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Coca-Cola rebuffs shareholder push for BPA exit strategy

By Jeremiah | April 28, 2010



Photo by The Rocketeer.

The Coca-Cola Company stared down a shareholder resolution on April 21 that would have required them to publish information outlining their search for alternatives to the use of Bisphenol-A in the lining of cans used for Coke products. Like most resolutions filed by shareholders that are opposed by management, the resolution failed to pass with a majority vote, but its "yes" vote was a surprisingly high 22%. The outcome of the vote on the first shareholder resolution ever to deal specifically with the endocrine disruptor BPA is a sign of where we're at in the fight to remove BPA from consumer products.

Domini Social Investments is one of three shareholder groups behind the resolution, along with Trillium Asset Management and **As You Sow**. We spoke with Karen Shapiro, the company's Shareholder Advocacy Associate, to find out what she thought of the outcome.

The strategy

"We think shareholders should be informed of what they are doing to assess BPA alternatives, how many they've looked at, where are they in testing, how many have failed, and what's in the pipeline," Shapiro said. "Coca-Cola is walking a thin line here, with other companies providing more transparency." Shapiro cited Eden Foods as an example of a company whose behavior Coke should model, and we'd second that: In our experience, Eden CEO Michael Potter is not only open about the company's desire to get out of BPA in cans, but sees it as a collective effort rather than a competitive advantage to be guarded for his own company's financial gain.

"Shareholder votes tend to be a couple percent in the first year," said Shapiro. A 2006 resolution filed by Domini at Avon to force the company to develop a Toxic Chemicals Policy, for example, garnered a mere 4.4%. But in the case of this BPA proposal, two of the largest proxy shareholder services, Risk Metrics and Proxy Governance, backed the proposal and recommended that shareholders vote in favor of it.

The resolution read, in part:

RESOLVED: Shareholders request the Board of Directors to publish a report by September 1, 2010, at reasonable cost and excluding confidential information, updating investors on how the company is responding to the public policy challenges associated with BPA, including summarizing what the company is doing to maintain its position of leadership and public trust on this issue, the company's role in adopting or encouraging development of alternatives to BPA in can linings, and any material risks to the company's market share or reputation in staying the course with continued use of BPA.

Coke is... hostile

It's unclear whether the outcome is as positive as Shapiro claims. Shareholder resolutions are often used as bargaining chips in negotiations with company boards, with resolutions frequently withdrawn before a vote because the targeted company agrees to demands or at least to negotiate on the issue. Furthermore, advocacy groups typically attempt to work with companies before even resorting to the filing of a resolution.

And many companies are responsive. A resolution targeting Apple in 2007 was withdrawn in conjunction with the company's widely-praised decision to find safer materials for use in its computers and handheld devices; Best Buy, Chipotle, Costco, CVS, Hasbro, Lowe's, Mattel, McDonald's, Sears, Target, and Whole Foods all had resolutions withdrawn because they agreed to standards for greener packaging, public disclosures, or the development of plans for change. Companies which choose to let resolutions come to a vote time and time again are typically those deeply invested in the nasty stuff - companies like Dow (pesticides) and Dupont (PFOA).

In 2006, 28.9% of Dow shareholders voted for a resolution that would have required DuPont to develop a study assessing the feasibility of phasing out production of PFOA, the carcinogenic chemical used in stain-resistant carpeting and fabrics, treated upholstery, and non-stick cookware; the next year, Dow committed publicly to phasing out the production of PFOA by 2015. It certainly deserves to go in the "win" category, but the eight-year timeline leaves a lot to be desired.

Shapiro said that Domini was looking forward to bringing the resolution back "year after year" to pressure Coke to change, and cited the strong first-year results as a sign that pressure would mount. But repeated resolutions don't always fare well. A push to make Avon cease using nanomaterials garnered 25.4% of shareholder votes in 2008, but when it was brought back in 2009, the "yeas" dropped to 10.7%.

The fact that this resolution made it all the way to a vote is, to us at least, consistent with the company's previous unwillingness to admit to even seeking an alternative to BPA, either because they're afraid of losing a competitive advantage or because they're having trouble finding one. The company's initial reaction to the pressure from reform advocates was to participate in talks as members of the North American Metal Packaging Alliance where the group indicated that a pregnant mother would make an ideal BPA defender, in part because it had "doubts [that] obtaining a scientific spokesperson is attainable." In response to the shareholder resolution, Coca-Cola wrote that it didn't believe the information "would be useful to shareholders":

We are monitoring the research and regulatory developments relating to Bisphenol A (BPA) and are engaging with stakeholders who express concerns about it. We will continue to take our guidance on this issue from national and international regulatory authorities and to take whatever steps are necessary, based on sound scientific principles, to ensure that any package technology is safe for our consumers.

All available scientific evidence and testing shows that drinks in aluminium and steel cans are safe. BPA levels in canned beverages are extremely low, and it is physically impossible to consume enough canned beverages to ever approach the daily BPA limit established by leading health authorities, including those in the United States, Europe and Canada.

Stay tuned

Shapiro pointed out that while Coca-Cola products are price-sensitive, the sheer volume of Coke's business can have a positive effect on the market if the company favored reform. "Given Coke's market position, they should be able to help drive reform," she said.

We'll continue to track Coca-Cola's actions on this. We're also seeing some interesting movement on BPA in other areas as well, which we'll report on shortly.

You can read the full resolution [here](#), or peruse the list of shareholder resolutions relating to toxic chemicals we consulted for this article.