

# United Parcel Service (UPS)

## *Proposal 5: Report on lobbying*



### **Proponent: Boston Trust Walden Company**

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### **Resolution:**

[Full resolution text here.](#)

**Resolved:** The shareowners of UPS 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 UPS 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. UPS' 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 UPS is a member.

"Direct and indirect lobbying" and "grassroots lobbying communications" include efforts at the local, state and federal levels.

The report shall be presented to the Nominating and Corporate Governance Committee and posted on UPS' website.

### **Summary:**

- Company lobbying is a powerful tool that companies use to influence regulation and legislation. At present UPS' lobbying disclosure is insufficient. For example, the Company does not disclose lobbying payments made through trade

associations or state lobbying, or adequately explain their role in controversial organizations like ALEC (American Legislative Exchange Council).

- As a result, the Company is facing reputational risk due to misalignment, i.e., if their lobbying activities do not match their public stand on an issue such as climate change.
- Company lobbying has a large impact on the regulatory environment of the United States. Investors are concerned that UPS might be “spending against itself” or actively lobbying against issues that investors might support (like more stringent environmental regulations), or vice versa.
- Since 2011, investors have filed more than 400 shareholder proposals on the issue of lobbying disclosure. This investor initiative has led to approximately 100 agreements with companies leading to greater lobbying disclosure.

## **Background:**

Company lobbying, both directly and indirectly, is an effective and powerful tool corporations use to influence government legislation. Large corporations spend millions of dollars each year to support or push back against regulation or legislation. For example, the U.S. Chamber of Commerce, a DC lobbying powerhouse, has spent approximately \$1.7 billion in lobbying since 1998. When a large and powerful company chooses to support or push back against a specific piece of legislation, it has a large effect. Companies also join trade associations to work together with other companies in the same industry to expand their influence. Companies pay yearly dues to be members of these associations, and in return the associations use these funds to lobby for what they believe is in the “best interest” of the industry. However, some trade associations are backward looking on issues like climate change, still try to deny its significant impact, and fight against laws and regulations necessary to address climate change.

Ironically, many companies who are members of such trade associations are leaders in the work on climate change and actively call for effective climate policy. However, their trade associations may be lobbying in conflict with the climate positions of many of its members. We appreciate the active role an increasing number of companies are playing within their trade associations urging them to update their policies and lobbying positions. This company outreach has resulted in considerable success with welcome changes on climate policy at the Business Roundtable (BRT) for example.

Even though company lobbying can also be an effective tool for companies to achieve positive change, they do not have to disclose their contributions to trade associations, which might be used to lobby on positions the company does not support. Doing so can embroil a company in public controversy and cause reputational risk, particularly when such indirect lobbying contradicts the company’s publicly stated position.

There are many trade associations that, as stated above, hold outdated views on systemic risks such as climate change. For this reason, a growing number of companies are challenging their trade associations both privately and publicly. For example, BP announced in March 2020 that it would leave the American Fuel & Petrochemical

Manufacturers (AFPM), the Western States Petroleum Association (WSPA), and the Western Energy Alliance (WEA) after reviewing their company positions compared to the positions of these trade associations. And Total withdrew from the American Petroleum Association. Many other companies speak out publicly in support of the Paris Agreement and/or advocate for strong climate policies and regulations. Similarly, other companies are being alerted to their trade associations' lobbying efforts to limit the right of investors to file resolutions on issues like climate change and have been urged by investors to disassociate themselves from that lobbying and/or work to change the position of their trade associations.

Even though companies that are part of these trade associations might not be directly lobbying for these outcomes, by being a part of an association and paying dues, we believe they should take some responsibility for this lobbying. For example, companies that are prominent, dues-paying members of the U.S. Chamber of Commerce, American Petroleum Institute and/or the National Association of Manufacturers are (at least) indirectly supporting those associations' public policy positions on climate. On issues like climate change, investors are worried about the harm to the economy as well as the impact on long-term, portfolio-wide investment returns, when companies work to prevent public policies needed to address such systemic risks.

### **Rationale details:**

A corporation's payments to trade associations and its memberships can impact the Company's overall reputation. Thus, this resolution seeks additional information on such indirect spending and memberships.

UPS' opposition statement states that this resolution is unnecessary because of UPS' "already extensive disclosures regarding lobbying and political activities, the oversight provided by the board of directors, and the Company's existing policies," While we appreciate UPS' website disclosure on political contributions, as noted previously, UPS' lobbying payments made through trade associations remain secret. UPS spent \$68 million from 2010 - 2018 on federal lobbying. This does not include state lobbying, where UPS also lobbies extensively, but where disclosure is uneven or entirely absent. For example, UPS had at least 122 lobbyists in 29 states in 2019 and spent \$1.7 million on lobbying in California from 2010 to 2019.

And UPS does not disclose or describe its membership and involvement in tax-exempt organizations that write and endorse model legislation, such as sitting on the Private Enterprise Advisory Council of the American Legislative Exchange Council (ALEC). After analysis, over 100 companies have left ALEC including Exxon, Pfizer, Comcast, Wal-Mart, Home Depot and Pepsi.

Investors worry that UPS may be "spending against itself" by publicly supporting an issue, such as strongly supporting efforts to mitigate the impact of climate change, but then secretly funding organizations that fight against these publicly stated views. UPS is

already doing so by being a part of ALEC, which has worked to block forward-looking climate legislation at the state level. UPS also sits on the Board of the U.S. Chamber of Commerce, which initially opposed the Paris Agreement and has lobbied against a number of climate bills and regulations. While UPS uses the Global Reporting Initiative (GRI) for sustainability reporting, it currently fails to report "any differences between its lobbying positions and any stated policies, goals, or other public positions" as requested under GRI Standard 415.<sup>1</sup>

Similarly, UPS' opposition statement to this resolution mentions UPS' position as one of the top 500 companies rated in the Center for Political Accountability Zicklin Index of Corporate Political Accountability and Disclosure report. However, this argument is misleading because the CPA-Zicklin ranking has nothing to do with lobbying spending disclosure, and instead analyzes political contribution disclosures.

We believe these inconsistencies pose grave reputational threats and that investors should know of UPS' lobbying efforts.

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<sup>1</sup> <https://www.globalreporting.org/standards/gri-standards-download-center/gri-415-public-policy-2016/>