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‘Anti-Woke’ Shareholders Are Going After Corporate Boards

Activists say they want to get politics out of business, but proposals fail to gain much traction

By Sarah Nassauer and Theo Francis, Updated June 11, 2024 1:21 pm ET

A new kind of shareholder activism is rattling companies: “anti-woke” agitators.

Shareholders at dozens of big companies, from GE Aerospace to UPS, are voting on proposals opposing environmental and social initiatives this year. Investors backed by conservative groups are suing Target and other companies for their progressive stances. And companies are muting their focus on diversity, equity and inclusion initiatives as DEI programs come under legal and political threat.

The activists frame the push as getting politics out of business—and suggest getting used to it.

“We who would prefer corporate behavior without partisan influence have really started to get into the game after years of quiescence,” said Scott Shepard, general counsel at the National Center for Public Policy Research, or NCPPR, a conservative think tank that has proposed dozens of shareholder measures questioning corporate initiatives on climate, diversity and other subjects.

Advocates for more progressive environmental, social and corporate-governance shareholder proposals call the newcomers politically motivated and cite research suggesting more established ESG measures improve long-term financial outcomes at companies.

Supporting ESG work is the right thing to do and “absolutely imperative for your business and the future of your business,” Sarah Kate Ellis, chief executive of Glaad, a nonprofit focused on LGBTQ advocacy, said in an April interview.

Shareholders have voted on 70 measures opposing traditional ESG initiatives at S&P 500 companies through the end of May this year, up from 30 two years ago and seven in 2020, according to data from ISS-Corporate, a unit of proxy adviser Institutional Shareholder Services. Several ask for more corporate oversight of diversity and inclusion efforts and donations to LGBTQ groups.

Shareholders have filed more proxy proposals overall in recent years as the social and political nature of proposal topics increases. But anti-ESG proposal growth outpaced that of other categories tracked by ISS.

Anti-ESG supporters haven't won over voting investors, however: Most anti-ESG proposals received support from less than 2% of shares voted, and none have passed—among the worst showing of the categories tracked by ISS.

CORPORATE CULTURE WARS

The shareholder proposals are part of a wider conservative activist effort directed at companies in recent years that in some cases have hurt sales by putting firms in the crosshairs of heated cultural and political debates.

Bud Light lost its spot as the top-selling beer in the U.S. last year after controversy over a social-media promotion with a transgender influencer caused a boycott from some shoppers. Target's sales fell last summer after it reduced its Pride-month merchandise displays amid criticism, offending both supporters and detractors. Target also faces a shareholder lawsuit regarding the Pride collection.

Most shareholder proposals fail, whatever the politics. Out of about 470 shareholder proposals voted on this year, a majority of votes supported just three dozen of them: nearly all proposed corporate-governance changes, primarily eliminating supermajority voting requirements. Support from a substantial majority of shares can still spur companies to make changes.

The anti-ESG proposal supporters are using tactics first crafted by ESG proponents—using shareholder pressure to change corporate policies that they say could create financial risk.

"They hang their hat on reputational risk doing damage to firm value," said Doug Chia, president of consulting firm Soundboard Governance. Their pitch is, "If you do this, then you'll create a PR crisis that will lead to people boycotting your products and the stock goes down."

Some kinds of ESG proposals once garnered meager support, only to gain steam over time. Today, a quarter to a third of shares at large companies are often voted in support of measures asking companies to disclose or rein in political spending, up from less than 10% in 2005. Occasionally, one wins majority support.

A major factor: Pension funds and other large institutional investors have come to support a variety of ESG proposals on climate change and social issues. Many cite research suggesting that such risks are linked to long-term shareholder returns.

'ANTI-WOKE' PROPOSALS

Among the most successful anti-ESG proposals so far this year: one asking UPS to report on risks stemming from voluntary carbon-reduction promises, with 7.9% of shares voted in support, and one asking IBM for a report on risks from doing business in China, at 5.6%. A proposal asking Ford for a report on child labor in its supply chain also garnered about 5.6% of votes.

All three were proposed by NCPPR, which made just over half of anti-ESG shareholder proposals in each of the last three years, ISS data show. A half-dozen other groups proposed the rest. NCPPR also requested reports on risks from diversity efforts at a half-dozen companies—including PepsiCo, Coca-Cola and Citigroup—and reports on carbon-reduction risks, similar to the one at UPS, at five other companies, including GE Aerospace.

NCPPR, which receives funding from individuals and several conservative groups, also has proposed oversight of charitable giving and partnerships related to diversity and LGBTQ groups at large retailers including Walmart, Target and Best Buy.

At Best Buy, shareholders won't vote on the proposal because the retailer negotiated with NCPPR to keep it off ballots. The electronics retailer agreed that "any such contributions would be screened to ensure they do not advocate or support the causes or agendas you have identified as concerning," according to correspondence included in financial filings.

"Nothing has changed in the ways we give to LGBTQIA+ organizations," a Best Buy spokeswoman said. She declined to clarify what causes or agendas the retailer agreed to screen for support.

Many shareholder proposals never make it to a vote, blocked by companies or withdrawn by their sponsors, including after negotiations. Anti-ESG proposals were among the least likely to be withdrawn by their sponsors and the most likely to reach a vote, at about six of every seven such measures through May this year, ISS data show.

TARGET'S BACKLASH

As companies work to fend off conservative activists, they sometimes face backlash from customers and workers. After Target said it would downsize its collection of Pride month merchandise last year and further limited the collection this year, disappointed workers signed a letter to leadership and took to internal Slack channels to complain, according to documents viewed by The Wall Street Journal.

In May, during a virtual town hall to discuss this year's collection, some employees were upset that chat functions were disabled and they weren't able to ask live questions, a common occurrence in meetings since last year's Pride conflict. "I really just want to ask 'why did you cave to the haters?'" said one employee in a Slack thread.

Internally, leadership is trying to highlight Target's continued support for LGBTQ communities and company events related to Pride month, according to people familiar with the situation.

The volume of negative feedback around the Pride collection, both internally and externally, is significantly lower this year than last, said a Target spokesman.

This year Pride merchandise is being sold in half of the retailer's nearly 2,000 stores, with some items only available online. The stores carrying Pride merchandise this year accounted for around 90% of such sales in 2023 and 2022, the spokesman said.

Target is committed to supporting the LGBTQ community during Pride month and year-round through donations, internal programs and by supporting Pride events around the country, the spokesman said.

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