

United States Senate

WASHINGTON, DC 20510

November 15, 2023

The Honorable Gary Gensler
Chair
U.S. Securities and Exchange Commission
100 F Street NE
Washington, DC 20549

Dear Chair Gensler:

We write today to urge the Securities and Exchange Commission (SEC, the Commission) to use its existing authority to issue rules requiring disclosure of corporate lobbyist expenditures to shareholders.

In 2022, total federal lobbying expenditures reached \$4.1 billion – the highest since 2010.¹ Amazon and Meta spent almost \$20 million each to influence decision-making in Congress and across government agencies,² while the U.S. Chamber of Commerce – which counts companies like JPMorgan Chase, Alphabet, and Chevron among its members³ – spent \$79.4 million.⁴ While these figures are staggering, they provide little insight into the interests that companies spend millions each year to advance. This lack of transparency erodes the ability of everyday investors to make informed decisions about where to invest their money – and where their money goes once they have invested. We, therefore, urge the Commission to implement new rules that require companies to disclose relevant details regarding their lobbying expenditures.

In the absence of strong lobbying disclosure rules, investors are largely kept in the dark regarding the policy campaigns they are indirectly funding. This raises concerns that investors may be funding lobbying activities that are counter to the stated missions of the companies they have invested in, that are counter to their own beliefs, or that may even erode the value of their investment.⁵ Indeed, research shows that companies and executives may lobby for policies that advance their own self-interests, including with respect to executive pay, even when these policies are at odds with investors' interests.⁶ A company's lobbying activity can also be a signal

¹ OpenSecrets, "Federal lobbying spending reaches \$4.1 billion in 2022 – the highest since 2010," Taylor Giorno, January 26, 2023, <https://www.opensecrets.org/news/2023/01/federal-lobbying-spending-reaches-4-1-billion-in-2022-the-highest-since-2010/>.

² Roll Call, "US Chamber of Commerce dips to second place in K Street spending," Kate Ackley, January 23, 2023, <https://rollcall.com/2023/01/23/u-s-chamber-dips-to-second-place-in-k-street-spending/>.

³ Public Citizen, "U.S. Chamber of Commerce Members Have Paid \$154 Billion in Penalties," Rick Claypool, January 10, 2022, <https://www.citizen.org/article/us-chamber-penalties-violations-ftc-report/>.

⁴ Roll Call, "US Chamber of Commerce dips to second place in K Street spending," Kate Ackley, January 23, 2023, <https://rollcall.com/2023/01/23/u-s-chamber-dips-to-second-place-in-k-street-spending/>.

⁵ Center for American Progress, "How Campaign Contributions and Lobbying Can Lead to Inefficient Economic Policy," John Craig and David Madland, May 2, 2014, <https://www.americanprogress.org/article/how-campaign-contributions-and-lobbying-can-lead-to-inefficient-economic-policy/>.

⁶ Journal of Empirical Legal Studies, "Corporate Politics, Governance, and Value Before and After Citizens United," John C. Coates, IV, July 6, 2012, https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2128608; Social

of the company's overall health, with studies showing that firms with weak governance are more likely to engage in lobbying activity.⁷

A company's lobbying activity is of material importance to its investors, and it is past time for the SEC to require strong disclosure rules to ensure investors have access to that information. Since 2011, a coalition of investors have filed approximately 500 shareholder proposals asking companies to disclose their federal and state lobbying expenditures, and trade association and social welfare organization payments used to lobby.⁸ The proposals have achieved notable majorities or settlements at companies including Exxon and Travelers, and have led hundreds of companies to improve their disclosure, including shareholder proposal settlements at more than 110 companies.⁹ Despite these increased disclosures, the lack of uniform reporting remains a challenge for investors.

In order to uphold its commitment to “protect the more than 66 million American households that have turned to the securities markets to invest in their futures,”¹⁰ the Commission must act to require registered companies to disclose important information about their lobbying activities. Under the *Securities Exchange Act of 1934*, the SEC has the authority to require registered companies to publicly file financial statements, management salaries, and other important information “as necessary or appropriate for the proper protection of investors and to insure fair dealing in the security.”¹¹ Accordingly, we urge the Commission to issue a rule updating Regulation S-K to require registered companies to disclose, as relevant, any lobbying strategy, the aggregate amount of direct or indirect contributions to registered state and federal lobbyists, and any material risks related to or arising from the registrant's lobbying strategy and expenditures.

Science Research Network, “Corporate Lobbying and CEO Pay,” Hollis Ashbaugh Skaife, David Veenman, and Timothy Werner, October 16, 2013, https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2340501.

⁷ Journal of Corporate Finance, “Corporate Lobbying, CEO Political Ideology and Firm Performance,” Omer Unsal, M. Kabir Hassan, and Dugyu Zirek, November 1, 2018, https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3263066.

⁸ Corporate Reform Coalition, “Institutional Investors Highlight 2022 Lobbying Disclosure Campaign,” <https://corporatereformcoalition.org/lobbying-disclosure-2022>.

⁹ *Id.*

¹⁰ Central Piedmont Community College, “ACC 120: Principles of Financial Accounting,” May 6, 2022, <https://researchguides.cpcc.edu/c.php?g=1166129&p=8513565#:~:text=The%20SEC%20enforces%20the%20securities,or%20attaining%20other%20financial%20goals>.

¹¹ 15 U.S.C. 78m(a).

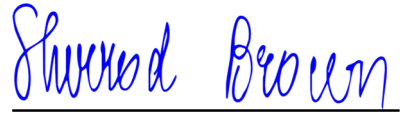
We ask that, no later than November 29, 2023, you provide us with details regarding the Commission's plan to develop and issue rules requiring the disclosure of corporate lobbyist expenditures to shareholders.

Thank you for your attention to this important matter.

Sincerely,



Elizabeth Warren
United States Senator



Sherrod Brown
United States Senator



Jon Tester
United States Senator



Tina Smith
United States Senator



John Fetterman
United States Senator