

# Activists increase scrutiny of industry

## No Stopping Shareholders; Influence key to corporate transparency

BY SHAUN POLCZER, CALGARY HERALD OCTOBER 6, 2010

Unconventional resource development such as oilsands and shale gas is increasingly drawing the attention of shareholder activists and influencing corporate decision-making, the head of one of Canada's largest integrated oil companies said in Calgary Tuesday.

Speaking at an energy forum, Imperial Oil CEO Bruce March said companies involved in sectors such as oilsands extraction are finding themselves under greater pressure from shareholders to disclose the risks of their operations, especially in terms of environmental and social impacts.

"Without a doubt, in the past 10 years we've seen a growing global interest in key social issues," he said.

"Overall, I think what shareholders are looking for is an increased understanding and increased disclosure of key risks."

While he acknowledged greater demands on executives to provide information, March said companies that strive for the highest levels of leadership and operational performance will be in the best position to meet the higher scrutiny.

"Shareholders have every right and in fact have a responsibility to challenge corporate decisions. . . . I feel this is a very healthy environment."

Imperial is currently building the Kearl oilsands mine in northeast

Alberta and previously faced challenges related to tailings and waste management at the site.

Ironically, March said a "bellwether event" for shareholder activism in the oilsands occurred in Norway earlier this spring -- not North America -- when Statoil shareholders successfully put the company's involvement in the oilsands to a shareholder vote.

Statoil is 67 per cent owned by the Norwegian government, which used its majority stake to soundly defeat the resolution, but the company's role in developing the second-largest oil reserve on Earth dominated the proceedings in a way that far overshadowed the outcome.

March said investors are demanding more detailed operational information on techniques such as hydraulic fracturing, which is being used to extract gas from tight rock formations such as shale and has been increasingly challenged in front of courts and regulatory authorities.

In addition, activists are targeting firms that support these activities, such as pipelines and banks that finance resource development. Projects such as Enbridge's Gateway pipeline to the West Coast and TransCanada's Keystone XL to the Gulf of Mexico are being treated as proxies for upstream oilsands development.

"Without a doubt, this is not going to go away any time soon," he said.

Since the financial crisis, taxpayers and governments have become some of the biggest stakeholders in key segments of the economy

such as banks and the automotive sector, widening the circle of stakeholders.

According to Paul Gryglewicz, a managing partner with Global Governance Advisors, an advisory firm that advises boards on human resources issues, including executive compensation, the higher level of shareholder intervention isn't restricted to energy but encompasses other sectors such as finance and mining.

"Some of the largest organizations in Canada are under the greatest scrutiny," he said.

Rather than fight the rising tide, companies need to embrace initiatives such as corporate social responsibility and provide more insight into their operations, he said.

"Good transparency and disclosure is absolutely imperative to get right," he said.

"It's imperative for corporations to follow a good governance process."

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