

## **PROXY MEMORANDUM**

**Date:**

March 16, 2017

**To:**

The Travelers Companies Inc. shareholders

**Subject:**

Shareholder resolution requesting a report on the company's lobbying policies and practices

**Lead Filer:**

First Affirmative Financial Network, on behalf of Mark Demanes

**Contact:**

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We urge shareholders to vote "FOR" Item 6:

### **RESOLVED:**

**Resolved**, the shareowners of The Travelers Companies, Inc. ("Travelers", "the Company") 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 Travelers 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. Travelers' membership in and payments to any tax-exempt organization that writes and endorses model legislation.
4. Description of management's decision making process and the Board's oversight for making payments described in section 2 above.

The board recommends that shareholders vote against this proposal, citing that

- Current policies and disclosures already address many of the items requested

- It would require disclosure of proprietary information that others may use without the applicable background or context and could place the Company at a competitive disadvantage.

The proponents believe that this proposal specifically asks for disclosure of information that is:

- not currently disclosed by the Company
- not proprietary in nature, and that appropriate disclosure practices would provide the applicable “background and context” that would place the Company in a better position than nondisclosure
- disclosed by Travelers’ peers

### **Current Policies Potentially Omit Substantial Corporate Spending on Lobbying Activities:**

This resolution is not a criticism of Travelers’ lobbying activities in general as we agree with the Company that engagement on public policy issues affecting the company is essential. It is, however, a call for more transparency. We have no doubt that the Company complies with current laws and regulations regarding lobbying disclosure that mandates comprehensive disclosure of lobbying spending at the federal level. However, lobbying disclosure at the state level is not necessarily required by law.

Through membership dues, donations and other spending, substantial lobbying may be done under the auspices of third parties, such as trade associations. Current law does not require third parties to disclose their sources and most do not. This leaves shareholders with no knowledge of how much and for what purpose these undisclosed corporate dollars are used. Information about the use of corporate resources dedicated to lobbying that is delegated to third parties is at least as important as that required to be disclosed by law.

Like many other companies, Travelers states that membership in a trade association does not equate to an agreement of all of its positions. This acknowledgment does not eliminate the potential business and reputational risks posed by the activities of these affiliations, particularly where the Company plays a prominent leadership role in the association and/or the trade association lobbies on controversial or divisive issues. In fact, given that the Company essentially delegates an important corporate function to a third-party, it should be particularly diligent and transparent in articulating corporate policy goals to be addressed and the spending that is delegated to third parties.

For example, Travelers is a board member of the national Chamber of Commerce, a position that implies a level of oversight over the goals and priorities of the organization. The Chamber lobbies

extensively, spending over \$312 million<sup>1</sup> in the last three years to influence public policy. The Chamber purports to speak on behalf of many businesses, including Travelers.

The Board's Opposition Statement says that:

*"The Company's current practice is to deliver annually a written communication to trade associations where the Company pays in excess of \$50,000 to belong (and to receive subsequent confirmation from those associations), affirming that the Company's dues must be used to pursue the Company's business interests and not to support efforts of little or no business consequence."*

We do not believe that this practice addresses our concerns. Many issues that the Chamber addresses are indeed the Company's business interests as well. While there may be concern that corporate funds are used to "support efforts of little or no business consequence", of greater concern is the risk that corporate funds may be used by third parties to support positions that are, in fact, **contrary** to the company's best interests on critical issues. This is where we believe a substantial business and reputational risk could arise. A potent example of this can be seen in the withdrawal of CVS from the Chamber in 2015.<sup>2</sup> CVS cited their concern that the Chambers' lobbying against anti-smoking laws abroad is in direct conflict with their corporate mission to promote and facilitate better health.

### **The Proposal Requests the Inclusion of Information on Indirect Lobbying Spending That Is Already Disclosed by Law for Direct Lobbying Spending:**

The Company's contention that the disclosure of lobbying spending to third parties "*could place the Company at a disadvantage against competitors, and against special interest groups not interested in shareholder value creation, by revealing its legislative strategies and priorities*" is puzzling.

Presumably, lobbying spending delegated to third parties would serve the same priorities set by the Board of Directors for direct lobbying expenditures. Disclosure of this information should not compromise competitive advantage or proprietary information any more than the disclosure of direct expenditures as is currently required by law.

Failure to disclose this spending information is, from our point of view, more likely to be considered "misleading" than appropriate and meaningful disclosure. The Company already reveals its "legislative strategies and priorities" in the mandated disclosure of direct corporate lobbying.

Disclosure that provides appropriate context for the spending and clarification of the Company's lobbying priorities when conducted via a third-party would appropriately inform, not mislead, investors.

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<sup>1</sup> <https://www.opensecrets.org/orgs/summary.php?id=D000019798&cycle=A>

<sup>2</sup> <http://fortune.com/2015/07/08/cvs-chamber-cigarettes/>

**This Proposal Requests Disclosure of Information that is Routinely Made Available by Industry Peers:**

Much of the information requested by this resolution is already being provided by other major insurance companies, including Aetna, CIGNA, Prudential, and MetLife.

We urge the Company to join its peers in providing the information requested in this proposal to its investors. 44% of the votes cast (based on the total of votes cast in favor or against and excluding abstentions) were in favor of such disclosures in 2016. This level of interest by investors should send a clear signal to the Company that a significant share of their investors believe that this information is material to their decision-making process.

***NOTE: This is not a solicitation of authority to vote your proxy. Please DO NOT send us your proxy card; the proponent is not able to vote your proxies, nor does this communication contemplate such an event. The proponent urges shareholders to vote FOR this resolution following the instructions provided on the management's proxy mailing.***

***Mention of a specific company or security should not be considered an endorsement or a recommendation to buy or sell that security. Past performance is no guarantee of future investment results.***