmental organisation based in the UK. Its mission is to gather and disseminate climate change information. This is achieved through using an indirect micro strategy – each year CDP coordinates a request in the form of a letter written on behalf and signed by 655 institutional investors with $78 trillion in assets. This letter is sent to companies all around the world who are asked to disclose information on their emissions and to implement cost-effective emission reductions.
4. A fundamental difference between the US and UK law is the ability of UK shareholders to change the company charter by shareholder vote without securing the agreement of the board and to remove directors – to be elected a director must receive a majority of the ‘yes’ votes cast (excluding abstentions). In addition, shareholders in the UK have the power to call extraordinary general meetings if they hold at least 10 per cent of the voting share capital (Becht et al., 2010).

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

6. The Clearinghouse is an opt-in online platform for investors who are signatories of the PRI to propose and be involved in collaborative engagements.

7. Here the term “private politics” is defined as social movement activity directed at corporations when the state is not targeted and does not become involved (Soule, 2009).

REFERENCES


