



2016 Proxy Season

The Spotlight on Climate Lobbying Continues

Once again this year 50 companies are being asked by investors to disclose their lobbying expenditures and activities at the federal, state and local levels. A special focus on how companies engage in climate lobbying is front and center. Companies like ExxonMobil, Chevron, ConocoPhillips, Devon Energy, Occidental Petroleum, Pfizer, and United Parcel Service are under scrutiny regarding policy advocacy addressing climate change. In the 2016 season of annual general meetings, a record breaking 172 climate related resolutions were filed with companies according to Ceres.

ExxonMobil is a primary case in point. A 2016 shareholder resolution on lobbying disclosure is being led by the U.S. Steelworkers and co-filed by a range of investors including AP7 (a Swedish Pension Fund), Dwight Hall Socially Responsible Investment Fund (set up by students at Yale University), Mercy Investment Services, and Walden Asset Management. Numerous other investors have declared their support for this shareholder proposal as well as other climate related resolutions.

The ExxonMobil resolution calls for transparency on payments used for lobbying at the local, state, and federal levels; board and management oversight of direct and indirect lobbying activities; and membership in organizations that write model legislation for legislators. Supporting statements in the resolution document multiple avenues where ExxonMobil funds initiatives that influence climate change laws and regulations.

Specifically, the resolution states:

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 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. Exxon-Mobil is also a member of the Western States Petroleum Association, which spent \$13,553,942 on lobbying in California for 2013 and 2014. Exxon-Mobil does not disclose its memberships in, or payments to, trade associations, or the portions of such amounts used for lobbying...

*...and ExxonMobil does not disclose contributions to tax-exempt organizations that write and endorse model legislation, such as the American Legislative Exchange Council (ALEC). ExxonMobil's ALEC membership has drawn press scrutiny and widespread criticism as the model legislation ALEC initiates consistently opposes progressive measures to address climate change (see, for instance, *The Guardian*, July 15, 2015). More than 100 companies have publicly left ALEC, including BP, ConocoPhillips, Occidental Petroleum, and Shell.¹*

It is of paramount importance for investors and environmental organizations to monitor and hold companies accountable for their climate lobbying. It is equally important to commend those many companies, which, before the 2015 Climate Conference in Paris (COP21), spoke out forcefully in favor of strong international leadership on climate goals and solutions. The voice of the global business community on climate change is critical, in part because companies will be affected so profoundly by the many impacts of climate change. Company leaders in the build up to COP21 included Apple, Bank of America, Coca-Cola, General Motors, Goldman Sachs, Google, Microsoft, PepsiCo, United Parcel Service, and Wal-Mart, among many others.

In addition, Ceres organized a statement in support of the EPA Clean Power Plan that over 350 companies signed; banks issued a call for climate change action including Citibank, JPMorgan Chase, Morgan Stanley, and Wells Fargo; and European oil companies like BP, Shell and Statoil sent a letter to the United Nations supporting establishing a price for carbon emissions.

Investors around the globe also rose to the occasion. The United Nations-backed Principles for Responsible Investment (PRI), which presently has members representing approximately US\$ 59 trillion in assets under management, is coordinating a working group of investors engaging with companies on this issue. More than 60 of these investors with a combined \$4 trillion in assets under management have also released a statement of investor expectations for company climate lobbying activities (<http://unpri.org/corporateclimatelobbying>). It called for companies to ensure that their public policy advocacy aims to mitigate climate risk and limit temperature rise to 2 degrees Celsius. PRI has also developed a new website allowing members to declare their votes on climate lobbying resolutions like the one at ExxonMobil.

ExxonMobil is presently under intense scrutiny regarding its public policy advocacy on climate change. The Attorney Generals of New York and California have opened investigations into past actions by

¹See text of resolution and company's statement of opposition on page 63 of the proxy statement: <http://www.sec.gov/Archives/edgar/data/34088/000119312516539460/d14941ddef14a.htm>

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the company for its support of organizations at the “forefront of climate denial,” while internally Exxon Mobil scientists had already raised the dangers of climate change. These allegations have generated extensive negative press coverage.

While the legal case regarding whether or not ExxonMobil intentionally misled the public and investors is ongoing, it is indisputable that the company has supported and funded groups that deny the science of climate change (e.g. the Global Climate Coalition and the Heartland Institute). We are pleased that ExxonMobil has moved away from supporting these organizations. However, ExxonMobil continues to be a large funder and supporter of trade associations such as the American Petroleum Institute, National Association of Manufacturers, and the U.S. Chamber of Commerce. The trade groups also obstruct climate regulation and legislation and are suing the Environmental Protection Agency over its Clean Power Plan (the core of U.S. commitment to reduce greenhouse gas emissions).

ExxonMobil remains a member of ALEC even while more than 100 companies have ended their membership, including, a number of major fossil fuel companies. ALEC is an active force at the state level initiating legislation opposing renewable energy standards and encouraging states to sue the EPA.

We are gratified, of course, that ExxonMobil now supports a revenue neutral carbon tax and also has supported a price on carbon in British Columbia, Canada. Nonetheless, ExxonMobil must move further. Unfortunately, the company continues to support various trade associations and other organizations that seek to impede progress on climate change. ExxonMobil remains squarely on the wrong side of the climate ledger.

The lobbying disclosure resolution on ExxonMobil’s 2016 proxy statement is intended to send an unequivocal message to the Board and management that the company needs to end its opposition to crucial climate regulation and begin to support a new legislative course for a carbon constrained future.



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