

Monsanto Shareholder Resolution

Report on Political Lobbying Disclosure

Executive Summary

On behalf of Monsanto shareholders, As You Sow is requesting a yearly report from Monsanto that discloses lobbying activities, including:

1. Company policy and procedures governing lobbying, both direct and indirect, and grassroots lobbying communications.
2. All 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.

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.

Exposure to Material Risk from Lack of Disclosure

In 2016, investors filed 107 resolutions requesting disclosure of lobbying or political contributions.¹ Shareowners seek transparency and accountability in how corporate funds are being used to influence legislation and regulation, both directly and indirectly, with the goal of retaining shareholder value and avoiding lobbying that creates reputational damage. Absent a system of accountability, company assets could be used for objectives contrary to Monsanto's long-term interests.

Monsanto spent \$8.4 million in 2014 and 2015 on direct federal lobbying activities.² These figures do not include lobbying expenditures to influence legislation in states; for example, Monsanto spent over \$58,000 lobbying in California for 2014.³ Monsanto's controversial lobbying has been covered in several national publications.^{4,5,6} Monsanto is also a member of the Biotechnology Industry Organization (BIO), and in 2014 and 2015, BIO spent more than \$16 million on lobbying.⁷ Indicating a growing concern about lobbying practices.

² "Monsanto Co," Center for Responsive Politics, accessed Dec. 17, 2014, <https://www.opensecrets.org/orgs/summary.php?cycle=2014&type=P&id=D000000055>

³ See www.cal-access.ss.ca.gov

⁴ 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>

⁵ 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

⁶ 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>

⁷ "Biotechnology Industry Organization," Center for Responsive Politics, accessed Dec. 17, 2014, <https://www.opensecrets.org/orgs/summary.php?id=D000024369>



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.⁸ Monsanto engages in widespread lobbying,⁹ often attracting negative public scrutiny and that could cause reputational damage.

Lobbying oversight is a board responsibility. Under Sarbanes-Oxley, board responsibilities include overseeing systems to ensure compliance with laws and regulations, including lobbying.¹⁰

Monsanto's lobbying disclosure policies are minimal and do not provide shareholders sufficient information. Monsanto 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.¹¹ 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 is ranked in the top tier of the Center for Political Accountability Zicklin Index 2016¹², 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.¹³ 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.¹⁴ 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.¹⁵

Dozens of other major companies disclose a much greater amount of information about their lobbying activities and policies. CoreCivic, Eastman Chemical, and Microsoft disclose all or nearly all of the

⁸ "Reputation Risk," *The Conference Board*, 2007, p. 6.

⁹ E.g. 1) <http://www.nytimes.com/2015/09/06/us/food-industry-enlisted-academics-in-gmo-lobbying-war-emails-show.html>

2) <http://www.cnbc.com/2015/07/22/gmos-congress-may-block-states.html>

¹⁰ Repetto, Robert, "Best Practice in Internal Oversight of Lobbying Practice," *Yale Center for Environmental Law and Policy*, 9/1/06, pgs. 6 – 8.

¹¹ Information as of October 17, 2016. <http://www.monsanto.com/whoweare/pages/political-disclosures.aspx>

¹² Center for Political Accountability. CPA-Zicklin Index. 2015. politicalaccountability.net

¹³ 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>

¹⁴ 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-chair_b_6115444.html

¹⁵ <http://thehill.com/blogs/pundits-blog/finance/274433-political-spending-disclosure-and-the-sec>



information requested by the proposal. Federal and state lobbying totals are reported by Accenture¹⁶, Aetna¹⁷, Anthem^{18, 19}, CoreCivic²⁰, Microsoft²¹, and several other companies. Indirect lobbying disclosure (including all payments and all non-deductible portions of those payments) are reported by CoreCivic²², Edison International²³, Exelon²⁴, Fifth Third²⁵, Genworth Financial²⁶, Northrop Grumman²⁷, Prudential²⁸, and several other companies. In addition, many companies disclose membership in tax-exempt groups that write and endorse model legislation, such as 3M²⁹, Anthem³⁰, Celgene³¹, Citigroup³², Eastman Chemical³³, and General Mills³⁴.

Response to Monsanto's Board of Directors

Monsanto's Board of Directors ("the Board") recommends a vote against the shareholder proposal. The following are statements made by the Board and the response of the shareholder resolution proponent.

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.

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. 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.

¹⁶ <http://www.accenture.com/us-en/company/governance/Pages/political-contributions-policy.aspx>

¹⁷ <https://www.aetna.com/about-us/political-activities/political-contributions-related-activities-reports.html>

¹⁸ <http://www.antheminc.com/AboutAnthemInc/GovernmentRelations/PoliticalContributions/index.htm>

¹⁹ <http://www.baxter.com/corporate-responsibility/resources/political-contributions-reports.page>

²⁰ <http://www.cca.com/investors/corporate-governance/political-lobbying-activity>

²¹ <http://www.microsoft.com/about/corporatecitizenship/en-us/working-responsibly/principled-business-practices/integrity-governance/political-engagement/>

²² <http://www.cca.com/investors/corporate-governance/political-lobbying-activity>

²³ <http://www.edison.com/home/investors/corporate-governance.html>

²⁴ <http://www.exeloncorp.com/performance/governance/overview.aspx>

²⁵ <https://www.53.com/about/corporate-governance/>

²⁶ <http://investor.genworth.com/investors/corporate-governance/political-contributions-and-expenditures/default.aspx>

²⁷ <http://www.northropgrumman.com/InvestorRelations/TradeAssociations/Pages/default.aspx>

²⁸ <http://www.prudential.com/view/page/public/18550>

²⁹ <http://phx.corporate-ir.net/External.File?item=UGFyZW50SUQ9MjI2MTIwfENoaWxkSUQ9LTF8VHlwZT0z&t=1>

³⁰ <https://www.antheminc.com/AboutAnthemInc/GovernmentRelations/PoliticalContributions/index.htm>

³¹ <https://www.celgene.com/responsibility/governance/public-policy-engagement/>

³² http://www.citigroup.com/citi/investor/corporate_governance.html (Corporate Political Activities Statement)

³³ http://www.eastman.com/Company/investors/Corporate_Governance/Political_Activity/Pages/Political_Activity_Policy.aspx

³⁴ <http://www.generalmills.com/en/Responsibility/Communities/civic-involvement>



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."

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. 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. Monsanto can use the definition of lobbying as set forth in the proposal and describe to shareholders what it is reporting pursuant to that definition.

Conclusion

Monsanto lacks transparency and accountability on its 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. Shareholders will immediately benefit from full disclosure of direct and indirect lobbying, and membership in tax-exempt organizations that write and endorse model legislation.