



Action Report

Corporate Political Activity

Devon Energy

May 17, 2017

Ticker	Exchange	Meeting Date	Record Date	Annual Meeting Location
DVN	NYSE	6-7-2017	4-10-2017	Oklahoma City, Oklahoma

Agenda

Item	Proposal
1	MGT: Elect directors
2	MGT: Advisory vote on the frequency of future advisory votes on executive compensation
3	MGT: Advisory vote on executive compensation
4	MGT: Ratify selection of auditors
5	MGT: Approve Annual Incentive Compensation Plan
6	MGT: Approve 2017 Long-Term Incentive Plan
7	SH: Review/report on climate change advocacy
8	SH: Report on climate change
9	SH: Report on lobbying
10	SH: Link executive pay to sustainability metrics

Si2 Briefing [Corporate Political Activity](#)

Report Author [Robin Young](#)

Links [Proxy Statement](#); [Code of Business Conduct and Ethics](#); [2016 Corporate Responsibility Report](#)

Item 7: Review/report on climate change advocacy

Resolved Clause Resolved: Shareholders request that the Board commission a comprehensive review of Devon’s positions, oversight and processes related to public policy advocacy on energy policy and climate change. This would include an analysis of political advocacy and lobbying activities, including indirect support through trade associations, think tanks and other nonprofit organizations. Shareholders also request that Devon prepare (at reasonable cost and omitting confidential information) a report describing the completed review.

Lead Proponent Needmor Fund

Vote History This is the third year in a row that this proposal has appeared on the Devon Energy proxy ballot. The 2016 and 2015 proposals received 21.2 percent and 19.3 percent support, respectively. Pax World Funds withdrew the resolution in 2014 before the annual meeting, but after the proxy statement was issued, because it had sold the stock. But the company reported the vote results as 16.3 percent in favor.

Summary A review of federal lobbying forms reveals that climate change-related issues make up a large percentage of the matters on which Devon Energy and its trade associations lobby. But the company currently provides almost no information on its public policy priorities about climate change or any other issues. In addition, the company does not disclose its lobbying expenditures independently of required reporting to the government. In addition, the company discloses only a partial list of trade association memberships.

Item 9: Report on lobbying

Resolved Clause Resolved, the stockholders of Devon Energy Corporation (“Devon”) 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 Devon 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. Devon’s membership in and payments to any tax-exempt organization that writes and endorses model legislation.
4. Description of the decision making process and oversight by management and the Board for making payments described in section 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 Devon 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 Devon’s website.

Lead Proponent Rhode Island Pension Fund

Vote History This is the sixth year in a row that this proposal has appeared on the Devon Energy proxy ballot. Previous proposals received between 27.3 percent and 31.2 percent support, except for the 2013 proposal, filed by Walden Asset Management, which was not presented at the annual meeting so no vote was recorded.

Summary Devon Energy has a policy on corporate lobbying, it has no board oversight and does not fully disclose lobbying expenditures, provide a list of trade association memberships, dues amounts or political and lobbying expenditures made by those associations using Devon Energy funds. It also has been—at least in the past— heavily involved in corporate “grassroots” lobbying leveraging company employees.

I. Devon Energy and Political Activity

Devon Energy is a leading independent energy company engaged primarily in the exploration, development and production of oil, natural gas and natural gas liquids (NGLs). Its operations are concentrated in various North American onshore areas in the United States and Canada. The company produces about 1.4 billion cubic feet of natural gas, 116 MBbls of natural gas liquids and 151 MBbls of oil per day and has proved reserves of 2 billion barrels of oil equivalent.

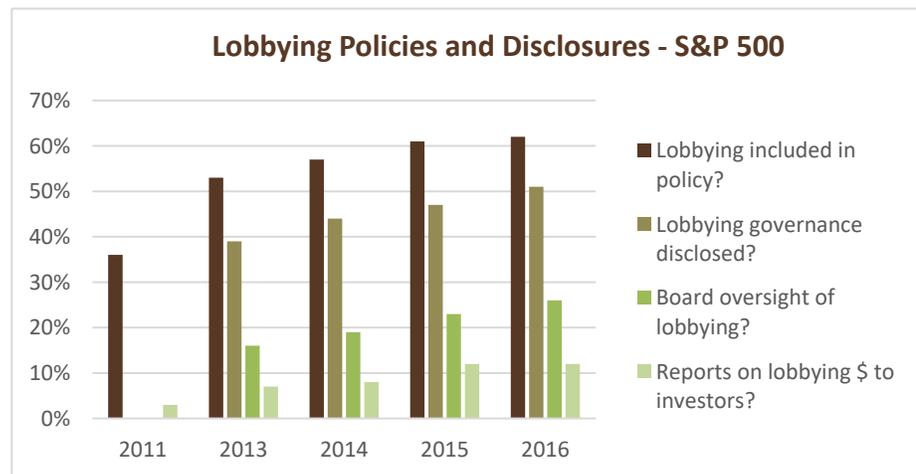
Devon Energy also owns natural gas pipelines, plants and treatment facilities in many of its producing areas, making it one of North America's larger processors of natural gas and NGLs. In addition, the company has doubled its onshore North American oil production since 2011 and states that it has a deep inventory of development opportunities.

Devon pioneered the commercial development of natural gas from shale and coalbed formations, and it is a leader in using steam to produce bitumen from Canadian oil sands. Devon Energy is the first and only U.S.-based independent energy company to develop and operate a bitumen oil sands project in Canada. Canadian heavy oil represented 22 percent of its production and 24 percent of its proved reserves in 2016.

The company has approximately 5,000 employees, down from 6,600 at the same time last year.

Lobbying Policies

The bar chart at right and the table below provide comparative data from Si2's benchmarking research and 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 Devon Energy's sector, using data from Si2's 2016 survey of the S&P 500.



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Direct lobbying: Devon Energy's policy on corporate lobbying activity is in its [Code of Business Conduct and Ethics](#) and in the [2016 Corporate Responsibility Report](#). According to the report, "Along with peer companies in our industry, Devon informs policymakers and the public about how we see the implications of a wide variety of proposed rules and laws. At all levels of government, important decisions about energy and the economy require good information and honest consideration."

Board oversight: Devon Energy's policy does not provide for any board oversight of corporate lobbying activity.

Corporate Lobbying Policies – Governance & Disclosure			
	Devon Energy	2016 Si2 Study Results	
		Energy Sector	S&P 500
Governance			
Board oversight of lobbying	No	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?	No	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	14%	12%
Any state lobbying \$ reported?	No	9%	3%

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

Management transparency: Devon Energy explains that the Vice President for Public and Government Affairs must give prior approval for all contacts on Devon Energy’s behalf with any federal, state or local government official or member or employee of a legislative body or government agency for the purpose of influencing policy, legislation, agency rules or regulations or any other official action.

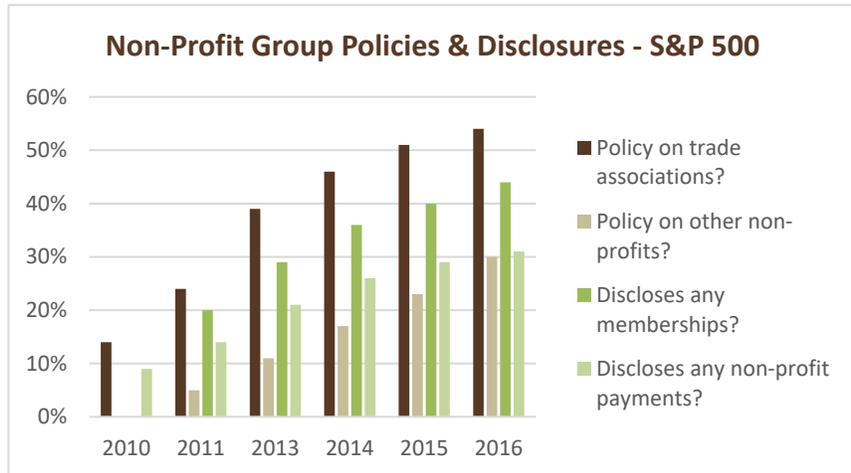
Grassroots lobbying: Devon Energy does not mention grassroots lobbying in its Code of Business Conduct and Ethics, or in the proxy statement, although it appears to be quite involved in such activities.

Devon Energy is a member of the [Public Affairs Council](#), which sponsors conferences and webinars on grassroots activity. In past years, company employees have served on the board of directors of the group. The group’s offerings for 2017 include:

- Incentivizing Long-Term PAC Engagement
- Measuring and Monitoring Your Digital Advocacy Efforts
- Engaging Business Units Effectively for Public Affairs
- Storytelling for Advocacy
- Leveraging Reputation Management for Public Affairs
- Methods for Tracking Lobbying Activities
- In-District Grassroots and Advocacy Strategies
- Maximizing Grassroots Ambassadors
- Metrics to Show Your Grassroots Value
- Engaging Non-Politicos in Your Political Programs
- State and Local Government Relations Conference
- Managing Your Grassroots Strategy
- Regulatory Advocacy
- Engaging Nontraditional Advocates: Customers, Patients and the Public

The company was also the subject of some controversy in 2009 after its Director of Public and Community Affairs was found to have organized an “[Energy Citizens](#)” rally in New Mexico. A [memo](#) obtained by Greenpeace showed Energy Citizens rallies were coordinated by the American Petroleum Institute (API) as part of its successful opposition to the American Clean Energy and Security Act.

Indirect lobbying: The bar chart at right 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: Devon Energy's policy briefly addresses the subject of trade association activity and lobbying.

Policy— The policy on trade association activity, located in the [2016 Corporate Responsibility Report](#), states:

We take a lead role as members of business and industry associations, trade groups and advocacy organizations that share our views.... We support industry organizations and their education programs.

Membership and payment disclosure: Devon Energy does not disclose a list of its memberships in trade associations or any other tax-exempt organizations that may spend money on lobbying. In previous years, the company provided a partial list of memberships in its CSR report but that information does not appear in the latest edition. It does not make public 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 \$6.9 million on federal lobbying in the last five years. These amounts exclude contributions that may have been disbursed through intermediaries discussed below.

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

Devon Energy Federal Lobbying Expenditures 2012-2016	
Year	Federal Lobbying Expenditures
2012	\$1,190,000
2013	\$1,800,000
2014	\$1,980,000
2015	\$1,960,000
2016	\$1,060,000
Total	\$6,890,000
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 .	

Involvement with Trade Associations & Other Intermediaries

The company does not disclose memberships in trade associations and 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 below for available data.)*

Company Involvement with Trade Associations						
Organization	Devon Energy				Most Recent IRS Data	
	On Board	Member	2016 Contributions		Total Dues	Political Spending*
			Dues	Political*		
American Petroleum Institute		X	ND	ND	\$130.4 mil.	\$99.4 mil.
American Exploration and Production Council		X	ND	ND	\$1.2 mil.	\$994,500
America's Natural Gas Alliance		X	ND	ND	\$28.8 mil.	\$1.4 mil.
National Association of Manufacturers	X	X	ND	ND	\$58.4 mil.	\$17.3 mil.

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

Memberships: Some business groups have taken positions at odds with public policy initiatives supported by leading institutional investor activists and corporate reformers. One organization supported by Devon Energy that may advocate for positions at odds with the company is the National Association of Manufacturers. *(A more detailed description of controversies about the group 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 Devon Energy has been involved with the [American Legislative Exchange Council](#) (ALEC) since at least 2014. CMD reports that the company has been a sponsor of the group's 2014 and 2015 annual conferences. CMD suggests that the company is currently involved with ALEC, as well, but the precise nature of any current relationship with ALEC remains unclear. *(More on ALEC and its corporate partners is in Si2's Briefing Paper on Corporate Political Activity, pp. 34-37).*

Climate Change Advocacy

As shown above, Devon Energy's federal lobbying expenditures dropped by almost 46 percent from 2015 to 2016. The range of issues lobbied upon by the company in 2016 also fell considerably compared with 2015. A review of Devon Energy's 2016 quarterly federal lobbying disclosure forms shows it lobbied on a handful of issues:

- All provisions of S 2012, Energy Policy Modernization Act of 2015;
- Discussions related to crude oil export markets; and
- Discussions related to the Environmental Protection Agency's and Department of Interior's suite of rules related to methane emissions.

As a member of NAM, a portion of Devon Energy's dues and payments are used for political purposes in elections and on lobbying. During 2016, the association spent approximately \$8.5 million on federal lobbying. A review of the association's federal disclosures shows it lobbied on the following climate-related issues:

- 2017-2025 EPA/NHTSA/CARB Fuel Economy and GHG Regulations
- Arctic Drilling Conditional Authorization (Chukchi Sea)
- Atlantic Coast Pipeline
- BLM/EPA Hydraulic Fracturing Regulations
- BSEE Well Control Rule
- Clean Air Act Reform
- Coal Exports
- Commercial Portable Air Conditioners
- Crude Oil Exports
- Crude oil pipeline infrastructure
- CWA Section 404 Nationwide Permits

- CWA Water Quality Standards
- DOI Stream Protection Rule
- Endangered Species Act
- EPA Draft IRP for the NAAQS for PM
- EPA Proposed Ozone Regulations
- EPA Risk Management Program
- EPA SNAP Regulation
- Federal Coal Leasing Review
- FERC Pipeline Permitting
- FY 2017 Interior, Environment and Related Agencies Appropriations Bill
- FY2017 Energy and Water Appropriations Bill
- Greenhouse Gas Emissions/Clean Power Plant Regulations
- H.R. 1644, the STREAM Act
- H.R. 1734, Improving Coal Combustion Residuals Regulation Act
- H.R. 2576, S. 697, TSCA Modernization Act of 2015
- H.R. 4000, Ozone National Ambient Air Quality Standard Deadline Harmonization Act of 2015
- H.R. 4265, Clean Air Implementation Act of 2015
- H.R. 4775, Ozone Standards Implementation Act of 2016
- H.R. 8, North American Energy Security and Infrastructure Act of 2015
- Keystone XL Pipeline
- Liquid Natural Gas Exports
- Loan guarantees for nuclear fuel cycle technologies
- Mercury and Air Toxics Standard (MATS)
- Methane regulations
- Nomination of Scott Pruitt for EPA Administrator
- Oil and gas pipeline issues
- Outer Continental Shelf (OCS) Leases
- Paris GHG Negotiations
- Pipeline Permitting Reform
- Regional Haze
- S. 1038, Energy Star Program Integrity Act
- S. 2012, Energy Policy Modernization Act of 2015
- S. 2072, Hatch-McCaskill ozone early action legislation
- S. 2882, Ozone Standards Implementation Act of 2016
- S. 33, H.R. 351, LNG Permitting Certainty and Transparency Act
- S. 543, H.R. 1029, EPA Science Advisory Board Reform Act of 2015
- S. 544, H.R. 1030, Secret Science Reform Act of 2015
- S. 720, the Energy Savings and Industrial Competitiveness Act of 2015
- S. 723, Utility Energy Service Contracts Improvement Act of 2015
- S.J. Res. 23, resolution of disapproval of the EPA's NSPS for greenhouse gases for new, modified or reconstructed power plants
- S.J. Res. 24, joint resolution of disapproval of the EPA's Clean Power Plan
- S.J. Res. 25, H.J. Res. 74, a joint resolution of disapproval of EPA's National Ambient Air Quality Standards for Ozone
- Senate OPENS Act
- Sensible Accounting to Value Energy (SAVE) Act
- Social Cost of Carbon
- Support of Ozone Implementation Language in Fiscal Year 2017 Interior, Environment and related Agencies Appropriations bill

The company is also a member of the American Petroleum Institute, as discussed above, which lobbies extensively on climate-related legislation and regulation. In all, API spent \$6 million on federal lobbying in 2016.

As noted above, the company does not make any disclosures to investors about its work on climate-related issues, or the work that trade associations do on its behalf on these issues.

II. Proponent Positions

Item 7: Review/report on climate change advocacy

Citing the 2013 Intergovernmental Panel on Climate Change report that concludes the “warming of the climate is unequivocal and human influence is the dominant cause,” the proponent asserts, “Many investors are deeply concerned about existing and future effects of climate change on society and business.”

The proponent believes that local, state and federal government bodies must begin enacting and enforcing strong legislation and regulations to adapt to climate change, reduce fossil fuel use and move the world towards renewable energy. In addition, the proponent believes that “companies in the energy sector should review and update their public policy positions related to climate change.”

According to the proponent, concern among investors over climate change lobbying is growing, as evidenced by the Investor Expectations on climate lobbying document endorsed by the Principles for Responsible Investment. In addition, the proponent believes that the public has come to see oil and gas companies as opposing all legislative and regulatory efforts to address either climate change or renewable energy. As a result, corporate political and lobbying expenditures, individually and through third parties, on climate or energy policy are now subject to increased scrutiny, the resolution asserts. As an example, the proponent cites the actions of the U.S. Chamber of Commerce and its opposition to the Clean Power Plan.

However, the proponent also notes that 10 international oil companies, including **BP** and **Shell**, have “called for strong global climate goals and supported reducing their Greenhouse Gas emissions.”

The proponent is requesting that the company complete a comprehensive review of its positions, oversight and processes, including political and lobbying expenditures, related to public policy advocacy on energy policy and climate change. In addition, the proposal asks that the review include the following:

- Whether Devon Energy positions on climate legislation and regulation are consistent with the reductions deemed necessary by the IPCC;
- Board oversight of Devon Energy’s public policy advocacy on climate;
- Direct and indirect expenditures (including dues and special payments) for political contributions, lobbying, issue ads or other expenditures designed to influence elections, ballot initiatives or legislation related to climate change;
- Engagements with climate scientists and other stakeholders involved in climate policy discussions; and
- Proposed actions to be taken as a result of the review.

Item 9: Report on lobbying

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.

Of particular concern for the proponent is the company’s failure to disclose all its trade association memberships and expenditures and not addressing publicly its relationships with tax-exempt groups that write or endorse model legislation – like the American Legislative Exchange Council.

(Additional information on the proponent view is in Si2’s [Briefing Paper on Corporate Political Activity](#).)

III. Management Positions

Item 7: Review/report on climate change advocacy

Devon Energy says it is “committed to conducting [its] business lawfully, ethically and in a socially and environmentally responsible manner,” and it believes that participation in the political process is “vital” to its interests. It says reducing GHG emissions is important, but its current positions on climate matters are adequate and accessible and says, “our oversight and processes related to those positions are significant and thoughtful.” It also believes that its disclosures of lobbying practices and policies are “extensive.”

Devon Energy points interested shareholders to its website that lists company policies on environmental stewardship, including its Environmental, Health and Safety Philosophy, where the company states it is committed to “understanding [its] relationship to the environment, preventing pollution and reducing greenhouse gas emission intensity through energy efficiency improvements and by employing economically feasible reduction technologies.”

The company also provides a brief overview of its policies on lobbying governance and disclosure, as well as trade association activity, which is discussed in detail above.

Devon Energy believes that its current public policy advocacy positions and process are appropriate and easily accessible and that its current disclosure “strikes the appropriate balance between transparency and excessive burden and cost.”

Item 9: Report on lobbying

Devon Energy says it advocates on public policy issues relevant to its business and does so in “full compliance with applicable laws.” The company also believes that its current disclosures on its lobbying activities are “significant, adequate and accessible.”

The company notes it files all disclosures required under the amended Lobbying Disclosure Act of 1995 as well as under the state laws of Montana, New Mexico, Texas, Wyoming and Oklahoma and that those disclosures are available to the public through the respective government websites.

Devon Energy reports that its lobbying policy is available in the company’s Code of Business Conduct and Ethics and points interested shareholders to its website. It goes on to provide a brief overview of its governance of direct corporate lobbying, discussed in detail above.

As for trade association activity, Devon Energy states that it does not “directly influence how the trade associations to which [it] contribute[s] spend money for lobbying purposes” and that lobbying is not the company’s only reason for joining such associations. Instead, Devon Energy states that it participates in those groups for “networking, civic participation and monitoring of industry policies and trends.” In addition, the company believes that the requested trade association disclosures could result in the release of proprietary information, which could have an adverse effect on the company.

The company believes that, given its current policies and disclosures, the proposal would result “in the waste of valuable time and corporate resources tracking immaterial activity without materially altering the publicly-available disclosure that currently exists.”

IV. Analysis

Item 7: Review/report on climate change advocacy

Key Points at Issue

- Do shareholders have enough information on Devon Energy's lobbying activities?
- Do the company's climate change lobbying activities expose its shareholders to unnecessary risks?

Best practices: Please see Item 9 for analysis of Devon Energy's policy on corporate lobbying and trade association activity. Most pertinent to this proposal is the absence of any company policy requiring board oversight of corporate lobbying.

Relationships with trade associations and other politically active non-profit groups: Please see Item 9 for analysis of Devon Energy's controversial trade association relationships.

The two trade associations that Devon Energy is linked to, the National Association of Manufacturers and the American Petroleum Institute, lobby extensively on legislation and regulation concerning climate change. The two groups spent \$8.5 million and \$6 million, respectively, on federal lobbying during 2016. The associations also report in their most recently disclosed Form 990s that they spent a total of \$17.3 million and \$99.4 million, respectively, on all political and lobbying expenditures.

Disclosure: Devon Energy does not disclose its lobbying expenditures, trade association memberships, trade association dues or the portion of those dues used for political and lobbying expenditures.

Additionally, the company does not make public a list of public policy priorities or any issues on which it lobbies on its website. But in its most recent [10-K](#) statement, Devon says changes to climate change or hydraulic fracturing laws, rules and regulations could "significantly impact [its] profitability, financial condition and liquidity." The company states that the effect of public policy on the company is "pervasive and under constant review for amendment or expansion." In addition, a host of government agencies have issued "extensive regulations" on the industry and that some of those regulations "carry substantial penalties for failure to comply." As for climate change, Devon Energy says that proposed legislation and regulations focusing on limiting or reducing greenhouse gas emission have generally focused on the development of either a cap-and-trade or a carbon tax system, both of which could cause a reduction in demand for its products. Despite these disclosures, the company does not discuss its strategy to approach such proposed legislation.

Summary: A review of federal lobbying forms shows that climate change-related issues make up a large percentage of issues lobbied on by both Devon Energy and the trade associations to which it belongs. Devon Energy currently provides almost no information on its public policy priorities on climate change or any other issues. In addition, it does not disclose its lobbying expenditures and provides only a partial list of trade association relationships.

Voting Considerations

Voting in favor—Investors may want vote in favor of this proposal to send a message to management that the company's current disclosure of lobbying activities and expenditures related to climate change is inadequate. Shareholders that feel that company's lack of disclosure of public policy priorities, lobbying expenditures, and trade association information make it difficult to properly assess the potential risks or rewards of those activities and therefore vote to support the proposal.

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 climate change-related political activity, or they may believe that current disclosure laws are adequate. Some also may vote against because they consider corporate lobbying, or climate change issues, to be immaterial (either monetarily or from a public relations perspective). Others may vote against the proposal if they feel that the company has adequately disclosed the risks the company faces from proposed climate change-related legislative and regulatory action.

Item 9: Report on lobbying

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 Devon Energy.

Key Points at Issue

- Do shareholders have enough information on Devon Energy's lobbying activities?
- Do the company's grassroots lobbying activities expose its shareholders to unnecessary risks?

Best practices: Devon Energy's policies and procedures address direct corporate lobbying as well as trade association involvement, but not grassroots activities. While the company discloses the executive position responsible for oversight of corporate lobbying activity, it does not mention any board oversight. Its policy on trade association activity is also very limited.

Disclosure: The company does not independently disclose its federal or state lobbying expenditures. 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.

As for trade association activity, Devon Energy does not disclose any trade association memberships, provide any information on dues or payments made to the associations or the portion of dues used for political and lobbying purposes. Devon Energy's disclosure of trade association information has regressed since 2016, as the company no longer provides any trade association membership information in its CSR report. Previously, the company provided a partial list naming three associations.

While trade associations do not routinely report lobbying expenditures as a percentage of member's dues to individual members, they do provide each company with a breakdown of all political-related expenditures—which includes both political contributions and lobbying. The company therefore already receives this information and legally must report it to the Internal Revenue Service. Therefore, it could provide shareholders with specific information on how much of its dues are going to political expenses without incurring significant additional expenses.

Relationships with trade associations and other politically active non-profit groups: Given its line of business, few would expect Devon Energy to lead the fight against climate change. But it does say in the [Air](#) section of its Corporate Social Responsibility website that it "continue[s] to upgrade the quality of our producing properties and employ advanced operating technologies at production sites to enhance operational efficiency and facilitate emissions reduction. These ongoing efforts result in consistent year-over-year reductions in emissions intensity."

The company also points to its participation in the Carbon Disclosure Project for over a decade. It states that the relationship with the CDP has "provided us with the opportunity each year to demonstrate our

efforts to control and reduce emissions and conserve water.” Devon Energy also discloses an Emissions Intensity figure for Scope 1 and Scope 2 emissions dating back to 2013. Company figures show a 10 percent reduction of Metric Tons CO₂, per BOE over the 2013-2015 timeframe.

Still, some shareholders may feel that while Devon Energy may be publicly talking about greenhouse gas emission reductions on a corporate level and highlighting its participation in the CDP, the company’s trade associations take an entirely different approach. These include NAM and API, and each has used Devon Energy’s dues to lobby against some of Devon Energy’s stated goals. API waged a concerted “grassroots” effort against the failed American Clean Energy and Security Act in 2009, as noted in this report.

Some also may be concerned with Devon Energy’s ties to the American Legislative Exchange Council, given that’s group’s controversial positions. Yet other shareholders may see benefits the company gains through its ALEC relationship. All may want to weigh any benefits against the reputational costs associated with the group’s extreme positions, although many of the companies that have ended their ties have been retailers with high profile consumer brands directly vulnerable to public stigma, not Energy sector companies such as Devon Energy.

Summing up: In short, while the company has a policy on corporate lobbying, it has no board oversight and does not fully disclose lobbying expenditures, provide a list of trade association memberships, dues amounts or political and lobbying expenditures made by those associations using Devon Energy funds. It also has been—at least in the past—heavily involved in corporate “grassroots” lobbying leveraging company employees.

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 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 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.