

From the Blog Bloomberg Intelligence, Investor Relations, Sustainable Finance

Proxy access, diversity, climate top 2016 AGM issues



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This analysis is by Bloomberg Intelligence analyst Gregory Elders. It appeared first on the Bloomberg Terminal.

Proxy access, carbon and pay will be focus of shareholder voting

The annual general meeting season, mainly March through May, gives investors a chance to weigh in on company performance by voting on board directors and executive pay. Resolutions on proxy access, board diversity and climate-change risk disclosure are a focus. More than 150 sustainability-related resolutions have been filed at over 100 companies, according to Ceres data.

Proxy access gives stick to BlackRock CEO's long-term campaign

BlackRock CEO Larry Fink's recent letter to corporations urging them to focus on

long-term growth vs. short-term returns has added heft: BlackRock could potentially nominate directors at a quarter of S&P 500 companies. The investor holds over 3% of shares at nearly every company that has adopted proxy access so far, giving it the ability to nominate 20-25% of directors at those companies, assuming a three-year tenure of holdings. The threat of BlackRock flexing its power may add impetus for companies to act.

BlackRock Reported Holdings and Proxy Access							
Security	Ticker	Source	Position	Pos Chg	% Out	Mkt Val	
1) APPLE INC	AAPL US	ULT-AGG	315,425,945	0	5.69	29.97BLN	
2) MICROSOFT CORP	MSFT US	ULT-AGG	450,562,532	0	5.70	22.26BLN	
3) EXXON MOBIL CORP	XOM US	ULT-AGG	247,157,052	+6.29MLN	5.94	20.06BLN	
4) JOHNSON & JOHNSON	JNJ		171,415,527	+2.54MLN	6.20	17.48BLN	
5) GENERAL ELECTRIC CO	GE		530,391,816	0	5.62	14.94BLN	
6) JPMORGAN CHASE & CO	JPM		242,374,317	-2.23MLN	6.58	13.70BLN	
7) WELLS FARGO & CO	WFC		285,169,634	+3.82MLN	5.58	13.26BLN	
8) VERIZON COMMUNICATIONS...	VZ		258,211,194	0	6.35	13.10BLN	
9) PROCTER & GAMBLE CO/THE	PG US	ULT-AGG	157,635,830	0	5.83	13.02BLN	
10) AT&T INC	T US	ULT-AGG	346,337,997	+54.99...	5.63	12.85BLN	
11) FACEBOOK INC-A	FB US	ULT-AGG	126,420,664	0	5.51	12.61BLN	
12) ALPHABET INC-CL A	GOOGL ...	ULT-AGG	17,412,936	0	5.98	12.26BLN	
13) ALPHABET INC-CL C	GOOG US	ULT-AGG	17,011,501	+366,44...	4.92	11.61BLN	
14) BERKSHIRE HATHAWAY INC...	BRK/B ...	ULT-AGG	90,744,049	0	7.27	11.50BLN	
15) PFIZER INC	PFE US	ULT-AGG	395,701,728	+475,826	6.41	11.30BLN	
16) AMAZON.COM INC	AMZN US	ULT-AGG	20,938,818	+983.83...	4.45	10.22BLN	
17) COCA-COLA CO/THE	KO US	ULT-AGG	232,785,637	+1.08MLN	5.35	9.93BLN	

AIG, others may fend off activists with proxy access carrot

Proxy access may be the long-term investor's antidote to the perceived short-term focus of many activist investors. Seventeen companies facing open activist campaigns have adopted proxy access, including AIG. Longer-term investors may be less likely to vote with activist proposals with the bylaw amendments that allow a group of investors with at least 3% holding over three years to nominate directors. Carl Icahn said Feb. 1 that he'll propose new AIG directors in his campaign to break up the company.

Activist Investor Campaigns Since 2010

	# Campaigns	# Completed	Disclosed Campaign/ Holding (years)	
			Median	Max
Icahn Associates	34	17	1.5	5.2
Elliott Management	26	14	0.9	2.1
Pershing Square	16	6	2.2	6.1
Carlson	11	9	0.4	4.2
ValueAct	23	12	1.5	4.1
Third Point	15	7	1.0	1.9
JANA Partners	18	15	0.7	2.8
Triun	11	3	2.5	4.5
Starboard Value	31	19	1.1	4.8

Note: Holding periods may extend longer if below reporting thresholds

Source: Bloomberg Intelligence

Proxy access too late for arch coal, other energy may feel heat

Energy companies may feel investor pressure to better articulate long-term strategies, particularly around climate change, with the spread of proxy access. At least 21 energy companies, including more than 40% of S&P 500 energy members, have adopted proxy access, largely due to the New York City pension fund's climate concerns. Coal companies would be the most vulnerable to climate regulations, including Arch Coal (filed for bankruptcy in January), Peabody and Cloud Peak Energy. All have adopted proxy access.

Energy Companies Adopting Proxy Access

Ticker		Short Name	1 Year Total Return	3 Year Annualized Total Return	5 Year ¹ Annualized Total Return	Market Cap
ACI	US	ARCH COAL INC	-95.42%	-78.65%	-71.85%	9.79M
BTU	US	PEABODY ENERGY	-96.99%	-78.52%	-67.10%	62.65M
CLD	US	CLOUD PEAK ENERG	-79.94%	-54.83%	-41.44%	89.92M
SWN	US	SOUTHWESTERN ENGY	-68.37%	-37.24%	-25.48%	3.22B
DVN	US	DEVON ENERGY CO	-65.01%	-27.35%	-22.90%	9.31B
MRO	US	MARATHON OIL	-73.29%	-38.74%	-21.72%	4.94B
APA	US	APACHE CORP	-44.66%	-23.73%	-20.23%	13.45B
MUR	US	MURPHY OIL CORP	-64.55%	-28.53%	-19.32%	3.07B
APC	US	ANADARKO PETROLE	-54.84%	-22.84%	-12.82%	18.92B
HES	US	HESS CORP	-44.06%	-14.82%	-12.29%	12.04B
NBL	US	NOBLE ENERGY INC	-39.46%	-19.91%	-7.27%	11.93B
COP	US	CONOCOPHILLIPS	-48.26%	-12.97%	-5.00%	41.46B
OXY	US	OCCIDENTAL PETE	-15.09%	-4.73%	-4.19%	49.81B
XEC	US	CIMAREX ENERGY C	-19.61%	9.23%	-3.61%	7.75B
CVX	US	CHEVRON CORP	-21.44%	-7.12%	0.42%	156.06B

Market declines may raise investor scrutiny about executive pay

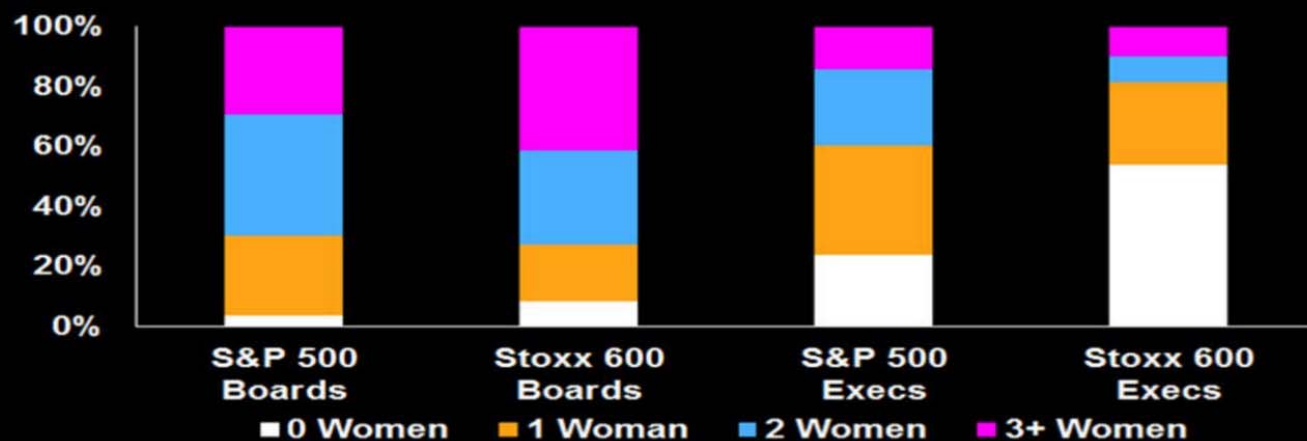
Share price declines may lead to heightened investor scrutiny of executive pay packages up for shareholder approval in coming months. Company boards have done a better job setting executive pay awards to win investor approval, with pay revolts generally declining the last five years. Only three companies in the U.S. S&P 500 and one in the U.K. FTSE 100 received majority shareholder rejection in 2015, with about 6% earning less than 75% approval.

S&P 100 Shareholder Say-on-Pay Approval %					
Name		2014↓	2013	2012	2011
Oracle Corp		48.4	45.9	43.3	40.9
Bristol-Myers Squibb Co		56.8	86.9	97.1	95.9
QUALCOMM Inc		57.8	95.5	94.5	68.8
JPMorgan Chase & Co		61.7	78.6	94.4	92.7
Philip Morris International Inc		63.3	96.2	96.8	97.4
Caterpillar Inc		65.7	96.3	96.2	97.1
Honeywell International Inc		70.0	92.9	95.4	92.1
Microsoft Corp		72.7	72.6	95.9	94.1
Halliburton Co		72.9	93.5	92.4	97.6
Apple Inc		74.6	96.9	61.1	83.2
AT&T Inc		78.1	93.7	94.5	93.2
Coca-Cola Co/The		80.4	90.9	77.2	97.1
Exelon Corp		82.8	69.5	76.4	75.7
Walt Disney Co/The		84.2	80.6	58.0	56.9
Citigroup Inc		84.9	85.0	91.7	45.2
Starbucks Corp		85.3	87.1	72.6	93.8

Easier to get women into boardroom than into executive suite

Appointing women to corporate boards has proven relatively easy compared to changing the culture and creating opportunity to promote women to executive leadership. About three-quarters of S&P 500 and Stoxx 600 company boards had two or more female members, as of their latest fiscal year end. In contrast, only half the companies in the S&P had two or more women as executive officers, and one quarter have none. The Stoxx 600 fares worse, with only 20% having at least two female executives. More than half have none.

U.S., Europe Boards and Execs Female Proportion



Source: Company filings, Bloomberg Intelligence



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