

Shareholders Pressure Coca-Cola to Scrutinize BPA

By [Leon Kaye](#) | April 29th, 2011

Yesterday over one-quarter of [Coca-Cola](#) shareholders voted for a resolution that requested the beverage giant to address consumers' concerns over bisphenol A, or [BPA](#). That is the good news. The bad news for supporters of the shareholder resolution is that 74% of Coke's shareholders voted against the resolution. Nevertheless, the percentage of shareholders who voted to pressure Coke to issue a written report on BPA has **increased** since last year's "yes" vote of 22%.

Passing shareholder resolutions is a challenge for activist shareholders that try to use shareholder votes to influence a company to change its business practices. First, a resolution must meet the Securities and Exchange Commission's (SEC) guidelines in order for it to appear on a company's annual proxy, or shareholder meeting notice. Then there are the institutional investors and the company's board of directors and executives, who generally own a huge chunk of those shares. The good news is that a 10% "yes" vote often pressures a company to either acquiesce or find an acceptable solution to a resolution. In Coke's case, however, the company will not budge.



Coca-Cola 24-pack from Australia-with 24 servings of BPA

The jury is out on BPA, which companies use to line food and beverage cans. Most regulatory agencies around the globe, from Canada to Australia, have not designated BPA as a health risk. Nevertheless, plenty of studies indicate that BPA could cause everything from hormonal imbalance to weakened immunity to cancer. If Coca-Cola, however, really feared a class action lawsuit and a public relations nightmare, they would have followed the lead of other [companies](#) including [Heinz](#) and [Eden Organics](#) that have disclosed the risks or pledge to find alternatives. Perhaps Coca-Cola and other companies have followed the hand formula (or calculus of negligence) that states if the **burden of precautions is greater** than the probability or degree of loss . . . they would ditch BPA. Note Coca-Cola's [wording](#) of exploring alternatives to BPA:

We continuously look for alternatives to improve our packaging, while maintaining its safety and quality, to address consumers' preferences and needs or to enhance the performance of the packaging. We are working with third-parties that produce can liners to explore possibilities that include alternatives to liners with BPA. Currently, the only commercially viable lining systems for the mass production of aluminum beverage cans contain BPA. We take our consumers' concerns seriously, and we want them to know we are confident in the safety of all of our beverages' packaging. At The Coca-Cola Company, we monitor new scientific studies and consider the entire body of evidence regarding the safety of our packaging. We look to regulators for their guidance, and follow local regulations wherever we operate.

In other words, Coke is not eliminating BPA from its products anytime soon. BPA foes would best proceed to go the regulatory route. This is one corporate social responsibility (CSR) issue that will not change anytime soon.

We'll see if BPA is either the next tobacco or [saccharine](#). If you are dead set against BPA, there are **two things you can do**:

- First, examine your portfolio and check whether any of your stocks or mutual funds include shares of companies that use BPA in their products. You could sell your shares (which would be financially foolish as these companies perform well in the long-run), or check the proxy statements (DEF14A in SEC-speak) for any shareholder resolutions. Instead of recycling your paper proxy statements or deleting the notices when they come into your inbox, vote to send a message.

- Second, do not drink canned beverages or consume canned foods. Your battle does not end there, however: paper [receipts](#) and even US [dollar bills](#) contain BPA. Be prepared to shop with a debit or credit card, or start using dollar coins. The news gets worse: thermal paper, from which receipts are printed, is full of chemicals and cannot be recycled—just do not disclose that fact your local waste management company (or it may already know).

Some [good news](#) for shareholder activism is that when it comes to shareholder resolutions, the tide is at the very least slowly turning. Of the 165 or so CSR-related shareholder resolutions that proxy statements presented to shareholder resolutions in 2010, two passed, 17 received over a 40% approval vote, and about half earned more than a 20% “yes” vote. Overall, that is an [uptick](#) from 2009.