

Shareholders introduce more ESG proposals, but defeat at Amazon could slow momentum

Article

The trend: More investors are pushing retailers to adopt ESG-related resolutions as concerns over sustainability, racial equity, and treatment of workers come to the fore.

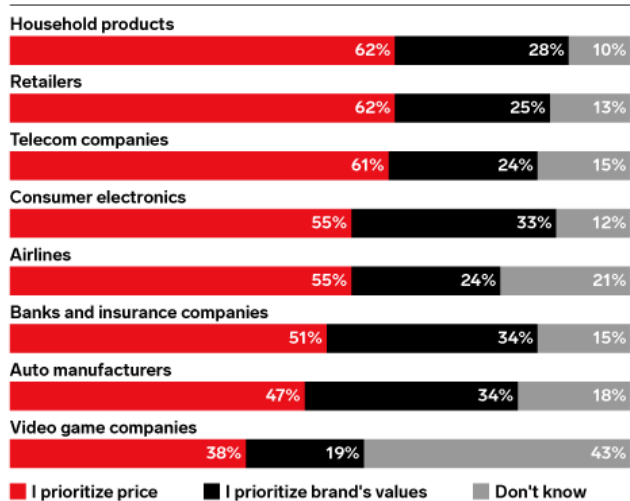
- **Amazon investors proposed 15 resolutions relating to the treatment of workers, climate change, racial and gender pay gaps**, and other issues at the company's latest annual shareholders' meeting; however, all were rejected.
- **McDonalds'** shareholders voted in favor of a **proposal to have the fast-food chain undergo its first companywide racial equity audit**, while activist investor **Carl Icahn's** attempt to force the company to adopt more humane animal treatment policies failed.

How we got here: People's expectations for the retailers they shop with and companies they invest in are higher than ever, particularly when it comes to issues of sustainability and social responsibility.

- Two-thirds of US consumers say their **social values influence their shopping choices**, per a 2021 study by McKinsey & Company.
- With **ESG investing on the rise**, it's become critical for retailers to emphasize their commitments to diversity and inclusion, sustainability, and other social issues to improve access to capital.
- At the same time, **the SEC is proposing rules that would enhance reporting requirements for ESG funds in an effort to prevent greenwashing**. Those rules could require companies to be more forthcoming about their sustainability and social governance initiatives.

How Adults Worldwide Prioritize Price vs. Brand Values When Considering a Purchase in Select Product Categories, Aug 2021

% of respondents



Note: ages 18+; numbers may not add up to 100% due to rounding
Source: YouGov as cited in company blog, Sep 22, 2021

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Shareholders speak up: The SEC’s announcement last November that companies should allow shareholders to vote on any proposals that raise “issues with a broad societal impact” enabled investors to bring a broader range of initiatives to the table.

- Some have been successful: **Apple** investors **passed a resolution that would require the company’s board to bring on a third party to conduct a civil rights audit** encompassing issues such as leadership diversity and equitable pay, despite Apple’s opposition to the measure.
- **But Amazon investors’ rejection of all 15 ESG-related proposals suggests that many shareholders are satisfied with the company’s approach to its workers and the environment**, which could make it even more difficult for unionization movements to gain traction.

The challenges: Part of the difficulty that ESG-minded investors face is the fact that proposals such as allowing Amazon workers to collectively bargain or conducting an independent audit of warehouse working conditions could have serious repercussions on a company’s bottom line—minimizing their appeal to shareholders looking to maximize their investments.

- Large institutional investors, like **BlackRock** and **The Vanguard Group**, also tend to have greater influence by virtue of holding bigger stakes. That makes it difficult for more radical proposals, like having an hourly worker join Amazon’s board of directors or ending McDonalds’ use of gestational crates for pigs, to pass.
- Even if these initiatives pass, they’re nonbinding, meaning companies have no obligation to follow through.

The big takeaway: Even unsuccessful proposals can have an impact, since the public scrutiny they generate could force companies to take steps regardless.

- Retailers should focus on ways they can proactively address shareholder and consumer concerns, such as offering a comprehensive strategy to reduce plastic use or responding to workers’ concerns.