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Greenwashing through lobbying?

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In recent years, environmental and social issues were voted on at the annual general meetings of global companies. Increasingly, the focus was on more transparency regarding lobbying and political contributions.

On the one hand, companies can communicate that they take climate targets seriously, for example, but on the other hand they can support lobby organizations that are accused of trying to achieve the opposite. Any discrepancies could thus be uncovered.

This year, for example, Exxon Mobil voted on a corresponding motion. According to information from our research partner ISS, Exxon would only partially disclose what amounts were invested in public lobbying. The information on expenditures in the individual states would not be complete.

In addition, indirect lobbying through memberships in e.g. “American Fuel & Petrochem Manufacturers” or “American Petroleum Institute” would also be relevant and memberships in trade organizations as well as related payments should be reported more transparently.

For climate targets but lobbying against them

In recent years, Exxon has increasingly been accused in the media of publicly supporting the Paris climate goals on the one hand, while lobbying against them on the other. This resulted, among other things, in the divestment of Norway’s largest private asset manager. The fear was that such lobbying could also negatively affect European initiatives to promote green investments.

2021 also saw a lawsuit filed by the City of New York against Exxon, Royal Dutch Shell, BP, and the lobbying organization “American Petroleum Institute” for misleading advertising and deceptive business practices. Products would be advertised on social media platforms as “greener” and “cleaner” even though the companies’ business model’s support of climate goals was questionable.

Applications gain importance

According to analyses by our research partner, the described imbalance between the publicly announced efforts of individual companies to support climate measures and at the same time to support lobbying organizations took place more frequently last year.

This was the reason for some investors to bring corresponding motions to a vote to stop this practice. Although the topics of climate targets, climate risks and energy transition continued to dominate, the proportion of motions calling for disclosure of political expenditures grew. Harvard Law School managed to vote on a motion to that effect at Chevron’s annual meeting last year. As a result, several other companies agreed to implement such reporting in 2021. The motion submitted to Exxon Mobil Corporation, mentioned at the beginning, also achieved a majority of votes.

“Say on climate”

A new term to read in this context, “Say on climate” follows the “Say on remuneration” voting series and obtains a regular vote on management’s proposed climate policy.

In this context, the proposals can be submitted by management itself or by shareholders. “Say on climate” is not legally enforceable, but has an advisory function. However, the result is in line with the expectations of shareholders, who have various other ways of expressing their dissatisfaction, for example when it comes to the re-election of supervisory board members, etc.

Investor support on the rise

That disclosure of political contributions and support for lobbying organizations is gaining interest among investors is shown by developments in the 2021 voting season: according to Harvard Law School, the average approval of proposals on political contributions increased from 38.6% in 2020 to 48.1% in this year’s season. In six cases, there was also a majority

approval of the requests. Motions around lobbying were approved with an average of around 32.7% in 2020, and already with 39.2% in 2021. In three cases, there was a majority of votes in favor of the motions.

In addition, more and more investment houses are refining the sustainable content of their voting guidelines and supporting corresponding motions. If, for example, a company performs significantly worse than competitors in the relevant area or the political activities do not seem to be compatible with the long-term strategy, this would cause various investors to support a corresponding motion.

As Erste AM, we follow a guideline in our voting behavior that is holistically oriented towards sustainable standards. Motions from the areas of transparency on political spending and lobbying activities are included here and are supported by.

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