



Corporate Political Activity

ExxonMobil

May 10, 2017

Ticker	Exchange	Meeting Date	Record Date	Annual Meeting Location
XOM	NYSE	5-31-2017	4-6-2017	Dallas, Texas

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: Independent chairman
6	SH: Majority voting in director elections
7	SH: Special meetings
8	SH: Prohibit precatory proposals
9	SH: Report on female employee compensation
10	SH: Report on lobbying
11	SH: Increase authorized dividend given stranded assets
12	SH: Report on climate change
13	SH: Report on hydraulic fracturing/shale energy risks

Si2 Briefing [Corporate Political Activity](#)

Report Author [Robin Young](#)

Links [Proxy Statement](#); [Political contributions and lobbying](#); [2015 Corporate Citizenship Report](#); [Political Activities Policy](#); [2015 Worldwide Giving Report](#); [Si2 profile of ExxonMobil](#) and selected state lobbying in [How Leading U.S. Corporations Govern and Spend on State Lobbying](#)

Resolved Clause 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.

Lead Proponent

United Steelworkers

Vote History

This is the fifth year in a row that this proposal has appeared on the ExxonMobil proxy ballot. The proposals filed between 2013 and 2016 received between 21 percent and 25.7 percent support, with the highest level coming in 2016.

For the third year in a row, a related proposal requesting a review of public policy advocacy specifically related to energy policy and climate change was withdrawn by the proponent before publication of the proxy statement. The proponents of that proposal, the Christopher Reynolds Foundation, said that they had reached an agreement with the company to continued dialogue that includes strategic planning staff.

Summary

ExxonMobil has recently updated its policies on corporate lobbying and trade association activity, but it still falls short in the areas of board oversight of direct corporate lobbying, reporting on trade association memberships, dues amounts and political and lobbying expenditures made by those associations using ExxonMobil funds. The lobbying governance information provided is also limited and vague.

I. ExxonMobil and Political Activity

ExxonMobil is the world’s largest publicly traded oil and gas company. Its business covers the entire range of oil- and gas-related activity, including exploration, extraction, refining, transportation and sale of natural gas and petroleum products, plus petrochemicals. The company also has interests in electric power generation facilities. Key brand names are ExxonMobil, Exxon, Esso, Mobil and XTO.

Financials			
(\$ millions)	2015	2016	% Change
Total Revenue	\$259,488	\$218,608	(15.8%)
Net Income	\$16,150	\$7,840	(51.4%)

More specifically, the company’s three business segments include:

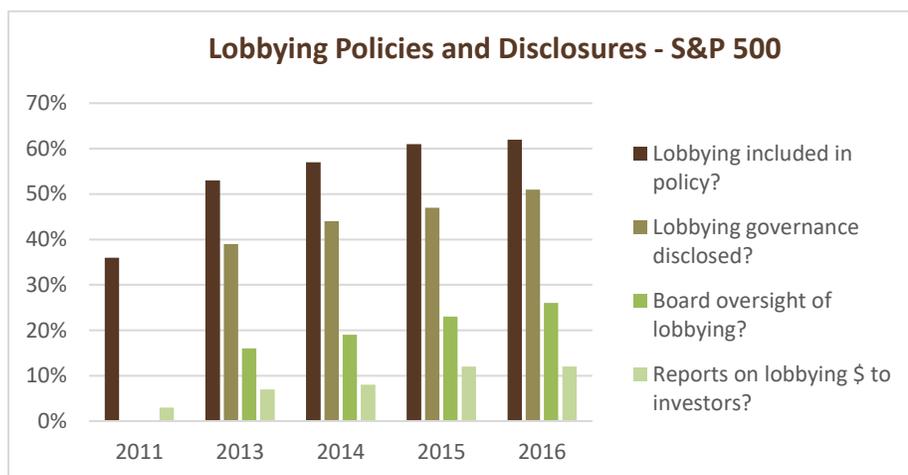
- **Upstream** operations for exploration, development, production, gas marketing and related research;
- **Downstream** operations that manufacture and sell the company’s petroleum, through a global refining and supply network of plants, transportation systems and distribution centers for fuels, lubricants and other products; and
- **Chemicals**, which makes and sells commodity petrochemical products, including olefins, aromatics, and polyethylene and polypropylene plastics.

ExxonMobil has 20 billion barrels of oil equivalent in proved oil and gas reserves on six continents, including unstable areas such as Chad, Nigeria, Angola and Kazakhstan—down over 19 percent from what it reported a year ago. The company is the world’s largest oil refiner, listing ownership interest in 22 refineries in 14 countries capable of producing 4.1 million barrels per day.

The company's 71,100 employees worldwide at the end of 2016 were the lowest amount since at least 2010. Employment at company-operated retail sites continues to fall, and at year-end 2016 stood at 1,600, down 81 percent from 2014. There are 3,214 retail sites owned or leased by the company and another 17,569 distributors and resellers of its products worldwide; the latter group continues to grow while the former has shrunk considerably.

Lobbying Policies

The bar chart 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 ExxonMobil's sector, using data from Si2's 2016 survey of the S&P 500.



Corporate Lobbying Policies – Governance & Disclosure			
	ExxonMobil	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?	Yes	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?	Yes	22%	12%
Any state lobbying \$ reported?	No	5%	3%

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

Direct lobbying: ExxonMobil's policy on corporate lobbying activity is on its [Political contributions and lobbying](#) webpage and in the [2015 Corporate Citizenship Report](#). The policy states that the company engages in lobbying "to advocate [its] positions on issues that affect [the] Corporation and the energy industry." The company also provides individual webpages for a number of "Current Issues" of importance

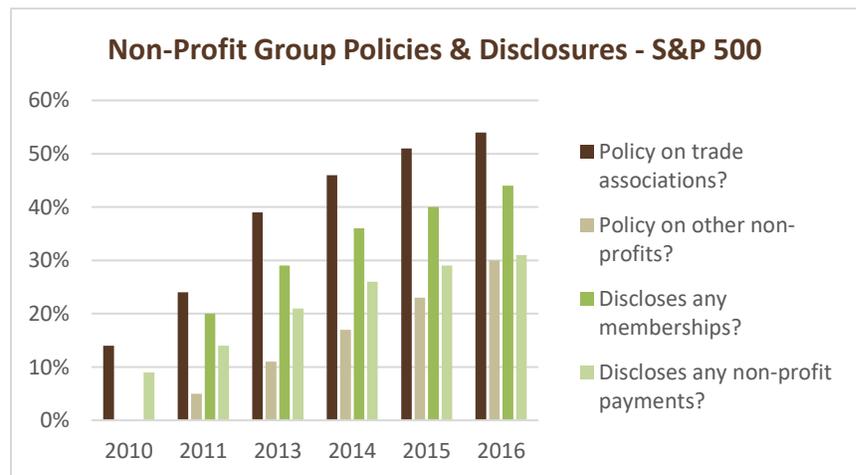
to ExxonMobil; the 2015 Corporate Citizenship Report lists the following issues as pertinent to the company's interests: energy infrastructure; hydraulic fracturing and horizontal drilling; cybersecurity; tax policy; international trade; regulatory improvement; the Renewable fuel standard; the Toxic Substances Control Act; and education.

Board oversight: ExxonMobil reports that "Key issues are reviewed by the Management Committee and Board of Directors of the Corporation." However, nowhere does the company state that the board as a whole or a specific committee has oversight of direct corporate lobbying activities. Even the charter of the Public Issues and Contributions Committee does not explicitly address lobbying, stating only that it will "Review the Corporation's policies, programs and practices on public issues of significance and make such recommendations to the Board with respect thereto as it may deem advisable."

Management transparency: ExxonMobil's policy states that it "has an established practice to determine which public policy issues are important to the Corporation. This process includes soliciting input from relevant business lines and functional departments such as Law and Public and Government Affairs." As is the case with board oversight, that language does not appear in any of the published policies on the company website.

Grassroots lobbying: The company's grassroots activities are detailed on the [ExxonMobil Citizen Action Team](#) website, which includes information on important issues such as Accountability and Climate, Energy and Tax Policy. The website also provides information on voting, contacting elected representatives, attending local events and becoming a member of the Congressional Constituent Contact Program (CCC) to broaden the company's existing grassroots infrastructure. According to the website, "CCC members will establish "in-district" relationships with their assigned Member and serve as a valued resource for understanding the localized impacts of governmental policies, particularly reinforcing the impact of such policies on ExxonMobil employees, retirees, shareholders and assets that are located in their districts." However, the website is cannot be accessed through company webpages dealing with corporate political or lobbying activity.

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: ExxonMobil's policy does address the subject of trade association activity and lobbying on its [Political Activities Policy](#) and on the Political Contributions and Lobbying webpage..

Policy— The company's trade association activity policy states:

ExxonMobil provides support to a variety of think tanks, trade associations, and coalitions in order to promote informed dialogue and sound public policy on matters pertinent to the Corporation's interests.

These areas include, among others: fiscal policy, international trade, energy, environment, labor/pension matters, education, civil justice reform, and public health. Our support does not constitute an endorsement of every policy position or point of view expressed by a recipient organization. We conduct an annual evaluation of the merits of each organization and reserve the right to initiate, sustain, or withdraw support at any time. Some of the support provided to these organizations may be used by the firms for lobbying. ExxonMobil reports quarterly the portion of dues used for lobbying purposes in public Lobbying Disclosure Act filings.

In the Policy, ExxonMobil states that the company (and affiliated companies) “should stay informed about the activities of organizations, including trade or other associations, and joint ventures in which it is a member.” Should those groups decide to establish or support a political action committee, ExxonMobil or its affiliate is “expected to oppose it and, should efforts in this regard be unsuccessful, promptly review the matter, including alternative courses of action.”

In addition, the policy states:

No expenditure of corporate funds should be made to a political action committee created by an organization of which the Corporation is a member for the purposes of underwriting the administrative or other expenses of such a political action committee.

However, the company acknowledges that organizations may not always be able to separate their accounts in order to identify administrative costs and therefore, ExxonMobil funds may be used indirectly to cover some of those expenses.

Membership and payment disclosure: ExxonMobil does not disclose a list of its memberships in trade associations that may spend money on lobbying. ExxonMobil also does not report any dues or payments to those organizations or the subset of those dues and payments used for political and lobbying expenditures.

The company does disclose a [2015 Worldwide Giving Report](#), which includes a list of "contributions to nonprofit and non-governmental organizations; direct spending on community-serving projects; social bonus projects required under agreements with host governments by ExxonMobil Corporation, its divisions and affiliates; and ExxonMobil's share of community expenditures paid by joint ventures operated by other companies." While the list includes several tax-exempt groups that may be involved in public policy and lobbying, it does not include any of the trade associations that publicly acknowledge ExxonMobil's membership and the report is cannot be accessed through company webpages dealing with corporate political, lobbying and trade association activity.

(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 \$66.9 million at the federal level in the last five years. These amounts may include contributions disbursed through intermediaries.

According to the Center for Responsive Politics, ExxonMobil was the 19th highest spender on federal lobbying in 2016, its first time on the list since 2013. In 2009, ExxonMobil's \$27.4 million was the largest amount spent by any publicly traded company and trailed only the U.S. Chamber of Commerce's \$144.6 million for the year.

ExxonMobil Federal Lobbying Expenditures 2012-2016	
Year	Federal Lobbying Expenditures
2012	\$12,970,000
2013	\$13,420,000
2014	\$16,650,000
2015	\$11,980,000
2016	\$11,840,000
Total	\$66,860,000
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 .	

From 1998-2017, the Center for Responsive Politics ranks ExxonMobil as the 12th largest spender on federal lobbying and the 5th largest spender among public companies, with total expenditures of \$235,890,000 over that time span.

Company disclosure of lobbying activities: ExxonMobil discloses that it had total federal lobbying expenses of \$11.84 million in 2016 on its [Political Contributions and Lobbying](#) website and also publishes its quarterly federal lobbying disclosure forms for the most recent year (2016). The company states that the amount “includes expenses associated with the costs of employee federal lobbying, as well as those portions of payments to trade associations, coalitions and think tanks that are spent on federal lobbying.” The company also provides a link to the U.S. Senate disclosure website.

While ExxonMobil acknowledges that it does engage in lobbying at the state level, it does not provide any information on state lobbying expenditures on the company website, nor does it provide links to relevant state disclosure sites.

Involvement with Trade Associations & Other Intermediaries

The company does not disclose memberships in trade associations; however, it does disclose some information on payments to other tax-exempt groups. Dues paid by the company help underwrite a percentage of each trade association’s political and lobbying expenses. *(See table for available data.)*

Company Involvement with Trade Associations						
Organization	ExxonMobil				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 Fuel and Petrochemicals Manufacturers Association	X	X	ND	ND	\$17.6 mil.	\$2.3 mil.
Business Roundtable		X	ND	ND	\$33.2 mil.	\$17 mil.
National Assn 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 ExxonMobil 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

ExxonMobil is currently a member of the [Private Enterprise Advisory Council](#) of the [American Legislative Exchange Council](#) (ALEC). In its [2015 Worldwide Giving Report](#), ExxonMobil discloses that it paid ALEC \$25,000 in connection with that year’s annual conference and an additional \$36,500 in “General Support.”

The [Center for Media and Democracy](#) (CMD), through its website [ALEC Exposed](#), also reports that ExxonMobil is a member of the group’s [Energy, Environment and Agriculture](#), [Civil Justice](#) and [Tax and Fiscal Policy](#) task forces and that the company has sponsored the ALEC Annual Conference every year dating back to at least 2011. *(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.

Of particular concern for the proponent is the fact that ExxonMobil does not provide any information on state-level lobbying expenditures or disclose its trade association memberships or any information on trade association-related expenditures, as well as the company's failure to address its support for tax-exempt groups that write or endorse model legislation, like the American Legislative Exchange Council.

(Additional information on the proponent position appears in Si2's [Briefing Paper on Corporate Political Activity](#).)

III. Management Position

ExxonMobil opposes the proposal and states that it lobbies at both the state and federal levels to advocate for its positions. It also says that it complies fully with all lobbying regulations and disclosure requirements and directs interested shareholders to the company website to view its policies and guidelines.

The company says that it has established a process to determine which public policy issues are important to ExxonMobil and that its review of those issues includes both a management committee and the board of directors. Lobbying efforts are then calibrated according to the review findings.

ExxonMobil says it files quarterly reports in accordance with the Lobbying Disclosure Act that include "expenses associated with the costs of employee federal lobbying, as well as those portions of payments to trade associations and other groups that are spent on federal lobbying." The company notes that the reports are available through U.S. Government disclosure websites, as well as on the ExxonMobil website.

As for trade association and other tax-exempt group activity, ExxonMobil says its contributions to certain organizations are detailed in its Worldwide Contributions and Community Investments: Public Policy report, which is available on the company website. As for ALEC, the company states that it "participates in ALEC policy discussions on a range of issues including taxes, regulatory reform, education, and energy policy" and that ExxonMobil speakers have advocated a revenue-neutral carbon tax at the last two ALEC annual meetings. ExxonMobil says all memberships are reviewed annually and that it reserves the right to "initiate, sustain, or withdraw support at any time."

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 ExxonMobil.

Key Points at Issue

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

Best practices: ExxonMobil's policies and procedures address direct corporate lobbying as well as lobbying by trade association partners and grassroots activities. However, the lobbying policies published on

the company website lack any information on board oversight of corporate lobbying activity and the recently updated language provided on governance of lobbying activities is extremely vague. Grassroots activities are also detailed on a separate website, which is not linked through any of the webpages on corporate political or lobbying activities.

Disclosure: The company independently discloses its federal lobbying expenditures, but does not provide any information on state-level activities or 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. However, 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.*)

While the company does have a policy on corporate trade association activity that includes information on its reasoning for joining such groups and prohibits the use of company money for the establishment of separate political action committees formed by those organizations, it does not provide a full list of trade association memberships or disclose the amount paid in dues to its trade association partners or the amount of those dues used for lobbying expenditures.

ExxonMobil does disclose a list of other, tax-exempt groups that includes contribution amounts; this makes ExxonMobil one of the only companies that publicly acknowledges its ALEC membership and provides some information on its monetary contributions to that group.

Relationships with trade associations and other politically active non-profit groups: ExxonMobil's relationship with the National Association of Manufacturers may prompt concern among some shareholders given the views held by that group on climate change and other contentious issues.

While ExxonMobil can hardly be called a leader in the fight against climate change, the company's [Climate](#) website states that it is committed to positive action on climate change and "dedicated to working to reduce the risks of climate change in the most efficient way for society, while recognizing the importance of abundant and affordable energy in supporting economic growth." According to the company website, ExxonMobil opposes any sort of cap-and-trade system and instead favors a [carbon tax](#). ExxonMobil also provides a webpage on the company efforts at [emissions reduction](#), including: increased natural gas production; energy efficiency; cogeneration; and the reduction of flaring and venting.

Given ExxonMobil's line of business, no one would be surprised about the company's views on GHG reduction policies and goals. For those who believe a more robust approach to cutting reliance on petroleum-based fuels in order, the relationships and views of both the company and the National Association of Manufacturers, as expressed in their lobbying efforts, are probably a matter of concern—which can be addressed in part by a vote for the pending proposal. This relationship between the company and the National Association of Manufacturers is probably not of concern for those who share the two entities' views on what sort of action to take regarding climate change.

Some also may be concerned with ExxonMobil's close 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 ExxonMobil.

Summing up: In short, while the company has recently updated its policies on corporate lobbying and trade association activity, it still falls short in the areas of board oversight of direct corporate lobbying, reporting on trade association memberships, dues amounts and political and lobbying expenditures made by those associations using ExxonMobil funds. The lobbying governance information provided is also limited and vague.

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.