

March 24, 2022

Statement of Support for:

Shareholder Proposal Requesting Report on Lobbying Policies and Practices for Consideration at The Travelers Company, Inc. 2022 Annual Meeting

Lead Filer: First Affirmative Financial Network, on behalf of Amy Benesch

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We urge shareholders to vote “**FOR**” a shareholder resolution requesting a report on the company’s lobbying policies and practices:

Resolved, the shareholders of The Travelers Company Inc. (Travelers) request the preparation of a report, updated annually, disclosing:

Company policy and procedures governing lobbying, including indirect, and grassroots lobbying communications.

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.

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

1. The proposal is unnecessary in light of current policies and disclosures
2. Dues paid to trade associations are “negligible”, and the company is not reliant on trade associations to advance its significant interests.
3. Disclosure of trade association payments could be used against the company by special interests for purposes other than creating shareholder value

The proponents believe that investors benefit from full disclosure of corporate lobbying efforts to influence public policy, and that such disclosure is emerging as best practice. In response to the board's recommendations stated above:

1. Current policies and disclosures do not address growing investor concerns with regard to the increasing public policy impacts of lobbying by trade associations and other organizations, including 501(c)(4) groups, that lobby on behalf of our Company.
2. The board's assessment that lobbying via trade associations and other third parties is "negligible", and therefore not material to investors, is arrived at by simply estimating lobbying spending as a percentage of assets. This is an inappropriate yardstick. Investors increasingly need to assess both the company level and the collective **impacts** of third-party spending and influence on public policy decisions.
3. **Any** disclosure provided can be "used against the company", including disclosures that are material to investors. This risk can, and should be managed without omitting information that investors seek. Appropriate disclosure practices would provide the applicable background and context that would place the Company in a better position than continuing the current policy of selective lobbying disclosure.

The proposal is necessary in light of current policies and disclosures

This proposal 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. Instead, it is a call for their disclosure to encompass all, and not just a portion, of lobbying spending. We appreciate the upgrades the company made to its lobbying disclosures in response to previous shareholder proposals filed on this issue, but lobbying spending under the auspices of third parties is an essential feature of adequate disclosure on lobbying.

Lobbying delegated to third parties by our Company is a critical blind spot for investors. Current law does not require these third parties to disclose their sources, and most do not. 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.

The opposition statement notes previous votes on this issue did not garner majority support. However, these proposals did achieve **significant 40+ %** support for similar proposals in 2016 and 2017, a strong indication that disclosure on lobbying is material to many investors. It is unfortunate that the company has not been responsive to the concerns of such a significant percentage of their shareholders — particularly considering the information should, based on current disclosures, be something that is already collected by the company and therefore easily disclosed.

We also note that investor support for lobbying proposals has increased dramatically since these votes were recorded, an indication that shareholders are increasingly concerned about undisclosed lobbying spending and its potential material impacts:

- Four similar lobbying proposals received majority votes in calendar year 2021, including Exxon
- Exxon's majority vote built over the course of ten years. We note that Exxon finally took action in early 2022 in response to shareholder concerns, and now discloses federal, state and grassroots lobbying and including all of its payments to third parties used for lobbying.¹

- Notably, seven companies with heavy inside share ownership received majority support from their independent shareholders in 2021 — Tyson at 81.9%, Charter Communications at 67.8%, XPO Logistics at 58.7%, Eli Lilly at 56.2%, Walmart at 54.2%, Lyft at 73.4%, and Fox at 79.9%.
- In October 2021, a similar proposal at FedEx resolution received over 62% support. The same resolution only received 29% support in 2020.

As a large property and casualty insurer, Travelers is exposed to many risks from climate change, and investors are increasingly concerned with how companies are weighing in on public policies designed to limit climate impacts. Shareholder proposals that request reporting on the extent that companies' lobbying activities conformed to their public pledges to cut GHG emissions in line with the Paris Agreement goal of limiting global warming to 2° Celsius were first introduced last year. Investors were strongly in favor of these proposals, with five receiving over 60% support in 2020.²

The opposition statement indicates that measures currently in place "...mitigate any potential "reputation risk" to the company that the proposal is concerned could arise from the Company's association with trade associations". We do not believe this is the case. For example, concern with regard to climate lobbying funded by Travelers was highlighted in a 2020 report³ looking at 30 international insurance companies for fossil fuel and climate change policies. Travelers was the worst performing company in all categories, including scoring negatively on climate leadership because of active participation in lobbying organizations that oppose climate efforts.

Travelers lags behind peers in the insurance industry, including Chubb⁴, AIG,⁵ Allstate⁶, and Hartford Financial⁷, all of which provide information on lobbying performed on their behalf by third parties.

Lobbying spending via trade associations and other third parties is not negligible — it is material to investors.

Travelers states that membership in a trade association does not equate to an agreement of all of its positions. This type of 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 disclosing spending and articulating corporate policy goals to be addressed through this delegation.

We believe investors will be well-served by Travelers further committing to corporate political responsibility, to include disclosure of all of its third-party spending to influence public policy. Trade associations spend hundreds of millions to lobby. For example, the US Chamber of Commerce, of which Travelers is a member, has spent more than \$1.7 billion since 1998. The opposition states that the Company is not reliant on trade associations to advance its significant legislative and regulatory interests. However, many 3rd parties, including the Chamber, purport to represent all of its members, including Travelers. The collective lobbying dollars from their membership can give these organizations

² <https://corpgov.law.harvard.edu/2021/08/05/2021-proxy-season-review/>

³ <https://insure-our-future.com/wp-content/uploads/2021/11/2021-IOF-Scorecard.pdf>

⁴ <https://www.chubb.com/us-en/about-chubb/chubb-political-engagement-disclosure.html>

⁵ <https://www.aig.com/about-us/leadership-and-governance/political-engagements>

⁶ https://www.allstatesustainability.com/content/documents/Allstate_Sustainability_Report_2020_Public_Policy_Section.pdf

⁷ <https://ir.thehartford.com/corporate-governance/political-engagement/>

considerable influence in the public policy arena, and this influence may be used to support positions that are, in fact, contrary to the best interest of the company and shareholders 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 Chamber's lobbying against climate change disclosure regulations, a position that is misaligned with its financial sector and other Chamber members⁸. Members who remain silent in the face of lobbying done on their behalf that conflicts with their values and long-term business interests risk reputational damage.

The dark money scandal at FirstEnergy illustrates why investors also need disclosure of social welfare group spending to prevent reputational, regulatory and financial damage. FirstEnergy is under investigation for allegedly funneling \$60 million through a dark money 501(c)(4) group called Generation Now that was used for bribery in Ohio. In 2018, FirstEnergy had agreed to disclose its trade association lobbying payments but failed to include its payments 501(c)(4)s, leaving a loophole FirstEnergy allegedly used to make over \$60 million in undisclosed dark money payments.

The dark money connections to the Capitol riot further highlight that social welfare groups can impact and pose risks to shareholders. For example, The Rule of Law Defense Fund is a social welfare group that helped organize the protest before the insurrection and is an arm of the Republican Attorneys General Association (RAGA). Travelers has given RAGA contributions since 2014, and shareholders have no way to know if Travelers also made direct contributions to the Rule of Law Defense Fund, because Travelers fails to provide disclosure of its contributions to social welfare groups.

We note that nationally and internationally known investor organizations also support lobbying disclosures similar to those requested in this proposal:

- The International Corporate Governance Network (ICGN) representing over \$18 trillion in assets, supports lobbying disclosure as best practice, and supports disclosure of amounts over \$10,000.⁹
- On January 27, 2022, the Principles for Responsible Investment (PRI) released a new report, the Investor Case of Responsible Political Engagement, noting investors need to understand the intended objectives, processes and outcomes of companies' political engagement to determine the extent to which they align with their long-term interests and shared societal needs.¹⁰
- PRI also released a 2018 guide on corporate climate lobbying to help investors engage with companies on their direct and indirect lobbying practices related to climate policy. Specifically, companies should be consistent in their policy engagement in all geographic regions and should ensure any engagement conducted by member trade associations on their behalf or with their support is aligned with a company positions.¹¹
- In 2018, a \$2 trillion coalition of investors led by the Church of England pension board and Swedish pension fund AP7, sent letters to 55 large European companies, stating that lobbying on climate issues should be evaluated, managed and reported on and noting it was unacceptable that

⁸ <https://influencemap.org/report/The-US-Chamber-of-Commerce-and-Lobbying-of-Climate-Change-Disclosure-Regulations-b503c35fa1014cb7c357bfe7f15e4fa6>

⁹ <https://www.icgn.org/sites/default/files/ICGN%20Political%20Lobbying%20%26%20Donations%202017.pdf>

¹⁰ <https://www.unpri.org/governance-issues/the-investor-case-for-responsible-political-engagement/9366.article>.

¹¹ https://www.unpri.org/Uploads/g/v/q/PRI_Converging_on_climate_lobbying.pdf

- companies counteract ambitious climate policy, directly or through trade associations.¹²
- Over 590 investors with over US\$110 trillion in assets request that companies disclose through the CDP reporting framework detailed information on climate change annually. Companies are expected to answer specific questions with regard to both direct and indirect lobbying on climate, including details on trade associations likely to lobby on climate and policies in place to ensure that indirect activities that influence policy are consistent with the Company's overall climate change strategy.¹³

Companies can and should be able to manage the “risks” of disclosure being used against the company without omitting information that investors reasonably seek.

The company's contention that the disclosure of lobbying spending by third parties would expose the Company to the risk of “...special interest groups using the disclosures to misrepresent the company's views, priorities and political activities” is puzzling. All disclosure comes with the risk of special interest groups using it for their own purposes, but that is not sufficient reason to omit material information that investors seek from the companies in which they invest. Several industry peers previously noted appear to be managing this risk appropriately.

Failure to disclose this spending information is, from our point of view, more likely to lead to misrepresentation than appropriate and meaningful disclosure. By failing to disclose lobbying spending delegated to third parties, the company is at risk that special interest groups, as well as the company's own stakeholders, may misunderstand the company's views, priorities and political activities as they attempt to fill this information vacuum.

Thoughtful disclosure that provides appropriate context for lobbying conducted at both the state and federal level by third parties is an essential aspect of full and meaningful lobbying disclosure.

We urge shareholders to vote in favor of this proposal.

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.

¹² “Pension Funds Challenge Major European Emitters on Climate Lobbying,” Church of England, October 29, 2018, <https://www.churchofengland.org/more/media-centre/news/pension-funds-challenge-major-european-emitters-climate-lobbying>

¹³ <https://guidance.cdp.net/en/guidance?cid=18&ctype=theme&idtype=ThemeID&incchild=1µsite=0&otype=Questionnaire&tags=TAG-13071%2CTAG-605%2CTAG-599>