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Shareholder Pushes for Lobbying Disclosures Seen as Long Shots

By Matt Daneman

Investors trying to push better lobbying disclosures at communications, media and tech companies through shareholder proxy proposals face a steep uphill climb. Annual reports detailing lobbying spending and strategy were put on the yearly shareholder meeting agendas for Amazon, Boeing, Charter and Disney. They were rejected at Boeing and Disney. Experts told us odds of approval generally are slim.

Stockholders often defer to boards' recommendations on proxy votes, and directors usually recommend against shareholder proposals, said Manhattan Institute Senior Fellow Jim Copland. Lobbying-related shareholder proposals ballooned in 2011, after the Supreme Court's Citizens United decision, he said. Of the 25 lobbying shareholder proposals put forward in 2020 proxy votes at Fortune 250 companies, only one, at healthcare company McKesson, was adopted, per Manhattan Institute tracking. Lobbying proposals were rejected last year at Amazon, Boeing, Comcast, Disney and Verizon.

Shareholders in communications, media and tech also will decide a slew of other proposals in coming weeks. ViacomCBS shareholders will decide May 25 on increasing proxy access. Facebook equity owners vote May 26 on six shareholder proposals on issues such as dual-use capital structure, having a human-rights or civil rights expert on the board, and preparing a report to assess the upsides and downsides of "maintaining or restoring the type of enhanced actions put in place during the 2020 election cycle to reduce the platform's amplification of false and divisive information." Standard General, one of Tegna's largest shareholders, urged electing May 7 three board members of its choosing, instead of incumbents including Tegna CEO Dave Lougee. Others with shareholder proposals up for votes this spring include AT&T on April 30, American Tower May 26 and Comcast June 2.

Apple shareholders shot down proposals Feb. 23 about nomination of board members and consideration of "ethical, social and economic factors" in setting executive pay. Along with the

lobbying vote, Disney shareholders at March 9 rejected a plan on board nominee candidate lists. Boeing investors rejected a proposal last week enabling shareholders to act by written consent.

Across the industry, the communications, media and tech shareholder proposals are facing "no" vote recommendations from the boards. Charter's board said the company "makes significant disclosures regarding lobbying and political contributions [and they] are appropriate and consistent with the objectives of transparency and accountability reflected in the proposal." It said parts of the shareholder proposal "are vague or unworkable and may create confusion." Charter shareholders meet Tuesday, and the agenda includes four other recommendations, including separating the CEO and chairman roles and requiring a greenhouse-gas emissions report.

Amazon's board said its federal spending is publicly available, as are, generally, its disclosures to individual states about lobbying there. It said the proposal raises the specter of Amazon taking a public stance on issues and then pushing trade groups to which it belongs to take different positions, but "we do not do this." Amazon has 11 shareholder proposals on deck for May 26, covering issues such as having an independent board chair, preparing a report about Amazon Web Services' Rekognition facial recognition system and how that system might affect civil rights domestically and be sold to repressive governments.

Most proposals are voted down because they're seen as not being in a company's long-term interests, said Kevin Kaiser, adjunct professor of finance at the University of Pennsylvania's Wharton School. "You have to let [the proposals] happen. We might disagree with them in 1962. By 2022, we might think, 'My God, how could we ever be opposed to that?'" Even when adopted, the shareholder proposals are advisory, he noted.

Despite the stiff odds, shareholders introduce proposals partly because it can lead to engagement with the board and management, even if they never get on the ballot, the Manhattan Institute's Copland said. To placate the proponent, a company will often negotiate some policy change with an institutional investor, he said. Copland said social policy proposals are also often aimed at getting a public platform for the cause.

Even an unsuccessful resolution "can be persuasive and an impetus for action," said Nicole Lee, director-environmental, social and governance research at portfolio manager Miller/Howard Investments. It co-sponsored a Citi shareholder proposal, to be decided Tuesday, for an annual lobbying disclosure report. She said opposition doesn't often involve a proposal's merits, but such things as deference to the board and insiders holding a lot of stock.

Getting something on the proxy ballot is "a gauntlet," said Jack Cohen, chairman of the Association of BellTel Retirees, which sponsored two Verizon shareholder proposals to be decided May 13. There's an amendment of its senior executive clawback policy and one for shareholder preapproval of "golden parachute" severance. A third Verizon shareholder proposal on the agenda would allow shareholder written consent. Cohen's group has offered up shareholder proposals for more than 20 years. "If you don't have resources for a lengthy fight [to get them on the ballot], you're going to lose," he said. "You might not even get up to bat."

Cohen said shareholder proposals often fail because investors never bother to vote. "That's what corporations count on," he said. The association has had only three proposals ever adopted, but it was able to change corporate policy 11 other times, he said: "If you make a nuisance of yourself enough, they meet you part of the way."

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