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Institutional Investors Continue to Press Companies for Disclosure of Lobbying In 2016

Shareholder resolutions filed with 50 companies by 66 institutional and individual investors

Corporate lobbying disclosure remains a top shareholder proposal topic for 2016. At least 66 investors have filed proposals at 50 companies asking for lobbying reports that include federal and state lobbying payments, payments to trade associations used for lobbying, and payments to any tax-exempt organization that writes and endorses model legislation. Political activity remains a top investor topic for the sixth consecutive year, with more than 90 proposals filed for 2016 that seek disclosure of either lobbying or political contributions.

Reflecting investors' interest in disclosure of corporate political spending, a rulemaking petition at the Securities and Exchange Commission (SEC) to require disclosure of corporate political spending has received a record level of support. More than 1.2 million comment letters have been submitted—the vast majority in support of the proposed rule. Moreover, according to a 2015 survey, a majority of public company board members believe that the SEC needs to develop mandatory disclosure rules for corporate political contributions¹. Still, the SEC has yet to act, and in December 2015 Congress passed the budget bill that included a rider that bars the SEC from issuing political spending disclosure rulemaking.

Proponents believe that disclosure allows shareholders to evaluate whether lobbying is consistent with a company's expressed goals and is in the best interests of the company and shareholders. Corporate reputation is an important component of shareholder value, and controversial lobbying activity can pose significant reputational risk.

Undisclosed company payments to trade associations used for lobbying are a notable shortcoming in current reporting that allow companies to influence policy anonymously. Trade associations are not required to disclose their members or source of funds used for lobbying, and the amounts are substantial. For example, the U.S. Chamber of Commerce ("Chamber") spent \$208 million to lobby in 2014 and 2015, and over \$1.2 billion on lobbying since 1998.

¹ "The 2015 BDO Board Survey," BDO, October 2015, p. 4.

Investors believe companies need to safeguard corporate reputations that may be affected by controversial political spending, including through third party involvement. For example, if a company takes steps to address climate change while simultaneously supporting trade groups that oppose legislative or regulatory efforts to limit its effects, then they are contributing to positions that run counter to company climate policy. Noting this contradiction, companies such as Apple and PG&E previously ended their membership in the Chamber because of its stance on climate change and opposition to EPA regulation. More recently, the Chamber has opposed the EPA Clean Power Plan rulemaking and sued the EPA. Chamber member companies with climate change policies that received resolutions include: AbbVie, Alphabet (formerly Google), American Express, AT&T, Bank of America, Citigroup, ConocoPhillips, Facebook, General Electric, IBM, Johnson & Johnson, Motorola Solutions, Travelers Companies, Verizon and UPS.

CVS Health's decision last July to end its membership in the Chamber over the organization's efforts to lobby against anti-smoking laws in countries around the globe provides another case in point. CVS Health stated that the Chamber's position on tobacco products is inconsistent with its business focus on health. Health care companies that are members of the Chamber and received shareholder proposals include AbbVie, Anthem, Johnson & Johnson, and Pfizer.

The proposals also continue to focus on reputational risks from involvement in the American Legislative Exchange Council (ALEC). ALEC is a tax-exempt organization that convenes state lawmakers and corporations to approve model legislation for passage at the state level. This legislation has included controversial bills on repealing state regulations on renewable energy, blocking paid sick leave, pre-empting minimum wage increases and opposing EPA regulation such as the Clean Power Plan. More than 105 companies have left ALEC in recent years, including 3M, BP, eBay, Facebook, Google, Microsoft, Shell, Visa and Yahoo. Prominent current ALEC members receiving 2016 proposals include: AT&T, Caterpillar, Chesapeake Energy, Chevron, Comcast, Devon Energy, Dominion Resources, Duke Energy, Exxon Mobil, Honeywell, Nucor Corporation, Pfizer, Spectra Energy, Time Warner Cable, UPS and Verizon.

Opponents of disclosure, which have included many of the largest trade associations, claim that disclosure is a form of silencing speech². Yet disclosure does not prohibit corporate lobbying in any way; it simply enables shareholders to evaluate whether lobbying is in the best interests of the company and shareholders.

This is the sixth year proposals asking for lobbying disclosure have been filed by investors. In 2015, 65 proponents filed 54 proposals, out of which 33 went to a vote and averaged 26 percent support. The proposals have led many companies to improve their lobbying disclosure, including disclosure agreements at more than 40 companies.

The investor coalition is comprised of public pension funds, labor funds, asset managers, individual investors, international investors, foundations and religious investors, many whom are members of the Interfaith Center for Corporate Responsibility. This initiative is coordinated and supported by AFSCME and Walden Asset Management, a division of Boston Trust & Investment Management Company.

² Dave Levinthal, "Trade Groups to Top Corporations: Resist Political Disclosure," The Center for Public Integrity, January 27, 2016.

Companies receiving lobbying disclosure resolutions for 2016 are:

AbbVie (ABBV)	Devon Energy (DVN)	Philip Morris International (PM)
Allergan (AGN)	Dominion Resources (D)	Raytheon (RTN)
Alphabet (GOOGL)	Duke Energy (DUK)	Spectra Energy (SE)
American Airlines Group (AAL)	DuPont (DD)	Suncor (SU)
American Express (AXP)	Emerson Electric (EMR)	Tesoro Corp. (TSO)
Anthem (ANTM)	Enbridge (ENB)	Time Warner Cable
AT&T (T)	Exxon Mobil (XOM)	TransCanada (TRP)
Bank of America (BAC)	Facebook (FB)	Travelers Companies (TRV)
Boeing (BA)	FirstEnergy (FE)	Tyson Foods (TSN)
Caterpillar (CAT)	General Electric (GE)	United Parcel Service (UPS)
CenterPoint Energy (CNP)	Honeywell (HON)	Verizon (VZ)
Charles Schwab (SCHW)	IBM (IBM)	Wal-Mart (WMT)
Chesapeake Energy (CHK)	Johnson & Johnson (JNJ)	Walt Disney Company (DIS)
Chevron (CVX)	Monsanto (MON)	Wells Fargo (WFC)
Citigroup (-C-)	Motorola Solutions (MSI)	
Comcast (CMCSA)	Navient (NAVI)	
ConocoPhillips (COP)	Nucor Corporation (NUE)	
CONSOL Energy (CNX)	Pfizer (PFE)	

Filers of lobbying disclosure resolutions for 2016 include:

Public Pension Funds

State of Connecticut Treasurer's Office
Miami Firefighters' Relief and Pension Fund
New York State Common Retirement Fund
City of Philadelphia Public Employees Retirement System

International Asset Managers and Pensions

ACTIAM (Netherlands)
AP7 Seventh Swedish National Pension Fund

Labor Pension Plans and Organizations

AFL-CIO
CTW Investment Group
International Brotherhood of Teamsters
Le Fonds de Solidarité
United Steelworkers

Asset Management Companies

Boston Common Asset Management
Domini Social Investments
First Affirmative Financial Network
Newground Social Investment
Pax World Fund
Sustainability Group, Loring, Wolcott & Coolidge
Trillium Asset Management
Walden Asset Management
Walden Equity Fund
Zevin Asset Management

Foundations

Brainerd Foundation
Center for Community Change
Nathan Cummings
Haymarket People's Fund
Lemmon Foundation
Max and Anna Levinson Foundation
Merck Family Fund
Needmor Fund

Oneida Tribe of Indians Trust Fund for the
Elderly
Christopher Reynolds Foundation
Russell Family Foundation
Swift Foundation
Tides Foundation

Non-Profit Institutional Investors

As You Sow
Dwight Hall Socially Responsible
Investment Fund at Yale
Manhattan Country School
Sum of Us

Religious Filers

Benedictine Sisters of Baltimore –
Emmanuel Monastery
Benedictine Sisters of Mount St. Scholastica
Benedictine Sisters of Virginia
Community Church of New York
Congregation of Benedictine Sisters,
Boerne, TX
Congregation of Sisters of St. Agnes
Congregation of the Sisters of St. Joseph of
Brighton
Daughters of Charity, Province of St. Louise

First Parish in Cambridge – Unitarian
Universalist
Friends Fiduciary Corporation
Glenmary Home Missioners
Maryknoll Fathers and Brothers
Mercy Investment Services
Missionary Oblates of Mary Immaculate
School Sisters of Notre Dame Cooperative
Investment Fund
Sinsinawa Dominican Sisters
Sisters of Charity of St. Vincent de Paul,
Halifax
Sisters of Notre Dame
Sisters of Notre Dame de Namur-Boston
Sisters of St. Francis of Philadelphia
Sisters of the Holy Family, CA
Trinity Health
Unitarian Universalist Association
United Church of Canada

Individuals

Daniel Altschuler
Carol Master
Gwendolen Noyes
Bernice Schoenbaum

2016 Lobbying Disclosure Resolution Filed at ExxonMobil

Whereas, we believe in full disclosure of our company's direct and indirect lobbying activities and expenditures to assess whether our company's lobbying is consistent with ExxonMobil's expressed goals and in the best interests of shareholders.

Resolved, the shareholders of ExxonMobil request the preparation of a report, updated annually, disclosing:

1. Company policy and procedures governing lobbying, both direct and indirect, and grassroots lobbying communications.
2. Payments by ExxonMobil used for (a) direct or indirect lobbying or (b) grassroots lobbying communications, in each case including the amount of the payment and the recipient.
3. ExxonMobil's membership in and payments to any tax-exempt organization that writes and endorses model legislation.
4. Description of management's and the Board's decision making process and oversight for making payments described in sections 2 and 3 above.

For purposes of this proposal, a "grassroots lobbying communication" is a communication directed to the general public that (a) refers to specific legislation or regulation, (b) reflects a view on the legislation or regulation and (c) encourages the recipient of the communication to take action with respect to the legislation or regulation. "Indirect lobbying" is lobbying engaged in by a trade association or other organization of which ExxonMobil is a member.

Both "direct and indirect lobbying" and "grassroots lobbying communications" include efforts at the local, state and federal levels.

The report shall be presented to the Audit Committee or other relevant oversight committees and posted on ExxonMobil's website.

Supporting Statement

As shareholders, we encourage transparency and accountability in ExxonMobil's use of corporate funds to influence legislation and regulation. ExxonMobil spent \$26.07 million in 2013 and 2014 on federal lobbying (opensecrets.org). These figures do not include lobbying expenditures to influence legislation in states, where ExxonMobil also lobbies but disclosure is uneven or absent. For example, ExxonMobil spent \$699,362 on lobbying in California for 2014 (<http://cal-access.ss.ca.gov/>). ExxonMobil's lobbying on climate change has attracted media attention ("Exxon Knew about Climate Change Decades Ago, Spent \$30M to Discredit It," *Christian Science Monitor*, Sep. 17, 2015).

ExxonMobil is a member of the American Petroleum Institute, Business Roundtable and National Association of Manufacturers, which together spent over \$65 million on lobbying for 2013 and 2014. ExxonMobil is also a member of the Western States Petroleum Association, which spent \$13,553,942 on lobbying in California for 2013 and 2014. ExxonMobil does not disclose its memberships in, or payments to, trade associations, or the portions of such amounts used for lobbying. Transparent reporting would reveal whether company assets are being used for objectives contrary to ExxonMobil's long-term interests.

And ExxonMobil does not disclose membership in or contributions to tax-exempt organizations that write and endorse model legislation, such as being a member of the American Legislative Exchange Council (ALEC). ExxonMobil's ALEC membership has drawn press scrutiny ("ExxonMobil Gave Millions to Climate-Denying Lawmakers despite Pledge," *The Guardian*, Jul. 15, 2015). More than 100 companies have publicly left ALEC, including BP, ConocoPhillips, Occidental Petroleum and Shell.