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Board Diversity and Sustainability Proposals Achieve Majority Support

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While still early in the season, two ESG proposals have passed, in an unusual level of support for those types of resolutions.

A proposal from Amalgamated Bank to enhance board diversity at a company that the proponent claims has not had any women on its board in over a decade received 52% votes cast in favor. The resolution asks for a policy to ensure that a wider range of female and minority candidates are included in the pool of potential board nominees.

The company's statement notes that its corporate governance principles already contain a policy that the nominating committee should include diverse candidates, including women and minorities, in its review of potential nominees. It appears that the language was added after negotiations with Mercy Investment Services regarding a similar shareholder proposal during the 2014 proxy season.

A proposal seeking a sustainability report from Walden Asset Management, after three previous attempts, received 61% support. The proposal wants the company to describes its policies, performance and improvement targets related to key environmental, social and governance risks and opportunities, including greenhouse gas emission goals.

According to the supporting statement, investors are interested in "detailed" ESG performance, including data on occupational health and safety, waste, workforce diversity, water usage, hazardous releases, energy efficiency, and product and operations related environmental impacts and goals. The company argues that preparing such a report could involve significant expense in a challenging business climate, evidenced by the company's commitment to undergo a restructuring that included eliminating over 200 jobs.

Walden notes the proposal received 45% last year. However, the company reports 39%, since its voting standard counts abstentions as "against" votes. Companies are reminded that the proxy advisory firms, in assessing board responsiveness when making future director election recommendations, base their decisions only on the number of "for" and "against" votes, ignoring abstentions.

If you have any questions regarding the matters covered in this publication, please reach out to any of the lawyers listed below or your usual Davis Polk contact.

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