



Action Report
Corporate Political Activity

ExxonMobil
May 4, 2011

Ticker	Exchange	Meeting Date	Record Date	Annual Meeting Location
XOM	NYSE	5-25-11	4-6-11	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 frequency of future advisory votes on executive compensation
5	SH: Establish independent chair of board
6	SH: Report on political spending and lobbying
7	SH: Adopt sexual orientation non-discrimination policy
8	SH: Adopt policy on human right to water
9	SH: Report on oil sands risks
10	SH: Report on hydraulic fracturing
11	SH: Report on sustainable energy leadership
12	SH: Adopt goals to cut greenhouse gas emissions

Si2 Briefing [Corporate Political Activity](#)

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Links [Proxy Statement](#); [Political Activities Policy](#); [Political Contributions and Lobbying](#)

Resolved Clause Resolved, that the shareholders of Exxon Mobil Corporation ('Company') hereby request that the Company provide a report, updated semi-annually, disclosing the amounts that the Company has paid or incurred in connection with influencing legislation; participating or intervening in any political campaign on behalf of (or in opposition to) any candidate for public office; and attempting to influence the general public, or segments thereof, with respect to elections, legislative matters or referenda.

The report should include (a) contributions to or expenditures on behalf of political candidates, political parties, political committees and other political entities and (b) the portions of any dues or other payments that are made to a tax-exempt organization for an expenditure or contribution that, if made directly by the Company, would not be deductible under section 162(e)(1) of the Internal Revenue Code. The report should identify each recipient, the amount paid to each, and the purpose of any contribution or expenditure

Lead Proponent Laborers National Pension Fund (LiUNA)

Vote History

This is the first year that this proposal has appeared on the ExxonMobil proxy ballot. ExxonMobil unsuccessfully challenged the proposal at the SEC, arguing it already had substantially implemented the proposal (Rule 14a-8, i-10). The SEC disagreed.

I. ExxonMobil and Political Spending

ExxonMobil is the world's largest publicly traded oil and gas company. Its business covers the whole range of oil- and gas-related activity, including exploration, extraction, refining, transportation and sale of natural gas and petroleum products, plus petrochemicals.

The company's operations are divided into three business segments:

- **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 24.8 billion barrels of oil equivalent in proved oil and natural gas reserves on six continents, including some unstable areas such as Nigeria, Angola and Kazakhstan. The company is the world's largest oil refiner, with ownership interest in 36 refineries in 21 countries. In 2010, the company refined an average of 5.25 million barrels of oil a day.

Worldwide, ExxonMobil has more than 83,000 employees.

Financials					
Revenue	\$370,125 million	Net Income	\$30,460 million	Reporting Year	2010

The company's revenue and net income rebounded sharply in 2010 as the worldwide recession eased and oil prices climbed. Although net income was still below the record all-time high of \$45.2 billion earned in 2008, 2010's \$30.5 billion was well above 2009's \$19.3 billion.

ExxonMobil Political Contributions 2003-2010

Election Cycle	527 Contributions	State Contributions
2003-2004	\$200,000	\$827,249
2005-2006	\$260,000	\$1,021,729
2007-2008	\$340,000	\$1,545,610
2009-2010	\$925,500	\$936,225
Total	\$1,725,500	\$4,330,813

527 contributions provided by [Congressional Quarterly's CQMoneyLine](#). State contributions provided by the [National Institute on Money in State Politics](#). Both services may include PAC contributions in their reports. All contributions identified as coming from a PAC were omitted by Si2.

Company Policies and Disclosure

Exxon outlines its policies and procedures for corporate political contributions in its [Political Activities Policy](#), as well as providing limited information in its [Standards of Business Conduct](#).

Board oversight: According to the Political Activities Policy, all corporate and PAC contributions "should be reviewed by the board of directors "preferably at least annually." In addition, the board's [Public Issues and Contributions Committee](#) charter charges the committee with the responsibility to annually review the company's "proposed overall contributions objectives, policies and programs, including, as

appropriate, goals and criteria, the level of corporate contributions, the subject areas to which contributions are to be made and the relative weighting thereof, and make such recommendations to the Board with respect thereto as it may deem advisable” prior to the development of the next year’s contribution budgets.

According to Si2’s research, less than one-quarter of all S&P 500 companies have any form of board oversight of political contributions.

Management transparency: At Exxon, all corporate contributions must be approved by Chairman or his designees. In the state of Louisiana, Exxon’s President and the Vice President for Public and Government Affairs are allowed to authorize campaign contributions.

Si2’s recent study found 57 percent of S&P 500 companies disclose a specific employee involved in the recommendation, review or approval of corporate political spending. Therefore, ExxonMobil is keeping pace with the majority of S&P 500 companies by disclosing its policy for the approval of all corporate political contributions.

Spending disclosure: On the [political contributions and lobbying](#) page of the company website, ExxonMobil provides information for its corporate contributions dating back to 2007. The company provides a list of all 527 group recipients and amounts contributed, as well as aggregate breakdowns for each state by year. The company also provides individual breakdowns of state contributions by year for [2010](#), [2009](#) and [2008](#). The yearly state disclosures are broken down by state and provide recipient, party and contribution amounts. According to the company, ExxonMobil made \$720,000 in corporate 527 contributions in 2010 and \$396,000 in state level corporate contributions.

In addition, the company provides aggregate PAC contributions dating back to 2008 as well as aggregate contributions to candidates for state office in Texas, Montana, Pennsylvania and Wyoming.

Si2’s research found that only 15 percent of S&P 500 companies provide full or partial disclosure of corporate political contributions. The number of companies in the energy sector providing such disclosure is higher, at 21 percent. In addition, 45 percent of S&P 100 companies provide either partial or full disclosure of political contributions. Therefore, ExxonMobil is part of a large and growing percentage of the S&P 100 companies with increased levels of disclosure of political contributions.

Indirect contributions: ExxonMobil does not independently disclose payments or contributions made to trade associations or other tax exempt groups including 501(c)(4) “social welfare” organizations and instead points shareholders to review the company’s federal lobbying reports .

The company states on the [political contributions and lobbying](#) page of its website that the portions of its dues used for political and lobbying purposes are reported in the company’s lobbying disclosure forms. However, a search by Si2 of Exxon’s lobbying disclosure forms for 2010 found no specific mention of any trade association payments. The disclosures include only the required quarterly lobbying totals for the company.

Approximately 14 percent of S&P 500 companies have a disclosed policy on trade associations. The percentage of Energy Sector companies that disclose such a policy is slightly higher, at 18 percent.

Only 9 percent of S&P 500 companies provide full disclosure of their trade association payments and even fewer reveal how much of their dues in these tax-exempt groups are used for the groups’ political expenditures. Only a couple of companies acknowledge supporting 501(c)(4) groups, which are not required to make public their supporters; these groups played an important role in political spending during the 2010 midterm election campaign.

Political activity by groups ExxonMobil supports: ExxonMobil does not disclose a list of trade association memberships or donations to other tax-exempt organizations that may be used for political pur-

poses, as requested by the proponent. However, some association memberships are published by the associations themselves. As a result, it is public knowledge that ConocoPhillips' CEO, Rex Tillerson is a member of the Business Roundtable and that the President of ExxonMobil Refining & Supply, Sherman Glass, Jr., is a member of the board of directors of the National Association of Manufacturers. The company is also a member of the American Petroleum Institute.

NAM has been a very vocal opponent of regulatory and legislative actions to address the problem of global climate change. As late as 2009, the association went so far as to state that there was no confirmed evidence that human activity was affecting the global climate. NAM's position on global climate change led Duke Energy to quit the organization in 2009. NAM's position on global climate change has softened somewhat over the last two years, but the association still thinks that "Any climate change policies should be based upon voluntary, cost-effective actions by the marketplace economy and should be comprehensive, involve our trading partners and take into account all greenhouse sources and sinks." During 2009, NAM took in \$33.7 million in dues and spent \$10.3 million on political and lobbying expenses.

While the business Roundtable has not been as vocal as NAM on the issue of climate change in the past few years, the group recently requested that President Obama delay the implementation of Environmental Protection Agency rules to regulate greenhouse gas emissions so that a legislative solution to climate change risks could be formulated. Given the nearly united Republican opposition to climate change legislation and their control of the U.S. House of Representatives, adoption of the Business Roundtable's stance would effectively kill any chance of regulation of greenhouse gases in the United States until January 2013, at the very earliest. The Business Roundtable's 2009 dues totaled \$20.1 million and its political and lobbying expenses were \$13.8 million.

The API took in \$153.6 million in dues in 2009 and spent \$78.43 million on political and lobbying expenses.

As a member of these organizations, dues paid by ExxonMobil are used to underwrite a percentage of each association's political and lobbying expenses. Without disclosure of all memberships and dues paid, proponents of more disclosure argue that shareholders are not able to properly assess the risks that companies may be exposed to as a result of trade association activities.

II. Lobbying

Lobbying is the act of trying to influence an elected official on an issue, usually through meetings or communications with an elected official or their staff members. Lobbyists explain their position on a particular issue and try to convince the official to support it either through introducing legislation or by voting a particular way on existing legislation. Lobbying of elected officials is protected by the First Amendment and anyone is free to do it. Professional lobbyists—who are frequently former elected officials, former members of their staffs or former government employees—are hired by all major industry associations (and certain individual companies) to advance their particular interests, especially at the federal level.

ExxonMobil Federal Lobbying Expenditures 2007-2010	
Year	Federal Lobbying Expenditures
2007	\$16,940,000
2008	\$29,000,000
2009	\$27,430,000
2010	\$12,450,000
Total	\$85,820,000

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](#).

Lobbying is regulated at both the federal and state level. While anyone is free to lobby an elected representative, federal regulations require that anyone who spends more than 50 hours lobbying at the fed-

eral level or those who have been paid more than \$6,000 for lobbying services at the federal level by a single client within a six month period to register with both the U.S. House of Representatives and the U.S. Senate. Each state has its own lobbying requirements for registration and disclosure. State requirements can be found at the website of the [National Conference of State Legislatures](#).

ExxonMobil Policies

ExxonMobil addresses the issue of lobbying on its [political contributions and lobbying](#) webpage. The company states that it engages in lobbying at the federal and state level to “advocate [its] positions on issues that affect [ExxonMobil] and the energy industry.” ExxonMobil also states that it may support think tanks, trade associations and coalitions “to promote informed dialogue and sound public policy on matters pertinent to [its] interests.” The company states that it requires those groups to report the portion of the company's dues used for lobbying purposes and includes those amounts in its required lobbying disclosures.

ExxonMobil provides a list of areas of interest that includes fiscal policy, international trade matters, energy, environment, labor/pension matters, education, civil justice reform and public health.

Disclosure of Lobbying Activities

As required by law, ExxonMobil files quarterly lobbying reports with the U.S. Congress. Those reports can be found on the U.S. Senate disclosure [website](#), but not on the company website. Reports filed with the U.S. Congress are for federal lobbying expenditures only and also include amounts spent on lobbying done on behalf of the company by independent lobbying firms. In addition, ExxonMobil reports the aggregate amount of lobbying expenses for 2010 (\$12.4 million) on the company website.

State lobbying disclosures are available from individual state websites, but the company does not provide any information on amounts spent on state lobbying on the company website.

III. Analysis

Key Points at Issue

- Is ExxonMobil keeping pace with industry best practice?
- Do shareholders have adequate information on ExxonMobil's corporate political spending, including information on trade association dues or donations used for political purposes?
- Do shareholders have enough information on ExxonMobil's lobbying activities?

Proponent position: LiUNA argues that shareholders cannot properly assess the risks that companies may be exposed to from indirect political spending if companies do not disclose their financial support for trade associations and other tax exempt groups. While the proposal asks for disclosure of all amounts used by the company for lobbying and corporate political contributions, the proponent told Si2 that the company's lack of disclosure of trade association payments was the union's primary concern.

Management position: ExxonMobil responds that it already discloses ample information on its corporate contributions to candidates and other political entities, as well as lobbying expenses, on the company website.

ExxonMobil does not address the issue of trade association memberships or the portion of dues used for political and lobbying expenses by those organizations in its proxy statement response to the resolution.

Best practices: ExxonMobil provides extensive disclosure of corporate contributions on the company website, which is considered to be best practice by shareholder advocacy and watchdog groups. Other examples of best practice followed by the company include board oversight of political contributions

and disclosure of the company positions responsible for the approval and review of political contributions. In addition, ExxonMobil discloses an aggregate annual amount of lobbying contributions on the company website, one of only a few companies to do so.

However, the company falls short in the area trade association membership and the dues disclosure, as do most companies. While it argues that such information can be found in its federal lobbying reports, those reports are not available on the ExxonMobil website. A search by Si2 of the documents on the federal website also did not turn up any easily identifiable information regarding trade association political expenses. Since ExxonMobil already receives this information and reports it to the U.S. government, it could provide shareholders with specific information on how much of its dues are going to political expenses in a fairly simple and straightforward way without incurring significant additional expenses.

Of particular concern to some shareholders may be ExxonMobil's association with the National Association of Manufacturer's very public fight against regulations that attempt to limit the effects of global climate change. While ExxonMobil is not known as a leader in the fight against climate change, the company at least states that it "believes that it is prudent to develop and implement strategies that address the risks to society associated with increasing GHG emissions." According to the company website, ExxonMobil opposes any sort of cap-and-trade system and instead favors a carbon tax. However, some investors may be concerned that while ExxonMobil may be publicly softening its stance against climate change regulation on a corporate level, NAM and the Business Roundtable are using Exxon's membership dues to effectively lobby against Exxon's stated positions.

For a thorough review of governance and spending practices at S&P 500 companies, please see Si2's 2010 report: [How Companies Influence Elections - Political Campaign Spending Patterns and Oversight at America's Largest Companies](#).

Voting Considerations

Voting in favor: Investors may want vote in favor of this proposal to send a message to management that the current publicly available information is inadequate or too cumbersome to provide a comprehensive view of the company's political activity. Some shareholders also may use a vote in favor of the resolutions to signal unease with a company's refusal to provide all the information they think is vital to properly assess the company's risk exposure from its political activity, especially trade association relationships. Shareholders who are concerned about the policy agendas of the National Association of Manufacturers and the Business Roundtable related to global climate change may also vote in favor of the proposal.

Voting against: Investors may decide to vote against the disclosure resolution for several reasons. They may believe that current publicly available material provided by the company and other sources is satisfactory and provides shareholders with enough information to make an informed judgment about the company's political spending. These investors may think that the company's adoption of many best practice measures promoted by political spending disclosure advocates is a particular reason to oppose the resolution at ExxonMobil. Still others may vote against the resolution because they do not consider corporate political spending to be relevant enough (either monetarily or from a public relations perspective) to require additional information. Some also may simply oppose further disclosure and vote against the resolution because they think existing company policies and campaign finance laws are adequate. Shareholders who believe that trade association relationships are valuable to the company despite potentially divergent policy agendas also are likely to oppose the additional disclosures requested.