



Corporate Political Activity

ConocoPhillips

April 24, 2017

Ticker	Exchange	Meeting Date	Record Date	Annual Meeting Location
COP	NYSE	5-16-2017	3-20-2017	Online only

Agenda	
Item	Proposal
1	MGT: Elect directors
2	MGT: Ratify selection of auditors
3	MGT: Advisory vote on executive compensation
4	MGT: Advisory vote on the frequency of future advisory votes on executive compensation
5	SH: Report on lobbying
6	SH: Link executive pay to sustainability metrics

Si2 Briefing [Corporate Political Activity](#)

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Links [Proxy Statement](#); [Lobbying & Grassroots Activities – Government Contacts](#); [Code of Business Ethics & Conduct](#); [2015 Sustainability Report](#); [Climate Change Position](#); [Public Policy Engagement](#); [Public Policy Committee](#); [Si2 profile of ConocoPhillips](#) and selected state lobbying in [How Leading U.S. Corporations Govern and Spend on State Lobbying](#)

Resolved Clause RESOLVED, shareholders request the Board prepare a report, updated annually disclosing:

1. Company policy and procedures governing lobbying, both direct and indirect, and grassroots lobbying communications.
2. Payments by ConocoPhillips 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. Description of the decision making process and oversight by management and the Board for making payments described in section 2 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 ConocoPhillips is a member.

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

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

Lead Proponent Walden Asset Management

Vote History This is the sixth year in a row that a lobbying disclosure proposal has appeared on the ConocoPhillips ballot. Previous levels of support ranged from 24.7 percent (2016) up to 26.8 percent (2015).

Summary ConocoPhillips has published policies on lobbying, trade association and grassroots activity; it does not provide for full disclosure of lobbying expenditures, all trade association memberships, dues amounts and political and lobbying expenditures made by those associations using ConocoPhillips funds.

I. ConocoPhillips and Political Activity

Based in Houston, Texas, and operating in 21 countries around the world, ConocoPhillips is the world’s largest independent exploration and production (E&P) company, based on proved reserves and production of liquids and natural gas. The company began as the product of the merger of Conoco and Phillips in 2002. After its spin-off of Phillips 66 in 2012 and its sale of its Nigerian and Algerian business, the company's portfolio now primarily consists of the upstream operations in North America, Europe, Asia and Australia; growing North American shale and oil sands businesses; several major international developments; and a global exploration program.

Financials			
(\$ millions)	2015	2016	% Change
Total Revenue	\$29,564	\$23,693	(19.9%)
Net Income	(4,371)	(\$3,559)	18.6%

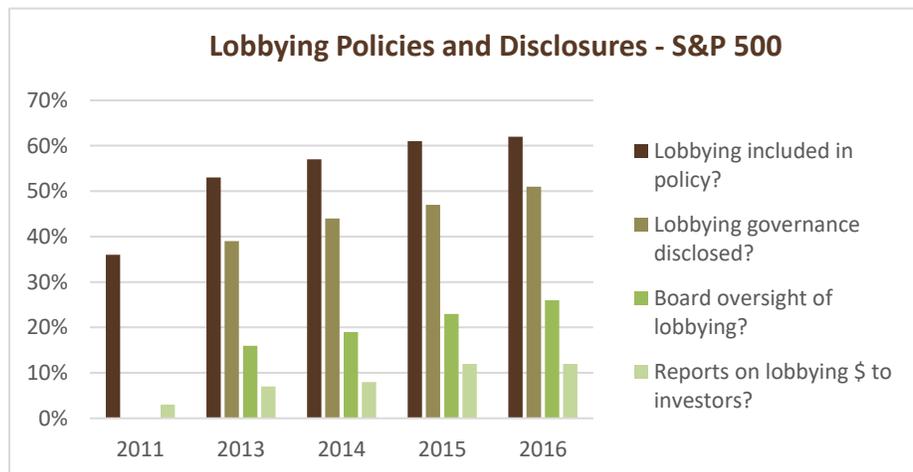
ConocoPhillips explores for, produces, transports and markets crude oil, bitumen, natural gas, liquefied natural gas (LNG) and natural gas liquids. It manages its operations through six operating segments, which are defined by geographic region: Alaska, Lower 48, Canada, Europe and North Africa, Asia Pacific and Middle East, and Other International. At the end of 2016, it had active production in the United States, Norway, the United Kingdom, Canada, Australia, Timor-Leste, Indonesia, China, Malaysia, Qatar and Libya.

ConocoPhillips had total net proved reserves of 6.4 billion barrels of oil equivalent at the end of 2016; this figure includes crude oil, natural gas liquids, natural gas and bitumen. Total production from continuing operations, including its share of equity affiliates, averaged 1,569 thousand barrels of oil equivalent per day in 2016, down slightly from 1,589 in 2015. It says the decrease resulted from "normal field decline and the loss of 72 MBOED mainly attributable to the 2015 dispositions of several non-core assets in the Lower 48, western Canada and the sale of our interest in the Polar Lights Company in Russia."

At the end of 2016, ConocoPhillips had approximately 13,300 employees around the world.

Lobbying Policies

The bar chart and the table below provide comparative data from Si2’s benchmarking research and



Corporate Lobbying Policies – Governance & Disclosure			
	ConocoPhillips	2016 Si2 Study Results	
		Energy Sector	S&P 500
Governance			
Board oversight of lobbying	Yes	38%	27%
Management transparency on lobbying?*	Yes	54%	51%
Policies			
Federal lobbying mentioned?	Yes	70%	62%
State lobbying mentioned?	Yes	46%	32%
Intermediary Groups			
Trade association policy?	Yes	65%	55%
Other non-profit policy?	No	30%	30%
Discloses any memberships?	Partial	54%	44%
Discloses any payments?	No	44%	32%
Prohibits use of company \$ for politics?	No	5%	7%
Spending Disclosure to Investors			
Federal lobbying \$ reported?	No	22%	12%
Any state lobbying \$ reported?	No	5%	3%

*Identifies corporate officer(s) involved in decision-making.

show how board oversight and company disclosure on lobbying and intermediary group memberships and spending has increased in the last five years. The table shows how the company's lobbying policy stacks up against companies in the index and in ConocoPhillips's sector, using data from Si2's 2016 survey of the S&P 500.

Direct lobbying: ConocoPhillips's policy on corporate lobbying activity is located on its [Lobbying & Grassroots Activities – Government Contacts](#) webpage and addressed in the [Code of Business Ethics & Conduct](#) and the [2015 Sustainability Report](#).

In its [Climate Change Position](#), ConocoPhillips includes a list of 12 principles for its public policy stance on the issue. Other climate change-related public policy information is located on the [Public Policy Engagement](#) website.

Board oversight: While ConocoPhillips's policy does not disclose any board oversight of corporate lobbying activity, the charter of the [Public Policy Committee](#) states that it will periodically review, make recommendations on and monitor compliance with company policies, programs and practices in regard to "government relations, political/regulatory risk management and political contributions."

Management transparency: ConocoPhillips explains that advance consultation with the Government Affairs department is required before contacts with government officials or before engaging any of the following activities:

- Testifying before a legislative or regulatory body.
- Agreeing to share in the costs of retaining a firm or individual to work a regulatory or a legislative issue.
- Agreeing to join an association or coalition whose purpose is to influence a regulatory or legislative issue.
- Lending ConocoPhillips's name to any effort to endorse or oppose a pending legislative or regulatory issue.

Grassroots lobbying: The company discloses one of the more extensive policies in the S&P 500 on grassroots lobbying, stating that those activities are "designed to supplement lobbying efforts in influencing officials to take favorable action on legislation important to the company." To that end, the company

will “initiate calls to action targeted to [its] employees, which typically include the development and distribution of information and mobilization to contact policymakers or elected officials.” Grassroots activities may also be expanded to include the general public and all grassroots activities must be coordinated between the Government Affairs department and appropriate business unit personnel.

Additionally, ConocoPhillips discloses an annual report of "Other" political expenses that includes Grassroots Support payments. Dating back to July 1, 2015 the company has made five such payments – four of them to various trade associations and one to another 501(c)(6), the Texas Civil Justice League. All such payments were made with the stipulation that they not be used to advocate for the election or defeat of any candidate or political party.

Indirect lobbying: The bar chart above provides comparative data from Si2’s benchmarking research

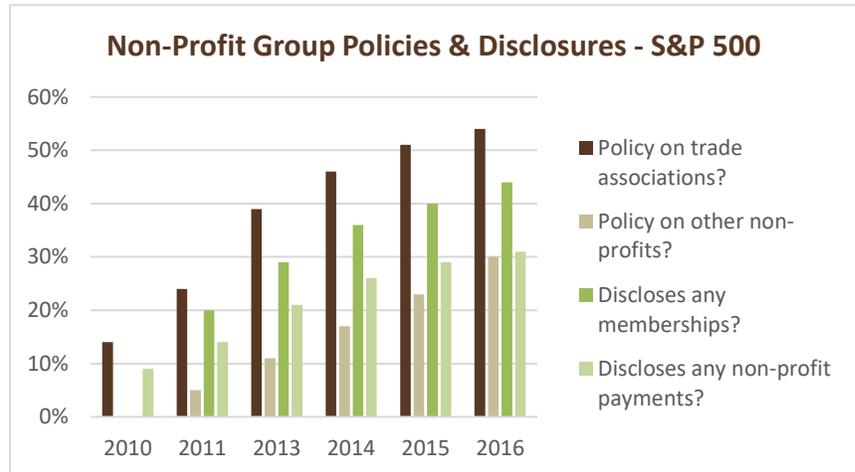
and shows how company disclosure on corporate indirect lobbying has grown in the last several years. Si2’s review of S&P 500 companies’ indirect spending governance practices in 2016 shows that 54 percent of these companies disclosed at least some form of policy on corporate trade association activity, up from 14 percent in 2010.

Involvement with trade groups and other non-profit organizations: ConocoPhillips's policy does address the subject of trade association activity and lobbying.

Policy— The company’s policies on trade association activity are on its [Lobbying-related Activities – Trade Association Membership](#) webpage and in the [2015 Sustainability Report](#). The policy states that the company “actively engages with trade associations at the national, state and local levels” and that many engage in lobbying, although that is not the primary reason the company joins. The company also states, “Through participation in trade associations involved in lobbying, [ConocoPhillips] seek[s] to champion legislative solutions that are practical, economical, environmentally responsible, non-partisan and in the best interests of the company.” However, the company acknowledges that different members may have different viewpoints on various issues and it does not “agree with all positions taken by trade and industry associations on issues,” noting that the company takes contrary positions from time to time. ConocoPhillips goes on to state that its trade association memberships provide the company with a voice to support its corporate objectives, “including climate change.”

As for the governance of trade association activity, the policy says, “Employees who serve on trade association committees that are advocating legislation or regulation must work closely with Government Affairs, affected business units and Legal to develop appropriate positions and ensure compliance with any possible lobbying disclosure requirements.”

On its [Independent Expenditures](#) webpage, ConocoPhillips states: “Certain trade associations incur independent expenditures and [it has] engaged in discussions with certain stakeholders who have expressed concern about this trade association practice. As with prior reporting periods, ConocoPhillips continued to stipulate that none of [its] national trade association dues be applied to independent expenditures focused on the election or defeat of any federal candidates for the period January 1, 2013-December 31, 2016.” However, the policy does not expressly prohibit the use of its dues for such expenditures in the future.



Membership and payment disclosure: ConocoPhillips publishes a partial list of its memberships in trade associations but not any other tax-exempt organizations that may spend money on lobbying. The company has set a \$50,000 annual dues threshold before disclosure of trade association memberships. [Membership disclosures](#) are made in an annual report, which is located on the company webpage. ConocoPhillips does not disclose any dues or payments to those organizations or the subset of those dues and payments used for political and lobbying expenditures. *(See below for more on the company's involvement with intermediary groups that spend on lobbying.)*

Lobbying Expenditures

Available information from the public record on the company's lobbying shows it has spent \$17.7 million at the federal level in the last five years. These amounts may include contributions disbursed through intermediaries.

Company disclosure of lobbying activities: The company does not independently disclose federal lobbying expenditures. While the company acknowledges that it engages in lobbying at the state level, it does not provide any information on state lobbying expenditures or any links to relevant state disclosure websites.

Involvement with Trade Associations & Other Intermediaries

The company publishes a list of 15 memberships in trade associations but not in other tax-exempt organizations that may spend money on political campaigns. Dues paid by the company help underwrite a percentage of each association's political and lobbying expenses. *(See table for available data.)*

ConocoPhillips Federal Lobbying Expenditures 2012-2016	
Year	Federal Lobbying Expenditures
2012	\$3,863,736
2013	\$4,242,353
2014	\$3,969,840
2015	\$3,135,583
2016	\$2,498,000
Total	\$17,709,512
Federal expenditures provided by the Center for Responsive Politics through their website OpenSecrets.org . Quarterly lobbying reports are available at the Senate Office of Public Records .	

Company Involvement with Trade Associations						
Organization	ConocoPhillips				Most Recent IRS Data	
	On Board	Member	2016 Contributions [#]		Total Dues	Political Spending*
			Dues	Political*		
American Petroleum Institute		X	>\$50,000	ND	\$130.4 mil.	\$99.5 mil.
Business Roundtable		X	>\$50,000	ND	\$33.1 mil.	\$17 mil.
National Assn of Manufacturers	X	X	>\$50,000	ND	\$58.4mil.	\$17.3 mil.
U.S. Chamber of Commerce	X	X	>\$50,000	ND	\$165.1 mil.	\$62.5 mil.
Western States Petroleum Assn.		X	>\$50,000	ND	\$32.1 mil.	\$4.6 mil.

*Political and lobbying expenses non-deductible under Internal Revenue Code Section 162(e)1.

[#]Company sets a threshold for reporting of \$50,000.

Memberships: Some business groups have taken positions at odds with public policy initiatives supported by leading institutional investor activists and corporate reformers. Organizations supported by ConocoPhillips that may advocate for positions at odds with the company include the National Association of Manufacturers and the U.S. Chamber of Commerce. *(A more detailed description of controversies about those groups appears in [Si2's Briefing Paper on Corporate Political Activity](#), pp. 30-33.)*

Ties to the American Legislative Exchange Council

The [Center for Media and Democracy](#) (CMD), through its website [ALEC Exposed](#), reports that ConocoPhillips has been involved with the [American Legislative Exchange Council](#) (ALEC) as recently as 2011 –

stating that the company was a sponsor of the group's 2011 Annual Conference. However, CMD also reports that a ConocoPhillips representative informed CMD in 2013 that the company was no longer a member of ALEC and that it had not contributed any funds to ALEC in 2012 and had no plans to do so in 2013. *(More on ALEC and its corporate partners is in Si2's Briefing Paper on Corporate Political Activity, pp. 34-37.)*

II. Proponent Position

The proponent believes that without disclosure of the company's lobbying policies, procedures and expenses, shareholders cannot adequately assess the use of corporate funds and the risks that such spending may impose. In addition, the resolution asserts that without enhanced disclosure, the company may be inadvertently supporting communications, causes or policy objectives through trade association lobbying that do not coincide with the company's long-term interests and may pose risks to company shareholders.

The proponent is particularly concerned with the company's failure to disclose its federal and state-level lobbying expenditures, as well as its association with the U.S. Chamber of Commerce, given that group's active opposition to the EPA's Clean Power Plan. It urges ConocoPhillips to evaluate if its trade associations' public policy advocacy "is consistent with positive climate solutions or if their funds are used to oppose climate legislation or regulation."

(Additional information on the proponent position is in Si2's Briefing Paper on Corporate Political Activity.)

III. Management Position

ConocoPhillips opposes the proposal and states its belief that it "continually provide [its] stockholders with useful information about [its] political and lobbying activities." The company directs shareholders to the company's Political Policies, Procedures and Giving webpage (which includes the pages discussed above) for more information on lobbying and grassroots-related activities.

The company points to its independent disclosure of corporate political contributions and says that it "believes it has a responsibility to stockholders and employees to be engaged in the political process to protect and promote their shared interests." Further, it believes that its engagements show its support of free speech "by individuals, companies and organizations, including trade associations" even when the company does not agree. ConocoPhillips points to the fact that it is ranked in the first tier of companies in the 2016 Center for Political Accountability/Zicklin Index of Corporate Political Accountability and Disclosure as proof of its commitment to transparency.

ConocoPhillips states that it complies with all states and federal lobbying disclosure regulations and directs interested parties to the relevant government websites. It also states that much of the information requested in this proposal is already available in its existing policies and disclosures, including "payment for direct lobbying and [its] policies, procedures management oversight and decision making related to lobbying activities."

As for trade association activity, ConocoPhillips says that its primary purpose for joining such organizations is not for political reasons and acknowledges that it may not agree with every association on all issues, but instead joins for the "general business, technical and industry standard-setting expertise that these organizations provide." It also states that membership provides the company with a voice in support of ConocoPhillips objectives, including on the issue of climate change, when policy priorities are established.

The company points out that it again “stipulated that none of [its] trade association dues be applied to independent expenditures focused on the election or defeat of any federal candidates for the period January 1, 2015 – December 31, 2016.”

ConocoPhillips feels that the requests made by the proposal are unnecessary considering the company’s existing policies (of which it provides a brief overview) and the information available from other sources.

IV. Analysis

For a general analysis of the issues raised by corporate lobbying, please see Si2’s [Briefing Paper on Corporate Political Activity](#). The following is specific to ConocoPhillips.

Key Points at Issue

- Do shareholders have enough information about ConocoPhillips’s lobbying activities?
- Do the company’s grassroots lobbying activities expose its shareholders to unnecessary risks?

Best practices: ConocoPhillips’s policies and procedures address direct corporate lobbying as well as lobbying by trade association partners and a thorough review of grassroots activities. The company discloses some general board oversight of direct corporate lobbying as well as more detailed information on the management governance of direct and grassroots lobbying and trade association activity. ConocoPhillips also discloses that it has prohibited its trade association dues from being used for independent expenditures for the past several years, although it does not say if those prohibitions will continue.

Disclosure: Despite the ambiguous language in the proxy statement, ConocoPhillips does not independently disclose its federal or state lobbying expenditures on the company website. Required federal disclosure forms provide information on the issues and legislation the company lobbies about as well as which federal legislators or committees are contacted. But since a public repository of all state level lobbying expenditures does not currently exist and state disclosure regimes vary, this means it is difficult if not impossible to accurately determine how much the company spends in the states on lobbying. Efforts to compile such information take extensive time and labor and do not yield easily comparable information. (See Si2’s [recent report on state lobbying for a profile of the company’s spending in six states where the most lobbying occurs.](#))

With respect to trade association activity, ConocoPhillips discloses a partial list of trade association memberships (after a \$50,000 dues threshold is met), but does not provide any information on dues or payments made to the associations or the portion of dues used for political and lobbying purposes.

Relationships with trade associations and other politically active non-profit groups ConocoPhillips’s relationship with the National Association of Manufacturers and the U.S. Chamber of Commerce may prompt concern among some shareholders, given those groups’ skeptical stance on climate change.

Under the [Climate Change](#) page of the company website, ConocoPhillips states that it “recognizes that human activity, including the burning of fossil fuels, is contributing to increased concentrations of greenhouse gas (GHG) in the atmosphere that can lead to adverse changes in global climate.” The company’s [Climate Change Position](#) states that its corporate action plan for climate change focuses on the following areas:

- Understanding [its] GHG footprint
- Reducing [its] GHG emissions
- Engaging externally by communicating its position on climate change
- Leveraging technology innovation for new business opportunities
- Reviewing progress and updating business unit climate change management plans

The company also reports that in 2015 it took the following steps to reduce GHG emissions:

- Reduced methane venting during well completions
- Flaring reduction
- Plunger lift optimization
- Optimized compression
- Replacement of high bleed controllers
- Electrification of central facilities

The projects listed above helped the company to decrease its total Co2e gross operated GHG emission by 1.9 million tons in 2015, a decrease of 6.8 percent from 2014. The company's emission results for Co2, Methane and Nitrous Oxide are included in its 2015 Sustainability Report.

Given ConocoPhillips's line of business, it would be surprising to see it pressing for strong greenhouse gas reduction policies and goals. Still, the positions of the U.S. Chamber and NAM on GHG and global climate change may give certain shareholders pause considering the contrast between the company's climate change action plan and the associations' stated positions.

Some also may be concerned with ConocoPhillips' previous to the American Legislative Exchange Council, given that's group's controversial positions. Yet other shareholders may see benefits the company gained through its ALEC relationship. Many of the companies that have ended their ties have been retailers with high profile consumer brands directly vulnerable to public stigma, such as ConocoPhillips.

Summing up: In short, while the company has published policies on lobbying, trade associations and grassroots activity, it does not provide for full disclosure of lobbying expenditures, all trade association memberships, dues amounts and political and lobbying expenditures made by those associations using ConocoPhillips funds.

Voting Considerations

Voting in favor: Investors may want vote in favor of this proposal to underscore to management that current publicly available information provides an inadequate view of company lobbying. They may think that more information is vital for properly assessing risks associated with lobbying, including in the states and at the grassroots, and they may have concerns about reputational damage that can come from ties to controversial groups.

Voting against: Investors may decide to vote against the resolution because they think there is enough information available from the company and other sources about its lobbying, and that current disclosure laws are adequate. Some also may vote against because they consider corporate lobbying immaterial (either monetarily or from a public relations perspective). Finally, some also may believe that the company should participate in the political arena through lobbying to pursue its interests, and those of its shareholders.