General Motors Company (GM)

Proposal: Lobbying expenditures disclosure

Resolution

The shareholders of General Motors Company ("GM") 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 GM 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 management’s decision-making process and the Board’s oversight for making payments described 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 GM 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 Governance and Corporate Responsibility Committee and posted on GM’s website.

Summary

- The lead filer of this proposal is the New York City Office of the Comptroller. Co-filers are: AP7 (Swedish pension fund) and Congregation of Benedictine Sisters, Boerne TX
- Through the Climate Action 100+ initiative, over 300 investors managing $33.4 trillion are asking companies to align their lobbying with the goals of the Paris Agreement.
- GM’s current disclosures on lobbying are not sufficient.
- The lobbying of GM and its trade association seeking to weaken the existing fuel economy (CAFE)/GHG vehicle standards is misaligned with the Paris Agreement’s goals.
GM has not engaged with investors constructively, rejecting a previous shareholder proposal asking for disclosure on how future fleet emissions will align with existing fuel economy (CAFE)/GHG vehicle standards through 2025.

Rationale

This proposal aligns with one of three central pillars of the Climate Action 100+ agenda, to “Implement a strong governance framework which clearly articulates the board’s accountability and oversight of climate change.” Specifically, investors are asking all focus companies: “Has the board developed monitoring systems to ensure consistency between its policy positioning (including those of trade associations it belongs too) and implementation of the objectives of the Paris Agreement at global, regional, national and sub-national levels?”

There is broad international support for lobbying transparency. The International Corporate Governance Network (ICGN) representing more than $18 trillion in assets, supports lobbying disclosure and political disclosure as best practice, and supports disclosure of any amounts over $10,000.¹ In May 2018, the Principles for Responsible Investment (PRI) launched a new guide on corporate climate lobbying to help investors engage with companies on their direct and indirect lobbying practices related to climate policy. Specifically, companies should be consistent in their policy engagement in all geographic regions and should ensure any engagement conducted by member trade associations on their behalf or with their support is aligned with a company positions.² In October 2018, a $2 trillion coalition of investors led by the Church of England pension board and Swedish pension fund AP7, sent letters to 55 large European companies, stating that lobbying on climate issues should be evaluated, managed and reported on transparently and noting it was unacceptable that companies counteract ambitious climate policy, either directly or through their trade associations.³ The OECD’s Principles for Transparency and Integrity in Lobbying find that a sound framework for transparency in lobbying is crucial to safeguard the integrity of the public decision-making process.⁴

As a signatory to the Global Reporting Initiative (GRI) GM uses GRI’s standards to help guide its sustainability reporting; accordingly, it should be reporting significant lobbying and public policy issues. GRI Standard 415: Public Policy⁵ “addresses the topic of public policy. This includes an organization’s participation in the development of public policy, through activities such as lobbying and making

¹https://www.icgn.org/sites/default/files/ICGN%20Political%20Lobbying%20%20Donations%202017.pdf
²https://www.unpri.org/Uploads/g/v/q/PRI_Converging_on_climate_lobbying.pdf
⁴http://www.oecd.org/gov/ethics/oecdprinciplesfortransparencyandintegrityinlobbying.htm
financial or in-kind contributions to political parties, politicians, or causes.” Under GRI Standard 415, a company “should report: (1) the significant issues that are the focus of its participation in public policy development and lobbying; and (2) the company’s stance on these issues, and any differences between its lobbying positions and any stated policies, goals, or other public positions.” This means that GM should be disclosing the significant issues it lobbies on and any differences between its lobbying positions and its stated polices, goals and public positions. GM’s current GRI reporting for Standard 415 fails to disclose the significant issues that GM lobbies on and any differences between its lobbying positions and public positions.

GM has a commendable record on disclosure on political spending to affect elections but offers very little disclosure of how the company lobbies on legislation and regulations both directly and indirectly. In the last decade investors have been urging increased disclosure and transparency by companies of their lobbying activities, oversight and expenditures. During the 2018 proxy season, over 50 companies received shareholder resolutions asking for lobbying disclosure. This led to increased discussion by boards and many companies adding an expanded lobbying disclosure section to their websites. In the last two years companies and investors have forged agreements for expanded disclosure that led to the resolution being withdrawn (e.g., Verizon, IBM, JPMorgan, ATT and ConocoPhillips).

GM spent $71,495,000 from 2010 – 2017 on federal lobbying (opensecrets.org). This figure does not include state lobbying expenditures in the 49 states where GM lobbies but disclosure is uneven or absent. For example, GM spent $2,756,602 on lobbying in California from 2010 – 2017. GM’s lobbying over fuel efficiency standards has attracted considerable media scrutiny.

GM belongs to the Business Roundtable, which lobbies against the right of shareholders to file resolutions, and is also a member of the Alliance of Automobile Manufacturers, which spent over $15.5 million on lobbying for 2016 and 2017. GM does not disclose its memberships in, or payments to, trade associations, or the amounts used for lobbying. GM discloses trade association payments used for political contributions, but not payments used for lobbying. This leaves a serious disclosure gap, as trade associations generally spend far more on lobbying than on political contributions.

We are concerned that GM’s lack of lobbying disclosure presents significant reputational risk when it contradicts the company’s public positions. For example, GM states that it believes climate change is real and is committed to reducing greenhouse gas emissions, yet the Alliance of Automobile Manufacturers has questioned climate science and both the Alliance and GM have sought to weaken existing CAFE standards, which are insufficient to meet...
As shareholders, we believe that companies should ensure alignment between the Paris goals, their own positions and their lobbying, including through trade associations. We note that, in response to investor requests, Royal Dutch Shell PLC recently announced that it would withdraw from a trade association on the grounds of misalignment with Paris climate goals.

According to Influence Map’s analysis, (which gave GM a D grade): General Motors is “actively engaging with climate change policy, with a number of negative positions... GM is a member of several trade associations that have sought to delay or weaken climate change legislation across the world and in the U.S., most notably the Auto Alliance which has aggressively sought to undermine US vehicle GHG and fuel economy regulations.”

In GM’s 2018 Proxy Statement the company recommended voting AGAINST a proposal from As You Sow regarding GM’s compliance with existing CAFE standards. GM’s response included an assertion that “GM’s fleet average GHG emissions will not increase through 2025. “Given that additional reductions rather than the status quo is necessary to meet the Paris commitments, GM’s response is not consistent with seeking to meet the Paris goals. GM also highlighted its commitment to electrification. However, while its investment in electrification is laudable, given that the vast majority of vehicles on the road in the next decade will have internal combustion engines, and the need for significant near-term emissions reductions, its lobbying seeking to weaken the standards is inconsistent with Paris goals. While investors have tried to engage GM regarding its lobbying on CAFE and misalignment between stated decarbonization goals and public policy positions in other forums, the discussions have not been productive.

Weakening the standards will undermine GM’s global competitiveness, enhance its exposure to fuel price spikes (especially as its fleet moves to larger vehicles), and create significant regulatory uncertainty. Fourteen states, representing approximately 40 percent of the U.S. market, have adopted California’s standards, and California has announced that if the federal GHG standards are weakened, California’s rule will effectively revert to the existing standards. In addition, California and 19 other states, in addition to other stakeholders, have announced that they will challenge the rollback of the standards. Evidently, the current course will lead to significant regulatory uncertainty, litigation delay, and logistical challenges.

The following summarizes what investors are seeking in terms of lobbying disclosure and highlights steps GM could take to bring its disclosure on lobbying up to the positive rating it gets on political spending.

10 A 2017 Rhodium Group study found that even if current standards were preserved, the U.S. would still fall short of its commitment under the Paris Agreement. A University of Michigan study found that additional reductions in the automotive sector beyond those provided under the current CAFE/GHG standards would be necessary at the latest by 2025 (plus or minus 2 years) in order to meet climate goals and avoid increased costs. (In contrast, the Auto Alliance claims that the sector is approaching the Paris goals.) U.S. Paris commitments assumed retention of current (Obama) standards through 2025; a recent UN report found that G-20 nations (especially the U.S. as one of the four largest emitters) would need to raise their original Paris emissions reduction targets by three times to meet the 2 C threshold and by five times to meet the 1.5 C mark. See also (https://bit.ly/2O3FRI5).
We urge GM to add to its website, under the Political Contributions and Expenditures Policy section, additional details on lobbying activities and expenditures. The present policy provides a helpful and full description of political contributions provided and oversight provided. However, it does not provide similar reporting on lobbying disclosure and public policy advocacy.

This disclosure can also easily be added as part of a Sustainability Report. A natural flow for expanded lobbying disclosure follows:

1. A brief introduction for investors on the rationale / philosophy for the company regarding lobbying; e.g. why does the company lobby and how does it advance company and shareholder interests? How are the priorities for lobbying defined?

2. A description of the oversight by management and Board of lobbying.

3. A summary of the company’s top lobbying priorities been in the last year or two and the rationale for choosing them. What has the company position been on those key lobbying priorities? (This is important since without background and context, simply disclosing quarterly payments by linking to the Senate website is often confusing and cryptic information)

4. What trade associations (501(c)(6) organizations) does the company participate in? Disclosure of any trade associations receiving payments of $25,000 or higher, disclosing the total amounts paid and also disclosing the amount of all payments which are non-deductible under Section 162(e)(1) of the Internal Revenue Code (payments used for lobbying or political contributions). This disclosure should make clear that it includes ALL payments made to trade associations (this would include any payments made in addition to regular dues).

5. How does management communicate with and/or influence a trade association when its position strongly differs from the company on a priority issue (with an example or two if possible)? How does management reviews trade association memberships to assess whether they are advancing the company’s business needs and policy goals?

6. What social welfare organizations (501(c)(4) organizations) does the company participate in? Social welfare organizations may engage in lobbying, and the portion of company payments that funds lobbying is not tax-deductible. Recommended disclosure should track the same elements of trade associations in Point 4.

7. A summary of yearly federal lobbying expenditures, including dollar amounts spent, and a link to two years of quarterly reports with specific detailed dollar amounts spent on lobbying.

8. A summary of yearly state lobbying expenditures, including identification of the dollar amounts spent by state.
9. A description of any grassroots lobbying activities.

10. Disclosure of membership in and any payments to tax-exempt organizations that write and endorse model legislation, along with an explanation of how the company’s membership in an organization such as the American Legislative Exchange Council (ALEC) serves company interests.

11. Links to Previous Disclosure Reports