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Support rises for social-issue proposals at corporate meetings

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July 22, 2020 – 5:12 p.m. By Laura Weiss, CQ

Investor support for requests that companies act on social issues related to workforce and political involvement rose during the first half of the year.

Requests related to workforce diversity and political contributions found heightened backing in votes that came amid the COVID-19 pandemic, mass protests for racial justice and the lead-up to the 2020 presidential election.

Public health, economic and social crises emphasized the “S” in ESG, short for environmental, social and governance factors in investing and corporate decision making.

Average support for shareholder proposals seeking disclosure of workforce diversity data at U.S. public companies rose to 53 percent in votes from Jan. 1 through June 30, up from 38 percent in the first half of 2019, according to data ISS Corporate Solutions provided to CQ Roll Call. Most U.S. companies hold their annual shareholder meetings in the first half of the calendar year.

Backing for items seeking political spending disclosure climbed to 41 percent from 36 percent last year, while average approval of lobbying-related measures increased to 32 percent from 30 percent.

The three issues were among the 12 topic areas with the highest average support both years. Other top-supported measures related to corporate governance or environmental issues such as greenhouse gas emissions and climate change.

ISS’s data showed a rise in the number of shareholder proposals on these topics that had majority support. While votes on shareholder-submitted requests are non-binding, majority approval generally compels corporate action.

Three proposals related to workforce diversity found majority support in the first half of 2020, compared to two in 2019. Votes this year were notably high, including results of 79 percent, 70 percent and 61 percent approval.

This year also saw two additional proposals related to workforce matters pass.

Four requests for election spending disclosure won majority votes this year, up from three last year. Two lobbying-related measures passed in 2020, while just one did in 2019's first half.

Some of the backing for these shareholder proposals came from the world's largest asset manager, BlackRock Inc. The manager of $7.4 trillion in assets began disclosing select votes shortly after casting them for the first time this year as part of a broader push toward sustainable investing and transparency.

The firm backed a request for a review of climate lobbying for alignment with the Paris Climate Agreement at Chevron Corp., for example, though it voted against the same measure at Delta Air Lines Inc. BlackRock also reported voting for at least one request for workforce diversity disclosure.

Groups involved in shareholder campaigns viewed current events as impacting vote results.

Andrew Behar, CEO of corporate social and environmental responsibility advocate As You Sow, said in an interview that a lesson of the COVID-19 pandemic is that countries that relied on science and data have had better outcomes.

"The takeaway is use science, use data and you're going to do far better," he said. "This is the transformation we're going to see coming out of this that the decades of oil companies doing anti-science campaigns — I think we're going to see the pendulum swinging the other way and we're going to have far better outcomes, and I think that impacted the votes."

As You Sow submits proposals on behalf of stockholders. The organization put forward two of the majority-backed items on workforce diversity disclosure as well as one passing item on general workforce-related disclosure this year.

Behar said he believes requests related to workforce data disclosure had higher results in 2020 because of large asset managers demanding that companies report under Sustainability Accounting Standards Board guidelines, a set of industry-specific frameworks for reporting sustainability information that is material to investors.

BlackRock and State Street Global Advisors had said they would expect SASB-aligned reporting earlier this year. Behar anticipates almost all U.S. public companies will disclose information under SASB in the near future as a result.

Bruce Freed, president of the Center for Political Accountability (CPA), identified similar influences toward record-high support for the group's model shareholder proposal, which seeks corporate transparency on election and campaign spending. It found 42 percent average approval in 22 votes.

Social media and millennial activism accelerated support for corporate political spending disclosure by creating a risk of scandals that could threaten companies' reputations and business, he said.

Freed, who tied the need for transparency to corporations receiving federal coronavirus aid and to racial justice efforts during the 2020 proxy season, said current events were significant in vote results and show how companies cannot ignore the impact of their dollars in politics.

"Business-wise, they can't afford to," Freed said. "Consumers are much more sensitive now to where they're spending their dollars."

Timothy Smith, director of ESG shareowner engagement at socially responsible investment firm Boston Trust Walden, said that while the pandemic might have led companies and investors to be dismissive of shareholder requests, the crisis had the opposite impact.

Smith, a coordinator of lobbying-related efforts for ESG-focused investors, said investors did not give companies a pass on climate, diversity and other priorities because of COVID-19, nor did companies dismiss these matters.

Paula Simpkins, an associate in law firm Davis Polk and Wardwell LLP's capital markets group, said in an email that proposals related to workforce management are likely to increase next year because COVID-19 brought to the forefront issues of worker pay, layoffs, retention and employee health and safety.

The volume of requests around human rights, supply chain management and workforce diversity data may rise for similar reasons, Simpkins added.