



Early Observations of Shareholder Proposals for S&P 500 Proxies Filed in the Last 90 Days



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Introduction

Forty-five days into the 2019 annual general meeting season, 42 S&P 500 companies have filed their annual proxies. This report makes some early observations about shareholder proposals that appear on those proxies and will be voted on at annual general meetings.

Executive Summary

- 30% of S&P 500 companies face shareholder proposals for the 2019 annual general meeting year at this time.
- 34% of S&P 500 companies had shareholder proposals on their proxies last year for the same time period.
- Disney faces a novel shareholder proposal to establish cybersecurity and data privacy protections as a metric in determining executive compensation.
- Of the nine shareholder proposals that have been voted on year to date this season, only one was approved. That was the proposal on opioid use at Walgreens Boots.

Methodology

Our CompanyIQ™ platform surveyed proxy DEF 14A filings of S&P 500 companies from 11/20/18 to 2/18/19 for the 2019 annual general meeting year and from 11/20/17 to 2/18/18 for the 2018 annual general meeting year.

One-Third of S&P Proxy Filers to Date Face Shareholder Proposals

14 of the 42 S&P 500 companies that have filed proxies in the last 90 days face shareholder proposals.

Written Consent is the Most Prevalent

The most prevalent shareholder proposal is written consent with four of the 14 companies facing a vote on this item:

- 1) Amerisource Bergen
- 2) Applied Materials
- 3) Deere & CO
- 4) Hewlett Packard

Climate Change & Board Diversity Also Popular

Board diversity and climate change are the next two most popular items up for proxy vote as shareholder proposals:

Climate Change

- 1) Atmos Energy
- 2) Transdigm

Board Diversity

- 1) Apple
- 2) Starbucks

Cybersecurity as a Compensation Metric

One of the most novel shareholder proposals is the one that Walt Disney faces on including cybersecurity and data privacy metrics in executive compensation decisions.

One Shareholder Proposal Has Been Approved Year to Date

As of the date of this report, nine shareholder proposals have been voted on at 2019 annual general meetings. Of these nine, one, the Walgreens Boots proposal on opioid use, was approved.

Table 1 below has the details.

Table 1: Shareholder Proposals for the First 45 Days of 2019 Annual General Meetings

	Company	Shareholder Proposal	Proxy Filing Date	Annual Meeting Date	Vote Results
1)	AmerisourceBergen	<ul style="list-style-type: none"> Written Consent Executive Compensation 	1-18-19	2-28-19	
2)	Analog Devices	<ul style="list-style-type: none"> Employee Diversity 	1-25-19	3-13-19	
3)	Apple	<ul style="list-style-type: none"> Proxy Access Board Diversity 	1-8-19	3-1-19	
4)	Applied Materials	<ul style="list-style-type: none"> Written Consent 	1-24-19	3-7-19	
5)	Atmos Energy	<ul style="list-style-type: none"> Climate Change 	12-21-18	2-6-19	• Failed
6)	Costco	<ul style="list-style-type: none"> Prison Labor in Supply Chain 	12-17-18	1-24-19	• Failed
7)	Deere & CO	<ul style="list-style-type: none"> Written Consent 	1-11-19	2-27-19	
8)	Disney	<ul style="list-style-type: none"> Lobbying Use of Cybersecurity and Data Privacy Metrics in Executive Compensation 	1-11-19	3-7-19	
9)	Franklin Resources	<ul style="list-style-type: none"> Genocide Free Investing 	12-27-18	2-12-19	• Failed
10)	Hewlett Packard	<ul style="list-style-type: none"> Written Consent 	2-13-19	4-3-19	
11)	Starbucks	<ul style="list-style-type: none"> Sustainable Packaging Board Diversity 	1-25-19	3-20-19	
12)	Transdigm	<ul style="list-style-type: none"> Climate Change 	1-29-19	3-12-19	
13)	Tyson	<ul style="list-style-type: none"> Human Rights Lobbying 	12-20-18	2-7-19	• Failed • Failed
14)	Walgreens Boots	<ul style="list-style-type: none"> Independent Board Chair Use of GAAP in Executive Compensation Opioid Sales Special Meetings 	12-6-18	1-25-19	• Failed • Failed • Failed • Failed

34% of S&P 500 Proxy Filers Faced Shareholder Proposals Last Year During the Same Time Period

For the same 90-day time period last year, 11/20/17 to 2/18/18, 38 companies had filed their proxies.

Of those 38 companies, 34% faced shareholder proposals.

There were a total of 472 shareholder proposals in the last proxy filing year of 2018. If the current trend continues, then it appears this season is on track to have a similar number of shareholder proposals.

Proxy Access Was the Most Prevalent – Four companies faced proxy access proposals from shareholders.

- 1) Apple
- 2) Becton Dickinson & Co
- 3) Disney
- 4) Starbucks

Lobbying Disclosure Was the Next Most Prevalent

Three companies faced lobbying disclosure proposals by shareholders. All three failed.

- 1) Disney
- 2) Emerson Electric
- 3) Tyson

Climate Change, Special Meetings, and Independent Board Chair Were Also Popular

Two companies faced shareholder climate change proposals. Another two each had special meeting and independent board proposals.

Climate Change:

- 1) Cooper
- 2) Emerson Electric

Special Meetings:

- 1) AmerisourceBergen
- 2) Deere & Co

Independent Board Chair:

- 1) AmerisourceBergen
- 2) Emerson Electric

Two of Last Year's Shareholder Proposals Were "Successful"

Both Costco and Starbucks had successful shareholder proposals. Costco shareholders voted to establish majority vote for board member selection. Starbucks pre-empted a vote on the shareholder proposal on paid family leave by adopting a policy similar to the one in the proposal.

Table 2 below has the details.

Table 2: Shareholder Proposals for First 45 Days of 2018 Annual General Meetings

	Company	Shareholder Proposal	Outcome
1)	AmerisourceBergen	<ul style="list-style-type: none"> Independent Board Chair Special Meeting Executive Compensation Clawback Opioid Crisis 	<ul style="list-style-type: none"> Failed Failed Failed Failed
2)	Apple	<ul style="list-style-type: none"> Proxy Access Human Rights 	<ul style="list-style-type: none"> Failed Failed
3)	Applied Materials	<ul style="list-style-type: none"> Written Consent Employee Diversity 	<ul style="list-style-type: none"> Failed Failed
4)	Becton Dickinson & Co	<ul style="list-style-type: none"> Proxy Access 	<ul style="list-style-type: none"> Failed
5)	Cooper	<ul style="list-style-type: none"> Climate Change 	<ul style="list-style-type: none"> Failed
6)	Costco	<ul style="list-style-type: none"> Majority Vote Prison Labor in Supply Chain 	<ul style="list-style-type: none"> Passed Failed
7)	Deere & Co	<ul style="list-style-type: none"> Special Meeting 	<ul style="list-style-type: none"> Failed
8)	Disney	<ul style="list-style-type: none"> Lobbying Proxy Access 	<ul style="list-style-type: none"> Failed Failed
9)	Emerson Electric	<ul style="list-style-type: none"> Independent Board Chair Lobbying Political Contributions Climate Change 	<ul style="list-style-type: none"> Failed Failed Failed Failed
10)	Hewlett Packard	<ul style="list-style-type: none"> Written Consent 	<ul style="list-style-type: none"> Failed
11)	Starbucks	<ul style="list-style-type: none"> Proxy Access Sustainable Packaging Employee Diversity Paid Family Leave 	<ul style="list-style-type: none"> Failed Failed Failed Withdrawn; Starbucks established a paid family leave policy
12)	Tyson	<ul style="list-style-type: none"> Lobbying Water Stewardship 	<ul style="list-style-type: none"> Failed Failed
13)	Walgreens Boots	<ul style="list-style-type: none"> Special Meetings Proxy Access 	<ul style="list-style-type: none"> Failed Failed

Conclusion

If current patterns continue, the 2019 annual general year appears to be on track to see a similar number of shareholder proposals as the year before. Written consent appears to be a popular topic this year. Widespread public concern over data privacy and cybersecurity may result in additional shareholder proposals like the one on Disney's proxy this year.

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- 1) Risk Factors and Leading Concerns
- 2) How Efficient Are Company Disclosures in Their Ks and Qs, and What Has the Season Taught Us?
- 3) Benchmarking Financial Footnotes in Annual and Quarterly Filings
- 4) Changes in MD&A Discussion
- 5) Non-GAAP Disclosures and Compliance
- 6) What Has Been the SEC's Focus on Comments?
- 7) ASC 842 Lease Commitments, Early Adopters Trend

Corporate Governance:

- 1) Director Gender and Diversity
- 2) Are You an Independent Board Member If You Serve More Than 10-15 Years?
- 3) How Much Does a Board of Director Earn Per Meeting?
- 4) Analysis of Shareholder Proposals and Leading Trends
- 5) Risk Oversight and Cyber-Security and Company Boards - Who Is Responsible?

Executive Compensation:

- 1) CEO Pay Ratio - S&P 500 and Russell 3000 - How Long Does a CEO Work to Earn a Median Employee's Annual Pay?
- 2) What Is the CFO Pay-Ratio and How Does It Compare with the CEO Pay-Ratio?
- 3) Pay Elements of CEO and CFO Compensation Across Large Cap, Mid-Cap and Small-Cap Companies