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ESG's Political Side Bubbles Up in Tense Proxy Season Debates

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Clara Hudson
Reporter

- Companies face heightened political pressure at annual meetings
- Stakeholders raise questions about LGBTQ support, climate

Annual meetings kicked off with a bang this year as companies and their executives confronted increasingly thorny questions from both liberal and conservative stakeholders over a wide range of environmental, social, and governance topics including diversity, abortion, and climate change.

Walt Disney Co. Chief Executive Officer Bob Iger dove into the political debate at the company's [annual meeting](#) last week, calling Florida Governor Ron DeSantis' pushback of the entertainment giant's support for LGBTQ rights as "anti-business" and "anti-Florida." Royal Bank of Canada found itself on the defensive at its annual meeting two days later, as the bank faced a [volley of questions](#) from angry proxy holders about its fossil fuel investments and the impact of its business practices on Indigenous people and people of color.

Political friction at shareholder meetings is not new, but appears to be "coming back into vogue," said David Webber, a corporate law professor at Boston University. Webber noted that there's a long history of confrontational debates at shareholder meetings including over gay rights and segregation in previous decades. "I think we're definitely seeing a new wave of it now," he said.

Webber and other corporate governance experts attribute that renewal to several factors including mounting conservative shareholder activism, a fractured political landscape, and the frenzy of public interest in issues such as abortion after the last year's Supreme Court ruling. There's a growing expectation that companies should align their policies and statements to all aspects of their business. Companies with upcoming annual meetings will have to take a clear stance on the issues they expect to be pressed on, to smooth over tense lines of questioning from investors, some shareholder activism specialists say.

Companies including Eli Lilly and Co and Coca-Cola Co. are among those that face politically sensitive shareholder proposals on abortion and political spending at upcoming annual meetings. Home Depot Inc. faces two diversity-related proposals this year while annual meetings at Bank of America Corp and Wells Fargo & Co will see multiple shareholder proposals on climate change impacts from lending and investment activities.

Conservatives, who historically are less active in shareholder campaigns, hope to sway corporate agendas too. One shareholder has even put forth a proxy proposal that calls on Home Depot's management to make a commitment to avoid supporting or taking a public position on "any controversial social or political issues."

To meet the more intense political pressure, companies in general must prepare "more complete and nuanced views" on ESG topics so they can better explain their positions to investors, according to Meredith Benton, the founder of Whistle Stop Capital who also consults with shareholder activist As You Sow.

"Some companies say 'we're not political,' but I say that 'politics can still come for you, and it will certainly affect your business,'" she said.

Sparks Fly at Disney, RBC

Disney has been [locking horns](#) with DeSantis, who has long campaigned to limit the entertainment giant's autonomy. In the latest skirmish, the Florida governor and state legislators took control of a local government board overseeing Disney World only to find Disney had limited the board's powers before turning it over. Responding to a shareholder question about the clash, Iger said DeSantis had tried to "punish" the company for taking a position on social issues.

One shareholder at the April 3 meeting accused Disney of promoting "the woke agenda," questioning why the company was publicly supporting the LGBTQ

community. “Please turn Disney back to the apolitical fun place that it used to be,” the shareholder said. Another investor said Disney’s positions on abortion access and the LGBTQ community “were worse than wrong, they were stupid.”

The volume of conservative shareholder proposals has risen in recent years, a new trend in the predominantly liberal shareholder activism space. These proposals typically don’t receive much investor support. But proposals opposing environmental, social and governance policies rose 60% since last year, according to the Proxy Preview 2023 [report](#) from March.

RBC’s April 5 annual meeting looked very different than Disney’s, as activists aired heated and at times angry concerns to executives about the bank’s impact on the environment. The Canadian bank was met with a volley of questions about its financing of the Coastal GasLink Pipeline through the Wet’suwet’en territory in British Columbia, and the project’s impact on minorities.

RBC said in an email to Bloomberg Law that the bank “supports energy development that is done in an environmentally and socially responsible manner including through meaningful consultations with Indigenous peoples.”

The meeting turned tense when proxy holders repeatedly accused the company of unfairly separating them—including Indigenous people and people of color—from the main auditorium into an overflow room. The proxy holders presented shareholder proposals and asked several questions about RBC’s diversity and human rights policies.

Addressing the complaints about using separate rooms, RBC told Bloomberg Law that “there was strong interest in attending our meeting and our objective was to treat all attendees fairly and respectfully. Those in attendance were able to fully participate in the meeting, through speaking to the proposals made and asking questions.”

Political Spending Proposals

Key companies facing votes on political contributions

Company	Meeting date	Topic
Coca-Cola	April 25	values alignment
Wells Fargo	April 25	values alignment
Eli Lilly	May 1	lobbying, third-party spending
Warner Bros. Discovery	May 8	political disclosure
Home Depot	May 18	political speech, values alignment

Source: Corporate proxy statements

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Political Spending

Disney is one of several companies navigating increased pressure from shareholders to unveil details about how their political donations match their values, especially on sometimes partisan political issues like abortion rights and LGBTQ rights.

Disney [faced](#) a vote on a proposal from a progressive group that asked the company to detail how its donations line up with its statements. The proposal—which secured 36% of investor votes—pointed out that, despite vocally supporting the LGBTQ community, Disney donated to supporters of Florida’s “Don’t Say Gay” law, which bars public school teachers from instructing students on sexual orientation and gender identity in kindergarten through third grade.

Shareholder support for corporate political disclosure and alignment has been growing for a long time, said Bruce Freed, co-founder and president of the Center for Political Accountability. “It’s an essential part of risk management at this point,” he said. The Center has written a model proposal for shareholders to call on companies to require third party groups to report on the ultimate recipients of their contributions.

There are other stakeholders who might have strong opinions about a company’s political alignment, said Dan Carroll, the vice president for programs and counsel at the Center. He pointed out that not aligning political spending with corporate

policies and values can alienate employees and put off customers—particularly for consumer-facing brands.

CEOs are facing a lot of political pressure from social media and Gen Z expectations that companies follow through on their stated values, Webber, the Boston University professor, said. Company executives are also getting public pressure from politicians directly. Webber referenced one high-profile political moment at an annual meeting in 2019 when Senator Bernie Sanders spoke at Walmart's annual meeting to press the company over worker pay. This year, Walmart faces a shareholder proposal on gun violence, asking the retailer for an independent review of its workplace safety policies.

“You might have thought ‘shareholders just care about returns, they don’t care about the politics,’ but that’s not true right now, it’s definitely not true,” Webber said.