The Connection between Corporate Lobbying and Climate Change

Virtually every corporation participates in some sort of lobbying activity and donates to candidates, political parties and Political Action Committees (PACs) — some spending millions per year — to further their business interests. As we move into the 2016 Presidential election cycle, these activities will only increase. In fact, the 2016 Presidential campaign is already on track to more than double the spending of the 2012 election to $5 billion.

Of concern to investors is that, due to changes in campaign financing brought about by the Supreme Court's 2010 *Citizens United* decision, the recipients of these corporate donations will remain undisclosed. Investors see this lack of transparency as a clear business risk, citing occasions when companies have funded organizations and candidates that promote legislative and regulatory agendas at odds with their stated missions. For that reason, since 2011, ICCR members led by AFSCME and Walden Asset Management have been filing resolutions that request increased disclosure of corporate lobbying and political contributions. Shareholders typically ask corporations to list their lobbying payments made at the Federal and State levels, payments to trade associations used for lobbying, contributions to, or in opposition to, political candidates, parties, and committees, as well as to disclose membership in organizations that write model legislation.

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Since the campaign began, a number of companies have made significant steps regarding disclosure. Aetna, the Corrections Corporation of America, Eastman Chemical, Endo International, Microsoft, and PepsiCo have recently made disclosure commitments. In addition, more than 100 companies, including Emerson Electric, General Electric, Google, Sprint and T-Mobile, have left controversial model-legislation group ALEC. A shareholder proposal recently filed by Zevin Asset Management led Walmart to finally disclose its state by state lobbying payments, making it the first large company to do so in the U.S.

Corporate lobbying disclosure remains largely voluntary, however, and the inability to enforce compliance makes for an uneven playing field. Said Sonia Kowal of Zevin Asset Management, "Investors need a uniform standard of disclosure. Voluntary reporting by corporations is certainly welcome and an important indicator of corporate responsibility, but only an SEC rule can ensure the uniform standard of reporting that is needed to guarantee investors receive the information they need to properly assess the risks and opportunities of corporate political spending and lobbying."

Perhaps the biggest target for corporate lobbying in the U.S. over the last five years has been federal and state regulatory efforts to curtail GHG emissions. As the recent COP21 meetings in Paris illustrate, the world needs to act urgently to stem the most devastating impacts of climate change. Some companies, however, continue to actively undermine climate policy by funneling large sums of money through trade associations that lobby on behalf of businesses to thwart proposed regulation.

"Because trade associations can't be compelled to disclose either their membership or their sources of funding, they essentially provide a cloak of invisibility for companies wishing to skirt greater accountability," said Jeffery Perkins of Friends Fiduciary. "The U.S. Chamber of Commerce, known for its attacks on the EPA, is perhaps the biggest of these trade groups, alone spending more than $1 billion on lobbying since 1998, making it the single largest lobbyist in the U.S." Of the $32,000,000 the Chamber spent on the 2010 midterm elections, 94% went to climate change deniers. The Chamber even sued the EPA in October to block the Clean Power Plan, a core component of the Obama administration's plan to reduce GHG emissions.

In a push back, in August over 60 investors including many ICCR members, sent a joint letter to Chamber member companies, urging them to speak up against the group's opposition to the EPA and the Clean Power Plan. In addition, ICCR members filed 27 resolutions addressing anti-climate change lobbying and another 52 on GHG reduction and green energy alternatives for the 2016 season.