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Investors Raise New Set of Issues with Companies on Public Policy and Climate

January 6, 2014 – Investors have engaged companies for over 20 years on climate change, but this year there is a new set of shareholder resolutions challenging companies to evaluate their public policy advocacy specifically related to climate change.

These resolutions are part of a larger investor climate initiative, "Raising the Bar" with companies, in response to the expanding and alarming scientific evidence of changing climate and its significant, negative environmental and economic impacts accompanied by growing risk to companies and investors alike.

Pressing Energy Companies on their Public Policy Positions on Climate

One new category of resolutions presses fossil fuel companies and major energy producers to do a Board level review of their public policy positions and lobbying activities related to energy policy and climate change.

There is a widespread public perception that energy companies have regularly opposed new legislation or regulation addressing climate change. The real picture may be more complicated than this perception, but shareholder proponents argue it is time for companies to evaluate their public policy positions and lobbying on climate and fully disclose the results to investors.

Seven companies have received such a resolution: **American Electric Power**, **Chevron**, **ConocoPhillips**, **Devon Energy**, **Dominion Resources**, and **Exxon Mobil.**

The resolution addresses both direct public policy advocacy by the companies as well as advocacy through third-party trade associations such as the U.S. Chamber of Commerce ("Chamber"), American Petroleum Institute, and National Association of Manufacturers ("NAM").

The Chamber and NAM have aggressively campaigned against climate change legislation and regulation going so far as to sue (unsuccessfully) the EPA in an attempt to block it from exercising authority over greenhouse gas emissions.

The Chamber has become "by far the most muscular business lobby group in Washington" ("The Chamber of Secrets," *The Economist*, April 21, 2012) and since 1998 has spent approximately $1 billion on lobbying. Thus major businesses, who are members of the Chamber or sit on its Board, bear significant responsibility for the Chamber's actions on climate.

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The resolution (see enclosed example to **Chevron**) calls for an analysis of a company's public policy positions and whether a company's lobbying and expenditures, directly or indirectly, are blocking or advancing action to address climate change.

Resolution filers include clients of Walden Asset Management, PAX World Funds, First Affirmative Financial Network, Zevin Asset Management, The Christopher Reynolds Foundation, Russell Family Foundation, Needmor Fund, religious organizations including the Capuchin Province of St. Joseph, Everence Financial Services, and the Unitarian Universalist Service Association.

Review Lobbying at Federal, State and Local Levels, including ALEC

A second category of resolution calls for companies to review lobbying, including at the state level, and was filed with companies that provided financial support to the American Legislative Exchange Council ("ALEC").

ALEC has been actively promoting a wide range of public policies by creating model legislation for submission to state legislatures. Because of its active role in the public policy process, ALEC's tax-exempt status has been officially challenged at the IRS.

Of particular concern for environmentalists is ALEC's active campaign against state regulations and legislation supporting renewable energy. In this campaign ALEC has partnered with the Heartland Institute, a climate change denying organization, but to date they have had a zero batting average at state legislatures.

ALEC's broad-based partisan agenda and controversial policy positions have prompted a review of this relationship by numerous companies. To date over 50 companies have severed ties to ALEC.

Companies receiving this resolution include: **Dominion Resources**, **Microsoft**, **Occidental Petroleum**, **Pfizer**, **Time Warner Cable**, and **United Parcel Service.**

Sponsors of this resolution include the State of Connecticut Retirement Plans and Trust Funds, New York State Common Retirement Fund, foundations including The Christopher Reynolds Foundation and Needmor Fund, religious organizations including the Unitarian Universalist Service Association, United Church Funds and Sisters of Charity of the Incarnate Word, Texas, sustainable investment firms such as The Sustainability Group (Loring Wolcott), Zevin Asset Management and clients of Walden Asset Management.

The resolution to **Microsoft** was withdrawn in light of the company's leadership position supporting renewable energy at the state level and its open opposition to ALEC's lobbying campaign against renewables.

Several companies have challenged this resolution at the Securities and Exchange Commission ("SEC"), including **Dominion Resources** and **United Parcel Service**.

Others have agreed to allow a vote at the 2014 stockholder meeting (see enclosed example to **Pfizer**).

Sample Resolution:
Chevron – Review Public Policy Advocacy on Energy Policy and Climate Change

Whereas: The Intergovernmental Panel on Climate Change (IPCC), the world's leading scientific authority on climate change, in their 2013 report confirm warming of the climate is unequivocal and human influence is the dominant cause. Recent extreme weather events have caused significant loss of life and billions of dollars of damage. Many investors are deeply concerned about existing and future effects of climate change on society and business.

The IPCC estimates that a 50% reduction in greenhouse gas emissions globally is needed by 2050 (from 1990 levels) to stabilize global temperatures, entailing a U.S. target reduction of 80%.

Urgent action is needed to achieve the required emissions reduction. We believe the U.S. Congress, Administration as well as States and cities, must enact and enforce strong legislation and regulations to mitigate and adapt to climate change, reduce our use of fossil fuels and move us to a renewable energy future.

Accordingly, we believe companies in the energy sector should review and update their public policy positions related to climate change.

The public perception is that business often opposes laws and regulations addressing climate change or renewable energy. For example, in 2009, when Congress debated comprehensive climate change legislation, oil, gas and electric utilities spent more than $300 million on lobbying. (Opensecrets.org)

Consequently, company political spending and lobbying on energy policy, including through third parties, are increasingly scrutinized. For example, investors question company public policy advocacy through the U.S. Chamber of Commerce, which often obstructs progress on climate-related legislation.

Investors have asked hundreds of companies to disclose their political spending and lobbying policies and over 125 S&P 500 companies now make such disclosures.

Over 500 forward looking businesses such as General Motors, Microsoft, Nike and Unilever, signed the Climate Declaration that supports the need for legislation and states, "Tackling Climate Change is one of America's greatest economic opportunities of the 21st Century."

Resolved: Shareholders request that independent Board members commission a comprehensive review of Chevron'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 the company to prepare (at reasonable cost and omitting confidential information) and make available by September, 2014 a report describing the completed review.

Supporting Statement

We recommend that this review include:

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

Sample Resolution:
Pfizer – Review Lobbying at Federal, State, and Local Levels

Whereas: Investors are increasingly concerned about how companies lobby at the federal, state and local levels, including indirect lobbying through trade associations and tax-exempt organizations. A high level of transparency helps ensure lobbying activities are consistent with stated corporate policies and values, thereby reducing reputational and business risk that potentially could alienate consumers, investors and other stakeholders.

The tax-exempt American Legislative Exchange Council (ALEC) has come under unique scrutiny due to its controversial and partisan public policy positions and the lobbying enabled by the organization through model legislation it provides and promotes. ALEC has been associated with contentious anti-immigration, voter identification and "Stand Your Ground," legislation. More recently, ALEC initiatives have opposed climate change policies and efforts to weaken state renewable energy standards with the Heartland Institute.

Pfizer is a member of ALEC and funds its work. We believe this partnership may bring significant reputational and business risk to the company.

For example, legislation inspired by ALEC's model "Electricity Freedom Act" calling for the repeal of state-level Renewable Portfolio Standards is being presented to a number of state legislatures. In contrast, Pfizer is a leader in its commitment to address the environment and climate change.

As of July 2013, 50 corporations have ended ties with ALEC. Major corporations across a range of industries have disassociated, such as Brown-Forman, Coca-Cola, John Deere, Dell Computers, General Electric, General Motors, Johnson & Johnson, McDonald's, Medtronic, PepsiCo, Procter & Gamble, Sallie Mae, Unilever and Wal-Mart. In suspending its membership in ALEC in 2012, Wal-Mart's VP of Public Affairs remarked: "We feel that the divide between these activities and our purpose as a business has become too wide."

Yet Pfizer has decided to continue as an ALEC supporter, and does not speak out on ALEC positions that violate our company's policies and values.

Resolved: Shareholders request that the Board of Directors initiate a review and assessment of organizations in which Pfizer is a member or otherwise supports financially for involvement in lobbying on legislation at federal, state, or local levels. A summary report of this review, prepared at reasonable cost and omitting proprietary information, should be reviewed by the Board Governance Committee and provided to shareholders.

Supporting Statement

We propose the review should:

1. Examine the philosophy, major objectives and actions taken by the organization supported;
2. Assess the consistency between our company's stated policies, principles, and Code of Conduct with those of the organization supported;
3. Determine if the relationship carries reputational or business risk that could have a negative impact on the company, its shareholders, or other stakeholders;
4. Evaluate management's rationale for its direct involvement in, or financial support of, the organization to determine if the support is in the long-term best interests of the company and its stakeholders;
5. Assess current and potential internal oversight and controls governing the use of corporate assets for political purposes.