

Monsanto Shareholder Resolution

Executive Summary

As You Sow has asked Monsanto to report on lobbying expenditures, including indirect funding of lobbying through trade associations. Lobbying exposes the company to risks that could adversely affect the company's stated goals and objectives, and ultimately shareholder value.

Resolution

Resolved: "The shareowners of Monsanto 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 Monsanto 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. Monsanto's membership in and payments to any tax-exempt organization that writes and endorses model legislation. 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 Monsanto 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 Monsanto's website."

Supporting Statement: "As shareowners, we encourage transparency and accountability in the use of corporate funds to influence legislation and regulation, both directly and indirectly. Monsanto is a member of the Biotechnology Industry Organization ("BIO"). Monsanto does not fully disclose its trade association memberships, nor payments and the portions used for lobbying on its website. Absent a system of accountability, company assets could be used for objectives contrary to Monsanto's long-term interests.

Monsanto spent \$12.91 million in 2012 and 2013 on direct federal lobbying activities (opensecrets.org). These figures do not include lobbying expenditures to influence legislation in states, where Monsanto had at least 48 lobbyists in 23 states in 2012 (followthemoney.org) and has drawn attention for its lobbying ("'Army of Lobbyists' Led by Monsanto Helped Neuter GMO Labeling Law in Connecticut," *International Business Times*, June 6, 2013). Monsanto does not disclose membership in or contributions to tax-exempt organizations that write and endorse model legislation, such as the American Legislative Exchange Council, where Monsanto has been identified as previously belonging.

We encourage our Board to require comprehensive disclosure related to direct, indirect and grassroots lobbying.”

Exposure to Material Risk from Lack of Disclosure

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

Lobbying oversight is a board responsibility. Under Sarbanes-Oxley, board responsibilities include overseeing systems to ensure compliance with laws and regulations, including lobbying.¹

Most companies do not have lobbying oversight in place. A 2011 study of the S&P 500 found 64% of companies make no mention of lobbying activities, policies or oversight.

Monsanto’s lobbying and political spending expose the company 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.² Monsanto engages in widespread lobbying, often attracting negative public scrutiny. As noted in the Supporting Statement of the resolution, Monsanto is a member of the Biotechnology Industry Organization (“BIO”), and in 2012 and 2013, BIO spent more than \$15.5 million on lobbying.³ Monsanto spent \$12.91 million in 2012 and 2013 on direct federal lobbying activities.⁴ These figures do not include lobbying expenditures to influence legislation in states, where Monsanto had at least 48 lobbyists in 23 states in 2012.⁵ Monsanto’s controversial lobbying has been covered in several national publications.^{6,7,8}

Monsanto’s lobbying disclosure policies are minimal and do not provide shareholders sufficient information. In Monsanto’s report on political contributions for the first half of 2014, the company only discloses trade association to which it has contributed more than \$75,000 per year, a total of six trade associations. Given this minimal disclosure, shareholders are unable to determine if Monsanto’s lobbying could adversely affect the company’s stated goals and objectives.

Corporate lobbying is intensely scrutinized by the public, since it exceeds other political expenditures by a 10-to-1 ratio. During the 2010 election, corporations spent \$246 million on federal campaign expenditures but spent at least \$5.1 billion on federal lobbying. During the same period, the Chamber of

¹ Repetto, Robert, “Best Practice in Internal Oversight of Lobbying Practice,” Yale Center for Environmental Law and Policy, 9/1/06, pgs. 6 – 8.

² “Reputation Risk,” The Conference Board, 2007, p. 6.

³ “Biotechnology Industry Organization,” Center for Responsive Politics, accessed Dec. 17, 2014, <https://www.opensecrets.org/orgs/summary.php?id=D000024369>

⁴ “Monsanto Co,” Center for Responsive Politics, accessed Dec. 17, 2014, <https://www.opensecrets.org/orgs/summary.php?cycle=2014&type=P&id=D000000055>

⁵ “Monsanto,” National Institute on Money in State Politics, access Dec. 17, 2014, <http://www.followthemoney.org/entity-details?eid=1758>

⁶ Connor Adams Sheets, “‘Army of Lobbyists’ Led By Monsanto Helped Neuter GMO Labeling Law In Connecticut,” International Business Times, June 6 2013, <http://www.ibtimes.com/army-lobbyists-led-monsanto-helped-neuter-gmo-labeling-law-connecticut-1295489>

⁷ Kate Sheppard, “Monsanto Hires Former Sen. Blanche Lincoln As Lobbyist,” Huffington Post, Oct. 17 2013, http://www.huffingtonpost.com/2013/10/16/monsanto-blanche-lincoln- n_4110750.html

⁸ Dan Flynn, “Monsanto Is a Lobbying Powerhouse,” Food Safety News, March 3 2012, <http://www.foodsafetynews.com/2012/03/monsanto-is-a-lobbying-powerhouse/#.VJlae9LF9MQ>



Commerce spent \$33 million on political contributions and \$302 million on lobbying.⁹ This does not include state level lobbying, where there is incomplete disclosure and yearly spending exceeds \$1 billion.¹⁰

Monsanto does not disclose membership in organizations that write or endorse model legislation, which poses significant reputation risks to the company risks. 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 2012, 100 of ALEC's corporate members have now left the organization. Companies that have left in the past three months include Google, Microsoft, Yelp!, Yahoo, AOL, Amerigroup, Wells Fargo, Union Pacific, and SAP America.¹¹ 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.¹²

Lobbying disclosure is important to shareholders, as demonstrated by a recent petition to create a uniform standard. The rulemaking petition received more than 700,000 comments in support, setting the record for comments sent to the SEC. Unfortunately, the SEC dropped disclosure of corporate political spending rulemaking from 2014 agenda.

Conclusion

Monsanto lacks transparency and accountability in the use of corporate funds to influence legislation and regulation both directly and indirectly. 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 and indirect lobbying, and membership in tax-exempt organizations that writes and endorse model legislation.

⁹ Adam Bonica, "Avenues of Influence: On the Political Expenditures of Corporations and Their Directors and Executives," December 3, 2013.

¹⁰ Sarah Laskow, "State lobbying becomes billion-dollar business," [Center for Public Integrity](#), December 20, 2006.

¹¹ Robert S. Eshelman, "Silicon Valley Companies Follow Google's Lead By Cutting Ties with ALEC," *Vice*, Sep. 25, 2014, <https://news.vice.com/article/silicon-valley-companies-follow-googles-lead-by-cutting-ties-with-alec>

¹² 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