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Proxy Season 2021 Looks Unusually Active, as Investors Press a Range of Concerns

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By
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Neuberger Berman has long been a loyal shareholder of Berkshire Hathaway . The investment firm owns about $800 million worth of shares in the company run by one of the greatest value investors ever, Warren Buffett.

But on May 1, Neuberger plans to vote against Berkshire management at its annual meeting. Berkshire (ticker: BRK.A) faces shareholder calls for it to publish an annual assessment of how it manages climate risks and handles diversity and inclusion efforts. Berkshire recommends voting against both proposals, saying that its subsidiaries "are already making sound climate-related decisions" and that its decentralized businesses are "individually responsible" for their own diversity initiatives.

In fact, Neuberger is preannouncing votes on noteworthy shareholder proposals for more than 60 companies this proxy season, about double the total of last year, as it pushes for companies to tackle environmental, social, and corporate governance, or ESG, risks. More money managers may follow as the European Union seeks increased transparency on voting and investing. Neuberger "can speak to management in a way that they can really understand the importance of different topics," says Caitlin McSherry, Neuberger's director of investment stewardship.

Neuberger isn't alone. In fact, this already-active proxy season might be one of the most interesting in years.

An array of shareholder proposals on workplace diversity and working conditions are in play, some inspired by the pandemic and the protests following George Floyd's death while he was in police custody.

"There will be a wave of racial-justice resolutions," predicts Andrew Behar, CEO of As You Sow, a shareholder advocacy organization. And James Copland, a senior fellow at the Manhattan Institute, says that almost 10% of the shareholder proposals that he has seen "are on racial equity in some form." Many involve requests for companies to share Equal Employment Opportunity Commission data and other reports. This year, Nuveen, the investing arm of TIAA, says it expects some 40 resolutions seeking EEO-1 disclosures, up from 22 last year. Sustainable investors, such as Calvert Research & Management, also are pushing companies to report EEO-1 data.

One big ask: third-party audits to see how companies are promoting racial equity in the workplace. State Street is seeking disclosure about the gender, racial, and ethnic composition of boards and management. "They could be good indicators of cognitive diversity," says Ben Colton, the company's co-head of asset stewardship.

The proposals also reflect the urgency of corporations' response to global warming. Expect to see more "Say on Climate" proposals, in which companies publish a climate-action plan and progress report and put it to an annual advisory vote. Leading the push is the Children's Investment Fund Foundation, which wants companies to publish specific five- and 10-year plans to cut emissions, and to tie executive pay to progress.

The Jan. 6 Capitol insurrection led to calls for disclosure and accountability policies on political spending; the **Center for Political Accountability** is filing more than 30 such resolutions. Political activity "can pose increasingly significant risks for companies, including the perception that political contributions—and other forms of activity—are at odds with core company values," says the Conference Board.

So far, dozens of proposals have been withdrawn after companies agreed to act, avoiding shareholder votes. This year, "we've already racked up a number of victories.…In general, we've had more successful negotiations with companies," says Leslie Samuelrich, president of Green Century Capital Management, which withdrew a resolution from JPMorgan Chase's (JPM) proxy after the bank agreed to expand its policies to help stop deforestation. Likewise, the Service Employees International Union and CtW Investment Group pulled a resolution urging BlackRock (BLK) to conduct a racial-equity audit, after the firm agreed to do so.

Some other companies facing votes, and the dates of their annual meetings:

Citigroup (C), April 21. Citi faces a half-dozen resolutions, including splitting the chairman and CEO jobs, considering nonmanagement employees for board seats, disclosing lobbying policies, and overseeing a racial-equity audit. Proxy advisor Glass Lewis suggests that shareholders support the audit. Citi urges rejection.

Exxon Mobil (XOM), May 26. Exxon faces calls for an audited report on how a significant reduction in fossil-fuel demand would affect it financially, an annual report on lobbying, and a description of how its lobbying aligns with the Paris climate agreement's goal of limiting global warming. The company recommends voting against the measures. Exxon has shaken up its board, but activists argue that it needs some new directors willing to reduce carbon emissions and embrace renewable energy.

Amazon.com (AMZN), May 26. Amazon faces nearly a dozen proposals, including one for a racial-equity audit. (It won Securities and Exchange Commission approval to exclude one about how the e-tailer addressed health and safety risks during the pandemic.) Amazon opposes the proposals, and says that it has "numerous" initiatives under way to address racial-equity concerns.

Alphabet (GOOGL), expected in early June. For the second year in a row, Trillium Asset Management, a Boston-based sustainable investor, is pressing Alphabet to assess its whistle-blowing program. Jonas Kron, Trillium's chief advocacy officer, cites criticism of the existing policy, including a 2020 report from the National Labor Relations Board alleging that Google surveilled and interrogated employees about protected activities and may have retaliated against them. Last year, Trillium's proposal received 5% of shareholder votes. This year, Kron says, it might get more, particularly after the U.N.-backed Principles for Responsible Investment published new guidelines on whistle-blowing. Warns Kron: "It's an area of increasing risk for Alphabet."