
Care for People and Creation

The Role of US Christian Institutional Shareholder Activists in Extractive-Industry CSR*

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Recently, there has been considerable academic attention given to the role that religious institutions play in pressuring companies and industries toward greater corporate social responsibility (CSR). One area of concern for religious institutions is the behaviour of extractive-industry companies. In this paper, I discuss how religious institutions—specifically particular Christian denominations in the US—have sought to define CSR for extractive industries. After briefly reviewing the history of religious institution involvement in direct corporate dialogue and CSR activism, I discuss how members of the Interfaith Center on Corporate Responsibility have sought to define CSR upward in the extractive industries (focusing on both mining and oil exploration), in terms of environmental justice (EJ). I conclude with an analysis of how religiously oriented activism regarding environmental responsibility might change in the future and how different religious traditions either lend support to, or oppose, environmental responsibility.

- Extractive industries
- Religion
- Environmental justice
- Consent
- Corporate–community relations
- Oil
- Mining

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* I am grateful for the help of my colleagues in framing extractive-industry ethical issues in terms of both environmental and human rights concerns. Any errors and omissions in this paper are my own. I also focus specifically on Christian denominations (particular religious traditions, such as Methodists, Presbyterians, Roman Catholics and Episcopalians) with regard to activism regarding environmental justice in the extractive industries because my experiences have been within such institutions. Other religious organisations are involved in such activism, as are secular organisations. To avoid repetition, I will use the terms 'religion', 'religious institutions' and 'Christian denominations' interchangeably for the purposes of this paper.

CONSIDERABLE ACADEMIC ATTENTION HAS RECENTLY BEEN GIVEN TO THE ROLE that religious institutions play in pressuring companies and industries toward greater corporate social responsibility (CSR). Some studies focus on how religious institutions use shareholder prerogatives such as resolutions filed for inclusion on proxy statements (Proffitt and Spicer 2006; Van Buren 2007) to further their social missions. Other studies consider how religious institutions influence the broader debate about CSR and business ethics (Brammer *et al.* 2007; Collins and Kakabadse 2006). Religious institutions, by seeking to promote values other than profit maximisation—such as fairness and just economic development—have played and continue to play an important role in shaping various social justice movements (Knouse *et al.* 2007; Marsh 2004). Shareholder activists seek not only to reduce the negative social and environmental impacts of corporate behaviour on various stakeholders, but also to enhance corporate transparency and accountability (Monks *et al.* 2004).

One area of concern for religious institutions is the behaviour of companies in the extractive industries. In some sense, this is because companies in the extractive industries are often accused by activist organisations of a variety of ethical misbehaviours, including human rights violations in countries such as Sudan and environmental damage in many communities (for a discussion, see Gary and Karl 2003). Many religious organisations (Christian Aid 2004; Gary and Karl 2003; United Church of Christ Commission for Racial Justice 1987) have raised ethical concerns about companies involved in various stages of extractive-industry value chains, among other industries. Much of this work has been framed in terms of both environmental justice (EJ; Agyeman 2005) and corporate–community relations (Van Buren 2005) and has sought to influence corporate behaviours in ways that better account for the social and environmental needs of local communities in which extractive industry companies operate. Activist groups such as religious institutions have sought to connect EJ and respect for human rights as elements of CSR for companies, including those in the extractive industries.

This paper discusses how religious institutions have sought to define CSR for extractive industries. Groups, such as the Interfaith Center on Corporate Responsibility (ICCR), have taken up extractive-industry CSR as an area for activism and corporate dialogue. This article is a case study of how particular Christian denominations first identified an issue germane to extractive industry CSR and then used shareholder activism, both to publicise the issue and to push corporations to change their practices in ways that were supportive of EJ. After briefly reviewing the history of religious institution involvement in direct corporate dialogue and CSR activism, the way in which ICCR members have sought to define CSR in the extractive industries (focusing on both mining and oil exploration) in terms of EJ is discussed. Such definitions of CSR simultaneously address allegations of environmental degradation and human rights violations (Jenkins 2003). The paper concludes with an analysis of how religious activism regarding environmental responsibility might change in the future and how different religious traditions either lend support to, or oppose, environmental responsibility.

Religious institutions as proponents of CSR

Religious institutions¹ have long been at the forefront of efforts to bring about higher levels of CSR and greater ethical reflection by businesses (Van Buren 2007). In 1971, the Episcopal Church filed the first shareholder resolution addressing labour practices in

¹ Here I expand my analysis to include religious institutions generally. In the US, Christian and Jewish organisations have long been involved in shareholder activism and other movements for social justice, often working with institutions representing other religious traditions.

apartheid South Africa (Massie 1997) and many religious organisations (mostly in the US) have since filed numerous shareholder resolutions seeking changes in corporate policies and practices. For issues such as labour rights and environmental responsibility, religious organisations and other shareholder activists have often functioned as social issue entrepreneurs (Marens 2002; Van Buren 2007), identifying issues that they believe stakeholders should be concerned about and engaging in both research and activism that makes these issues salient to companies and stakeholders. Such activists therefore help to shape the debate about CSR and the place of business in society. As with other activist groups concerned about CSR, religious organisations seek to increase the gap between stakeholder expectations of corporate behaviour and current corporate behaviour by encouraging stakeholders to expect more from companies, with regard to particular elements of CSR and performance. When this gap is too large, corporations find it necessary to act in ways that reduce it, generally by undertaking actions that improve stakeholder perceptions of their performance, in terms of substantive responses and/or public relations (Wartick and Mahon 1994).

In addition to conducting and publicising research regarding CSR, religious organisations such as the Christian and Jewish members of ICCR also engage in shareholder activism (it should be noted that some Christian and Jewish denominations do not engage in such activism). Religious institutions, like many other NGOs and non-profit organisations, own shares of common stock in their endowment and pension investments. Owners of common stock in the US (and many other countries) have the right to file shareholder resolutions for inclusion on corporate proxy statements that recommend some change in corporate policies and practices (Logsdon and Van Buren 2006). Often, the embarrassment that such public attention to a corporation's social performance brings causes the company to seek dialogue with the resolution's proponents to attempt to have the resolution withdrawn from consideration. When a company commits to a change in its policies and practices that represents movement toward the proponent's goals, the resolution is often withdrawn by the proponents. If dialogue is not successful, the resolution is printed in the corporation's proxy statement that is sent to all shareholders, bringing public attention to the issue. Often the filing of a shareholder resolution brings about a long-term dialogue between activists and a company that lasts for many years.

Religious organisations are often effective at bringing about social change by corporations because religious organisations are considered to be socially legitimate by a variety of stakeholders (Mitchell *et al.* 1997; Suchman 1995). Their interests are not primarily economic, but rather ethical, social and spiritual. As eleemosynary institutions, they are able to address economic concerns by seeking to advance values beyond profit maximisation. ICCR—a coalition of 300 religious organisations in the US—describes itself this way on its website:²

ICCR is a thirty-five-year-old international coalition of 275 faith-based institutional investors including denominations, religious communities, pension funds, healthcare corporations, foundations and dioceses with combined portfolios worth an estimated \$100 billion. As responsible stewards, they merge social values with investment decisions, believing they must achieve more than an acceptable financial return. ICCR members utilize religious investments and other resources to change unjust or harmful corporate policies, working for peace, economic justice and stewardship of the Earth.

ICCR is one of many religious organisations that engage in various forms of activism regarding corporate responsibility. Table 1 provides a list of other such organisations.

As noted previously, religious organisations—and indeed all activist groups engaged in CSR-related issues—attempt to frame issues in ways which they hope will cause stake-

² www.iccr.org/about

Name	Location	Example of recent activism
Catholic Agency for Overseas Development	United Kingdom	'Clean Up Your Computer' campaign
Catholic Relief Services	United States	' <i>Bottom of the Barrel: Africa's Oil Boom and the Poor</i> research report (Gary and Karl 2003)
Christian Aid	United Kingdom	<i>Behind the Mask: The Real Face of Corporate Social Responsibility</i> research report: addressed Shell Oil's involvement in Nigeria (Christian Aid 2004)
Development and Peace	Canada	'People Before Profit' campaign focused on the Canadian mining sector
Ecumenical Council on Corporate Responsibility	United Kingdom	2006 report on Rio Tinto entitled <i>Rio Tinto—Revisiting the Principles: A Decade of Corporate Responsibility Reviewed</i> , focusing on the Grasberg mine, West Papua, Indonesia (Ecumenical Council on Corporate Responsibility 2006)
Hong Kong Christian Industrial Committee	Hong Kong	Labour rights in the toy industry
Interfaith Center on Corporate Responsibility	United States	Environmental justice, human rights standards, access to HIV/Aids drugs
KAIROS	Canada	Campaign against Talisman Energy's involvement in Sudan (Talisman eventually divested)

Table 1 EXAMPLES OF RELIGIOUS ORGANISATIONS ENGAGED IN CSR ACTIVISM

holders to increase their expectations of corporate behaviour and then cause corporations to improve their behaviour in response. Many secular organisations also engage in CSR-related activism, of course, and work with religious shareholder activists because they share a set of common goals (for example, CSR and environmental responsibility), which may arise from different personal and institutional value commitments; non-religious environmental organisations seek to engage in activism to protect the environment, but are not likely to argue that environmental protection is good because it is consistent with God's will. It is thus possible for people and institutions working together for social justice to agree on a social goal without having to agree on why that social goal is good. It is important to note that, in the US, religious organisations speaking in explicitly religious terms can have an impact beyond that which a secular organisation can achieve on its own. The US is relatively more religious, in terms of measures such as attendance at religious services, than other developed countries (Jelen 2006) and so arguments with a religious basis may have greater resonance with some people than purely secular arguments.

In recent years, religious organisations have used the EJ frame in their activism focusing on companies involved in extractive industries (among others). Such activism has brought together human rights and environmental concerns to compose a narrative about social responsibility in this economic sector.

CSR in the extractive industries: the EJ frame

In 2003, ICCR started its EJ programme. Many ICCR members, working on both human rights and environmental concerns, identified this as an emerging area for social issue research and shareholder activism. The goals of the programme, according to its members, are to:

- ▶ Collaborate with local EJ communities to help them exercise control over injurious corporate environmental behaviour
- ▶ Promote disclosure of local environmental impacts and corporate solutions to address them
- ▶ Ensure ongoing corporate compliance at the facility level with applicable environmental and health laws and regulations
- ▶ Model the kind of authentic collaboration and dialogue with local EJ communities that we believe corporations should engage in³

Such sentiments are not unique to ICCR among religiously oriented activists. Development and Peace, a Canadian religious organisation, offers a similar analysis:

Canada is the world's leading mineral exploration nation. Some Canadian mining companies have been implicated in cases of human rights violations and major environmental degradation in countries of the Global South, jeopardizing the health, security and well-being of entire communities. Too often, the voice of those affected is not respected when decisions about mining operations are made.⁴

When a new social issue emerges through the efforts of activists, it is necessary to frame it in ways that allow companies and stakeholders to understand what the activist groups are seeking and that build support for the issue. CSR activism in the extractive industries has usefully built on extant work in EJ. EJ is itself an example of a relatively recent social issue that has framed CSR in a new way for companies and stakeholders.⁵

The EJ movement has at its core a simple ethical proposition: a person's access to clean air, water or soil should not be dependent on his or her race, sex or social class. Although very early work was conducted by the US Federal Government's General Accounting Office (General Accounting Office 1983), the issue did not generate significant public attention until a United Church of Christ report (United Church of Christ Commission for Racial Justice 1987) was published four years later. Both reports found that poor communities and communities of colour in the US were disproportionately affected by pollution, a finding consistent with later and more rigorous empirical work (Allen 2003; Davidson and Anderton 2000; Glickman 1994). In general, not only are poor people more likely to live next to polluting facilities (sited there before or after the people who live in that community moved there) and to suffer ill-health effects from them, they are less able to prevent and remedy such inequities (Shrader-Frechette 2002). Similar work has been conducted on communities in a variety of other countries, particularly countries in which extractive industries (mining, oil and gas) are prominent (Gary and Karl 2003). EJ is thus framed as a human rights issue and a part of good CSR.

An obvious focus of ICCR's work on EJ is the extractive-industry sector, particularly oil and mining companies. In response to concerns about EJ, community consultation and

3 www.iccr.org/issues/envjustice/goalsobjectives.php, accessed 13 July 2007

4 www.devp.org/devpme/documents/eng/pdf/ActionCard2006_ENG.pdf, accessed 19 September 2007

5 I focus on the EJ movement as it emerged in the US. Similar activist movements focusing on EJ have emerged in other countries (Malone and Pasternack 2006).

consent has been offered as one means of responding to the needs of the communities that host polluting facilities, including those affected by natural resource extraction. Previous work on community consultation and stakeholder dialogue processes has emphasised the importance of stakeholder involvement in corporate decision-making. Calton and Payne (2003: 37, emphasis added) offer this plea to managers:

By focusing on the need to build a shared commitment to *relational responsibility* by improving and sustaining the dialogic process of ethical decision making in stakeholder networks, we are neither encouraging nor engaging in utopian speculation. We are asking management practitioners and academic theorists to come out of their corporate offices and ivory towers so that they can engage stakeholders in talk, the necessary precursor to action.

Such sentiments are common to the work of religious activists focusing on EJ and the extractive industries. In 2003, the Global Principles Steering Group—a group of religious organisations from developed and developing countries—published *Principles for Global Corporate Responsibility: Bench Marks for Measuring Business Performance* (Global Principles Steering Group 2003). One section of the document, extracted in Appendix 1, dealt specifically with extractive-industry companies.

The *Principles* provide a succinct statement of the concerns of many (but not all) religious organisations (and indeed many activist groups) about CSR in the extractive industries. In particular, the second, third and seventh principles (see Appendix 1) form the approach for the arguments and approaches used by ICCR members in their shareholder activism on this issue. Here it is important to note that some Christian and non-Christian religious traditions might think about such issues very differently. In addition to concerns about environmental sustainability, the section on the extractive industries addresses the adequacy of environmental laws and enforcement, involvement with military forces and effects on the security of community members and the general vulnerability of communities. One of the critical elements of both extractive-industry CSR activism and EJ activism is the emphasis on the needs of local communities and the relational responsibilities companies have to them. When a local community has assets that are valuable to extractive-industry companies and the national government is corrupt and/or oppressive, massive violations of human rights frequently result. The EJ frame for extractive-industry CSR focuses on the ethical claims that local communities and their members have on companies that are engaged in resource extraction and the corresponding need for companies to consult with, and get consent from, those communities. Because these communities bear the costs of such activities and often do not share in the benefits (Gary and Karl 2003; Van Buren 2001), activist groups have focused their attention on defining CSR as it specifically relates to local communities.

The ICCR EJ campaign has largely focused on US companies, because these companies are the easiest to file shareholder resolutions with and are most likely to have shareholders that are religious institutions. In 2005, ICCR members filed EJ-oriented shareholder resolutions, generally framed in ways consistent with the principles for ethical resource extraction, with several extractive-industry companies. An example of such a shareholder resolution is provided as Appendix 2.

Most resolutions include a request (the ‘resolved clause’) to the company and a set of arguments about why the request is both reasonable and consistent with good CSR. This particular resolution (Appendix 2) addresses the after-effects of oil exploration in Ecuador, which has had significant negative health and environmental impacts on local communities in that country. The resolution notes that there are potential public image and legal implications of failing to remediate sites where the company (Texaco, before its merger with Chevron) has extracted oil. The resolution focuses on the costs of fighting remediation versus a lack of expenditures on remediation.

Other approaches and arguments have been used by shareholder activists working on EJ-related issues. Another resolution, submitted to ExxonMobil for inclusion on its 2006 proxy statement, requested that the company's

. . . Board of Directors report to shareholders, at reasonable cost and omitting proprietary information, on how the corporation ensures that it is accountable for its environmental impacts in all of the communities where it operates. The report should contain the following information:

- How the corporation makes available reports regarding its emissions and environmental impacts on land, water and soil—both within its permits and emergency emissions—to members of the communities where it operates
- How the corporation integrates community environmental accountability into its current code of conduct and ongoing business practices
- The extent to which the corporation's activities have negative health effects on individuals living in economically poor communities

This resolution addressed specific health concerns of local communities *vis-à-vis* extractive-industry CSR.

Both of these resolutions filed by Christian denominations in the US seek, using secular rather than religious language, to make ethical arguments about extractive-industry business practices. In making such arguments, the filers of these resolutions seek not only to communicate with each company's shareholders, but also with the wider public, regarding the kinds of environmental and community-relations practices they believe to be consistent with good CSR, including explicit consent from local communities for any extractive project, greater reporting expectations and enhancements in codes of conduct that explicitly include EJ concerns. Shareholder activists and religious institutions focus on long-term systemic change in relations between corporations and their stakeholders.

There is some evidence that they have been successful; Van Buren (2007) has noted that many shareholder resolutions are withdrawn by the filers after a dialogue with the company's managers yields some sort of agreement that moves the company toward the filers' goals. The first year that the EJ programme coordinated the filing of shareholder resolutions on extractive-industry CSR was 2005. All of the resolutions were either withdrawn after successful dialogue with the company or received sufficient shareholder support for resubmission, as noted in Table 2.⁶

Similarly, there is a growing body of evidence that suggests activists and companies are starting to work together—in some cases because collaboration yields more benefits for both parties than confrontation (Taylor and Scharlin 2004). Indeed, many of the stories that ICCR members will tell their own constituencies about shareholder activism involve dialogues that were created by the filing of a shareholder resolution and agreements reached with companies, rather than filing resolutions and letting them go to votes at company annual meetings.

Although a critique of religious institution shareholder activism regarding EJ is beyond the scope of this paper, one general concern is the basis on which religious institutions can seek to speak on behalf of others. The members of ICCR are, after all, first-world religious institutions and most of the people who do the work of ICCR are not directly affected by environmental injustice. One way that ICCR members have tried to respond to such concerns is by working in partnership with local community members who are directly affected by environmental injustice. That said, the issues of moral stand-

⁶ For a resolution to a US-based company to be resubmitted, it must get 3% support (i.e. votes in favour of the resolution; one share is equal to one vote) in its first year, six in its second and ten in the third and subsequent years. The percentages provided in Table 2 relate to percent support that each received from shareholders in 2006 proxy voting.

Company	Issue	Result*
Alcan	Free, prior and informed consent of local communities	36.82%
Chevron	Cost of clean-up—Ecuador	8.37%
Chevron	Community accountability	Withdrawn after agreement
ConocoPhillips	Community accountability	9.22%
ExxonMobil	Community accountability	10.04%
Freeport-McMoRan	Human rights in Indonesia	Ongoing dialogue

* Percentages listed refer to the percentage of shareholder votes cast in favour of the resolution. Each share constitutes one vote.

Table 2 RESULTS OF EJ RESOLUTIONS AND DIALOGUES FILED IN 2005–2006

ing to raise ethical concerns on behalf of others and moral imperialism in a pluralistic world do merit further examination by academics and religious institutions alike. The activism of religious organisations regarding extractive-industry practices has sought to ask significant questions about who is harmed and who benefits from the industry's activities and how greater justice for local communities might result from higher expectations for extractive-industry CSR.

What does the future hold for extractive-industry CSR activism by religious organisations? It is likely that they will expand the number of companies in the campaign to include more mining operations, especially coal and copper, and oil companies, in large part because these industries pose similar ethical challenges, related to community relations and EJ, as do the companies that are currently targets of shareholder activism. Both industries have also been the focus on significant public attention regarding their effects on local communities (Ecumenical Council on Corporate Responsibility 2006; Eweje 2005). Both coal and copper have environmental impacts that are highly localised and affect people who are disproportionately poor, whether in rural West Virginia (coal) or in Indonesia (copper) to name but two examples of many. Coal companies, for example, have a similar history of poor relations with local communities as do oil companies (Eweje 2005; Yakovleva 2005). There is likely to be a continued focus on the effects of extractive-industry companies on the health of local communities, involvement with oppressive regimes and the benefits that local communities actually receive from the companies operating in their midst. Religious shareholders will look for opportunities to engage in activism regarding EJ *vis-à-vis* the extractive industries in cases that bring together three elements: localised environmental exposures, people who are poor and/or members of minority racial groups and communities that are exploited by governments and corporations.

Religion and the environmental movement

Finally, it is germane to briefly discuss the role of religion and religious organisations in the environmental movement generally. Religion, especially the Christianity that has influenced the economic development of many developed countries, has often been cast as an enemy of environmental responsibility. Often criticism of Christian thought in this regard is based on dominion theology, the notion that God gave human beings dominion (which in this line of argument inevitably leads to domination) over other

creatures and the environment. Genesis 1:26-28 (taken from the New Revised Standard Version of the Bible) has often been cited in support of this view:

Then God said, 'Let us make humankind in our image, according to our likeness; and let them have dominion over the fish of the sea, and over the birds of the air, and over the cattle, and over all of the wild animals of the earth, and over every creeping thing that creeps upon the earth'. So God created humankind in his image, in the image of God he created them; male and female he created them. God blessed them, and God said to them, 'Be fruitful and multiply, and fill the earth and subdue it: and have dominion over the fish of the sea and over the birds of the air and over every living thing that moves upon the earth'.

Dominion theology places humans at the centre of creation and has been accused of leading to environmental degradation (Hiers 1984). Christianity and anthropocentrism go hand in hand in this line of analysis. If this were the only accurate analysis, then Christianity would indeed be guilty of this charge, but the reality is more complex.

Concern for creation—the natural environment—is also an element of Christian theology (Hiers 1984; Hitzhusen 2007; Hoffman and Sandelands 2005). Further, social reform and concern for human rights has also typified many religious movements, such as the Social Gospel of the early 20th century (Evans 2004) and later movements such as religious institution shareholder activism. Indeed, religious activism on EJ and extractive-industry CSR has focused on the commonality of human and environmental interests—what is good for people in local communities is good for the natural environment and vice versa. For the Christian denominations that engage in shareholder activism, working for justice in the world is not only consistent with their religious beliefs, but indeed required by them.

One might reasonably ask why religious institutions would hold shares of companies involved in actions deemed immoral at all, rather than engaging in shareholder activism. Here it is important to note that Christian theology has embedded within it a strong sense of sin within all people and institutions—including religious organisations. There is no such thing, according to most Christians and Christian institutions, as a perfect person or institution. Any institution is therefore in need of moral correction and improvement. Some Christian traditions (Anabaptists) will not hold shares in companies that violate deeply held religious beliefs (for example, military companies), but, in the absence of such beliefs, most Christian denominations engaged in shareholder activism believe that acting as shareholders to seek changes in corporate policies and practices is a more religiously faithful action than selling a company's stock.

It is the case, of course, that many religious people and institutions believe in human dominion (and domination) over the natural environment and have sought to justify a lack of concern for the environment in religious terms. But religiously informed social reform movements have done much to put environmental concerns forward in the public sphere. Religious institutions, therefore, can be friends or foes of environmental responsibility. In this paper, I have discussed how one religious movement—shareholder activism and social-issue research by religious institutions—has done much to bring about greater expectations for extractive-industry CSR.

Conclusion

Religious organisations have been a significant part of efforts to expand social responsibility expectations of companies involved in extractive industries. By focusing on the needs of local communities and connecting human health concerns to environmental issues, such organisations have been able to tell a compelling story to corporate stakeholders. Further work by activists addressing extractive-industry responsibility is likely

to address reporting requirements and expand the number of types of companies that are the focus of activism.

The agendas of many religious organisations encompass a broad range of social responsibility concerns, including issues that include both human rights and environmental domains. Because of the legitimacy of religious organisations and the deep local roots that many of them have in regions of the world where extractive industries are active, religious organisations can be important allies in the struggle for better environmental practices.

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Appendix 1

Principles for ethical resource extraction

From Global Principles Steering Group 2003: 23-24.

Section 1.5 Resource extraction

Principles

1.5.P.1

The company conducts the extraction and/or exploitation of natural resources such as minerals, timber, oil and energy sources, including hydro-electric power, in such a manner as to avoid conflict with the human rights, the sustainability of the environment and the economic survival of national, local and indigenous communities.

1.5.P.2

The company is careful to control its exploitation, management and extraction of natural resources, especially non-renewable resources, in countries where environmental laws and regulations are inadequate or are improperly enforced, or where there is protracted internal or regional conflict to which the government is a party.

1.5.P.3

The company does not make unfettered exploitation of natural resources, especially non-renewable resources, against the wishes of national, local or indigenous communities, nor in such a way that it damages or dramatically changes the ecosystem.

1.5.P.4

The company recognises that resources, which it may wish to extract from a particular area, are an asset of that community and conducts its business in accordance with that recognition.

1.5.P.5

Where the company is engaged in the extraction of natural resources in zones of conflict it does not engage governmental or militia forces to provide security but conducts its own independent security operation.

1.5.P.6

The company, if it is unable to provide proper security for its workforce in zones of conflict does not enter into an engagement to conduct such extractive business or if already engaged, it withdraws from such locations.

1.5.P.7

The company does not engage in resource extraction in highly vulnerable and non-sustainable communities without ensuring that its operations are designed to benefit the local community and monitors the impact of its engagement.

Appendix 2

Shareholder resolution on EJ filed in 2006 with Chevron Texaco

Whereas

Between 1972 and 1992, a Texaco-Petroecuador joint venture extracted over 1.4 billion barrels of oil from the Ecuadorian Amazon. As operator, Texaco designed, built and managed all exploration, extraction and transportation facilities.

During this time, the trans-Ecuadorian pipeline spilled an estimated 19 million gallons of oil, near twice as great as the *Exxon Valdez*. Texaco disposed of an estimated 18.5 billion gallons of toxic wastewaters into open, unlined pits, waterways and wetlands although it was standard practice in the US to re-inject such waters into the ground.

In 1998, Texaco completed a clean-up of 156 of the 627 unlined toxic waste pits pursuant to an agreement with the Ecuadorian government. Groundwater contamination, however, was not remediated.

The adequacy of the clean-up is being challenged in a third-party, class-action lawsuit in Ecuador representing 30,000 plaintiffs seeking billions of dollars of additional remediation.

Evidence gathered by both sides is showing total hydrocarbon soil contamination that greatly exceeds thresholds set by both Ecuador and the US. Some of these substances are carcinogenic or known to cause other serious health effects.

Independent studies of the contamination's health impacts on neighboring communities have found:

- ▶ Exposure to and consumption of the contaminated waters has led to numerous types of infections and cancers
- ▶ Eight types of cancer in San Carlos, a community near former Texaco wells, far exceeding historical incidence rates
- ▶ Children under 15 are three times more likely to contract leukemia in the area where Texaco operated than in other Amazonian provinces

The controversy surrounding the trial is receiving growing attention in the US and abroad. (See 'Rainforest Jekyll and Hyde?' by Bob Herbert in *New York Times*, 10/20/05 and *International Herald Tribune*, 10/21/05; 'Scientists Denounce Texaco's Academic Consultants in Ecuadorean Oil Dispute,' *Chronicle of Higher Education*, 4/15/05; 'The Hunt for Black Gold Leaves a Stain in Ecuador; As ChevronTexaco Faces a Major Lawsuit, Evidence Portrays a Company and a Nation that For Years Showed Little Concern for the Environment,' *LA Times*, 11/30/03. 'Chevron Would Face \$5 Billion Tab For Amazon Cleanup, Expert Says,' *Wall Street Journal*, 10/30/03.)

Resolved

Shareholders request that the Board of Directors report by 10/01/06, at reasonable cost and excluding confidential information, the company's (a) annual expenditures by category for each year from 1993 to 2005, for attorneys' fees, expert fees, lobbying and public relations/media expenses, relating in any way to the health and environmental consequences of hydrocarbon exposures and Chevron's remediation of Texaco drilling sites in Ecuador and (b) expenditures on the remediation of the Ecuador sites.

Supporting statement

In numerous press releases, Chevron has categorically denied that the contamination that remains from Texaco's drilling poses any risk to human health or the environment. In the shareholders' opinion, Chevron is addressing these issues as a public relations problem rather than a serious health and environmental problem. We believe this damages Chevron's reputation and credibility as an environmentally responsible corporate citizen, jeopardizes our ability to compete in the global marketplace and may lead to significant financial costs.



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