

# DuPont Shareholder Resolution

## Executive Summary

As You Sow has asked DuPont to report on the Company's lobbying activities, including all payments made by DuPont used for direct or indirect lobbying or grassroots lobbying communications. Lobbying exposes the Company to risks that could adversely affect its stated goals and objectives, and ultimately shareholder value. Shareholders will immediately benefit from comprehensive lobbying disclosure.

## Resolution

**Resolved:** Shareowners of DuPont request the Board authorize 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 DuPont 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. DuPont's membership in and payments to any tax-exempt organization that writes and endorses model legislation.
4. Description of the decision making process and oversight by management and the Board 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 DuPont 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 Audit Committee or other relevant oversight committees and posted on DuPont's website.

**Supporting Statement:** As shareholders, we encourage transparency and accountability in the use of staff time and corporate funds to influence legislation and regulation both directly and indirectly. We believe such disclosure is in shareholders' best interests. DuPont is a member of the American Chemistry Council (ACC), which spent \$12.25 million lobbying in 2013. DuPont's lobbying through the ACC is controversial ("The Cancer Lobby," *New York Times*, October 6, 2012). DuPont does not comprehensively disclose its trade association memberships, nor payments on its website. Absent a system of accountability, company assets could be used for objectives contrary to DuPont's long-term interests.



## Exposure to Material Risk from Lack of Disclosure

In 2014, more than 60 investors filed proposals at more than 50 corporations asking them to report on lobbying expenditures, including indirect funding of lobbying activities through trade associations. Support for these proposals averaged 25.9%. In 2013, 70 proponents filed 50 proposals, and the 40 proposals that were voted on averaged 26% support. In 2012, 46 proponents filed 38 proposals, and the 20 proposals that were voted on averaged 24% support.

### **DuPont's lobbying and political spending expose the company to reputational and financial risks.**

Companies with a good reputation perform better financially than companies with poorer reputations, and executives find it much harder to recover from reputation failure than to maintain reputation.<sup>1</sup> DuPont engages in widespread lobbying, often attracting negative public scrutiny and reputational damage. As noted in the Supporting Statement of this Shareholder Proposal, DuPont is a member of the American Chemistry Council (ACC), which spent \$12.25 million lobbying in 2013. The ACC's political lobbying, which is supported by DuPont's funding, has generated negative attention in national publications.<sup>2,3,4,5,6</sup> A New York Times Sunday Review article exclaimed that the ACC is "the lobbying front for chemical giants like ExxonMobil, Dow, BASF and **DuPont**... Those companies should understand that they risk their reputations when they toy with human lives."<sup>7</sup> [emphasis added]

**DuPont's lobbying disclosure policies are minimal and do not provide shareholders sufficient information.** As noted in the Supporting Statement of this Shareholder Proposal, DuPont does not comprehensively disclose trade association memberships nor payments used for lobbying. DuPont's 2013 Political Contributions Policy and Report<sup>8</sup> states that:

"DuPont does inquire and makes a reasonable effort to obtain from the Associations what portion of the Company's dues or payments are used for political expenditures or contributions that if made directly by DuPont would not be deductible under Section 162(e)(1) of the Internal Revenue Code."<sup>9</sup>

The report discloses DuPont's "political contributions or expenditures", which the company defines as "payments made to (i) individual candidates, (ii) party committees; (iii) Political Action Committees ("PACs"); (iii) Leadership PACs; (iv) ballot issue groups (state or federal); or (v) any 527 organizations."<sup>10</sup> DuPont notes that the term "does not apply to money spent on lobbying or to charitable donations."<sup>11</sup>

In the "2013 Trade Association Expenditures" section of the report, DuPont notes that "this provision applies to only the trade associations, classified as such for purposes of the tax rules at section 501(c)(6), receiving non-deductible lobbying payment payments in excess of \$25,000 per year." DuPont discloses payments to only eight associations, including the American Chemistry Council.<sup>12</sup>

Given this minimal disclosure, shareholders are unable to determine the extent of DuPont's lobbying and whether it could adversely affect the company's reputation or its stated goals and objectives.

**DuPont does not disclose membership in organizations that write or endorse model legislation, which poses significant reputation risks to the company.** The American Legislative Exchange Council (ALEC) is a 501(c)(3) non-profit that convenes state lawmakers to adopt model laws written by corporations. Since 2011, 100 of ALEC's corporate members have left the organization, often citing reputational damage. Companies that have left in the past six months include Google, Microsoft, Yelp!, Yahoo, AOL, Amerigroup, Wells Fargo, Union Pacific, and SAP America.<sup>13</sup> SAP America, who chaired ALEC's private



enterprise board, stated that it made the decision to "immediately disassociate itself from ALEC" because of the group's controversial positions on climate change, opposition to renewable energy, its position on gun safety, and its attacks on voter rights.<sup>14</sup> If DuPont disclosed its membership in organizations that write or endorse model legislation, shareholders would be able to assess whether that membership exposes the company to significant risks.

**Lobbying disclosure is important to shareholders, as demonstrated by a recent petition to create a uniform standard.** The lobbying disclosure rulemaking petition received more than 700,000 comments in support, setting the record for comments sent to the SEC.

**Lawmakers in at least four states are considering laws that would require shareholder approval for political contributions.**<sup>15</sup> The Maryland version of the bill would require corporations to get shareholders' approval for an annual political budget and a slate of candidates or committees the money would support. The bill has reportedly drawn the interest of more than a dozen legislators from different states who are interested in proposing similar bills.

## Conclusion

DuPont lacks transparency and accountability in regard to corporate lobbying. Without appropriate disclosure, shareholders are unable to assess whether the company's lobbying exposes it to risks that could adversely affect the company's stated goals and objectives. Shareholder will immediately benefit from full disclosure of direct, indirect, and grassroots lobbying, and membership in tax-exempt organizations that write and endorse model legislation.

<sup>1</sup> The Conference Board. *Reputation Risk*. Published 2007. p. 6.

<sup>2</sup> Jeremy P. Jacobs. "Chemical Industry Shifts on BPA After Spending Millions to Fight Legislation." The New York Times. Published Oct 12 2011. <http://www.nytimes.com/gwire/2011/10/12/12greenwire-chemical-industry-shifts-on-bpa-after-spending-94235.html>

<sup>3</sup> Yahoo! News. "American Chemistry Council spent \$1.9M on lobbying." Published Dec 9 2011. <https://news.yahoo.com/american-chemistry-council-spent-1-9m-lobbying-170438487.html>

<sup>4</sup> David Heath. "Hear how politics beat science on chemical research." The Center for Public Integrity. Published Feb 3 2015. <http://www.publicintegrity.org/2015/02/03/16687/hear-how-politics-beat-science-chemical-research>

<sup>5</sup> Suzanne Merkelson. "Lobbying Groups Fight to Stop FDA From Regulating Chemical Linked to Erectile Dysfunction and Miscarriages." The Huffington Post. Published April 6 2012. [http://www.huffingtonpost.com/suzanne-merkelson/chemical-linked-to-erectile-dysfunction-and-miscarriages\\_b\\_1408302.html](http://www.huffingtonpost.com/suzanne-merkelson/chemical-linked-to-erectile-dysfunction-and-miscarriages_b_1408302.html)

<sup>6</sup> Libby Foley. "Chemical Industry Tops Vitter Super PAC Donors." Environmental Working Group. Published May 29 2014. <http://www.ewg.org/enviroblog/2014/05/chemical-industry-tops-vitter-super-pac-donors>

<sup>7</sup> Nicholas D. Kristof. "The Cancer Lobby." The New York Times. Published Oct 6 2012. <http://www.nytimes.com/2012/10/07/opinion/sunday/kristof-the-cancer-lobby.html>

<sup>8</sup> As of February 5, 2015, a report for 2014 has not been released

<sup>9</sup> DuPont. *Disclosure of Corporate Political Expenditures – 2013*. Accessed Feb 5 2015. [PDF] p. 1 [http://investors.dupont.com/files/doc\\_downloads/Governance%20Documents/Shareholder-Report-2013.pdf](http://investors.dupont.com/files/doc_downloads/Governance%20Documents/Shareholder-Report-2013.pdf)

<sup>10</sup> DuPont, p. 2

<sup>11</sup> DuPont, p. 2

<sup>12</sup> DuPont, p. 4

<sup>13</sup> Robert S. Eshelman. "Silicon Valley Companies Follow Google's Lead By Cutting Ties with ALEC." Vice. Published Sep 25 2014. <https://news.vice.com/article/silicon-valley-companies-follow-googles-lead-by-cutting-ties-with-alec>

<sup>14</sup> Nick Surgey. "ALEC Corporate Board Chair Quits Over Climate Change, Renewables and Voting Rights." The Huffington Post. Nov 6 2014. [http://www.huffingtonpost.com/nick-surgey/alec-corporate-board-chai\\_b\\_6115444.html](http://www.huffingtonpost.com/nick-surgey/alec-corporate-board-chai_b_6115444.html)

<sup>15</sup> Liz Essley Whyte. "States consider requiring shareholder approval for political gifts." Center for Responsive Politics. Published Feb 17 2015. [http://www.publicintegrity.org/2015/02/17/16757/states-consider-requiring-shareholder-approval-political-gifts?utm\\_source=iwatchnews&utm\\_medium=web&utm\\_campaign=rss](http://www.publicintegrity.org/2015/02/17/16757/states-consider-requiring-shareholder-approval-political-gifts?utm_source=iwatchnews&utm_medium=web&utm_campaign=rss)