

Monsanto Shareholder Resolution

Executive Summary

As You Sow has asked Monsanto to report on the company's lobbying activities, including all payments made by Monsanto 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 disclosure of these risks.

Resolution

WHEREAS: Corporate lobbying exposes our company to risks that could adversely affect the company's stated goals, objectives, and ultimately shareholder value.

We rely on the information provided by our company to evaluate its goals and objectives. Therefore, we have a strong interest in full disclosure of our company's lobbying, to assess whether our company's lobbying is consistent with its expressed goals and is in the best interests of shareowners and long-term value.

BE IT RESOLVED: The shareowners of Monsanto request 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.
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 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. Absent a system of accountability, company assets could be used for objectives contrary to Monsanto's long-term interests.

We commend the increase in disclosure made by Monsanto after shareholders voted on this proposal in January 2015, including the disclosure of trade association memberships exceeding \$50,000 annually and the portions used for lobbying. However, Monsanto has not achieved a sufficient level of disclosure

to fully inform shareholders. For example, Monsanto does not disclose all trade association memberships; publish the reports of previous years on its website; disclose its state lobbying; or report on memberships 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.

Monsanto spent \$11.06 million in 2013 and 2014 on direct federal lobbying activities (opensecrets.org). These figures do not include lobbying expenditures to influence legislation in states. For example, Monsanto spent over \$58,000 lobbying in California for 2014 (www.cal-access.ss.ca.gov). And Monsanto's lobbying has drawn scrutiny ("GMOs: Congress may block states from requiring labeling", *CNBC*, 7/22/15).

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

Exposure to Material Risk from Lack of Disclosure

This year, investors filed 107 lobbying disclosure resolutions, asking companies to report on lobbying expenditures, including indirect funding of lobbying through trade associations.¹ In 2014, more than 60 investors filed proposals at more than 50 companies. 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.

Monsanto'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.² Monsanto engages in widespread lobbying, often attracting negative public scrutiny and reputational damage. 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; for example, Monsanto spent over \$58,000 lobbying in California for 2014.⁵ Monsanto's controversial lobbying has been covered in several national publications.^{6,7,8}

Lobbying oversight is a board responsibility. Under Sarbanes-Oxley, board responsibilities include overseeing systems to ensure compliance with laws and regulations, including lobbying.⁹

¹ As You Sow, Proxy Impact, and Sustainable Investments Institute. Proxy Preview 2015. www.proxypreview.com

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 See www.cal-access.ss.ca.gov

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/#.VJiae9LF9MQ>

⁹ Repetto, Robert, "Best Practice in Internal Oversight of Lobbying Practice," *Yale Center for Environmental Law and Policy*, 9/1/06, pgs. 6 – 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 2015, the company only discloses payments to trade associations and industry groups to which it has contributed more than \$50,000 per year, a total of nine trade associations. Given this minimal disclosure, shareholders are unable to determine if Monsanto's lobbying is more extensive, whether it could adversely affect the company's reputation or its stated goals and objectives.

While Monsanto improved its score on the Center for Political Accountability Zicklin Index in 2015¹⁰, ranking in the top tier of companies, the company still receives no points for lobbying disclosure, defined by the CPA-Zicklin Index as follows: "Does the company publicly disclose a list of the amounts and recipients of payments made by trade associations or other tax exempt organizations of which the company is either a member or donor?"

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, more than one hundred of ALEC's corporate members have left the organization primarily due to the potential for reputational harm. 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 If Monsanto 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. A record number of more than 1.2 million members of the public have submitted comments in support of the SEC rulemaking petition on lobbying disclosure.

Response to Monsanto's Opposition Statement

In the company's 2015 Proxy Statement, Monsanto's Board of Directors ("the Board") recommends a vote against the shareholder proposal. The following are statements made by the Board and proponent's responses.

1. "The extensive policies and procedures we have already put into place are designed to ensure that all lobbying activities conducted by the company and our employees comply with all applicable laws."

The shareholder proposal does not question the Company's compliance with applicable laws. It concerns disclosure of Monsanto's payments and policies, which would immediately benefit shareholders by allowing shareholders to discern whether Monsanto's lobbying is adversely affecting the company's stated goals and objectives, and ultimately harming shareholder value.

¹⁰ Center for Political Accountability. CPA-Zicklin Index. 2015. politicalaccountability.net

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

2. “We provide significant disclosure regarding lobbying activities, including the amounts spent, political action committee contributions and other expense contribution information...”

This statement does not demonstrate that the company’s disclosures meet the criteria outlined in the proposal. As noted earlier, Monsanto only discloses the trade associations to which it has contributed more than \$50,000 per year, a total of nine trade associations. Monsanto does not disclose all payments used for direct or indirect lobbying or grassroots lobbying communications, nor does the company disclose membership in organizations that write or endorse model legislation.

3. “Our board believes that the information currently made available strikes the appropriate balance between transparency and excessive burden and cost, and that additional disclosures with respect to lobbying activities would not provide useful information to shareholders.”

It is reasonable to assume that Monsanto already records the payments that it makes to other organizations, and that disclosing the information requested by this proposal would not require a significant expenditure of corporate resources.

4. “Our board also opposes the proposal because many aspects of it are vague or unworkable and may create confusion. The definition of “lobbying,” and the payments that would be considered lobbying-related, vary across jurisdictions and could include employee salaries, office rent and employee travel expenses.”

Corporate lobbying is a significant policy issue, which has been the subject of hundreds of shareholder proposals, as well as government hearings and reports, regulations, and decades of public debate. Proponents of the resolution do not believe that the company would have difficulty defining lobbying or determining which of the company’s payments are used for lobbying.

Conclusion

Monsanto 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 and indirect lobbying, and membership in tax-exempt organizations that write and endorse model legislation.