

# Lobbying – the forgotten ESG risk?

September 2020

Lobbying is frequently overlooked by investors for their financial decision-making and ESG due diligence. This is despite the fact that more than 2,200 public and private companies were implicated in more than 3,600 risk incidents tied to lobbying worldwide over the past 13 years, and 2019 saw an all-time high of more than 800 lobbying incidents.<sup>1</sup>

Analysis of lobbying practices can paint a more revealing and complete picture of a company’s business practices. Lobbying typically does not exist in a vacuum, and it has the unique capacity to intersect with a variety of other issues:

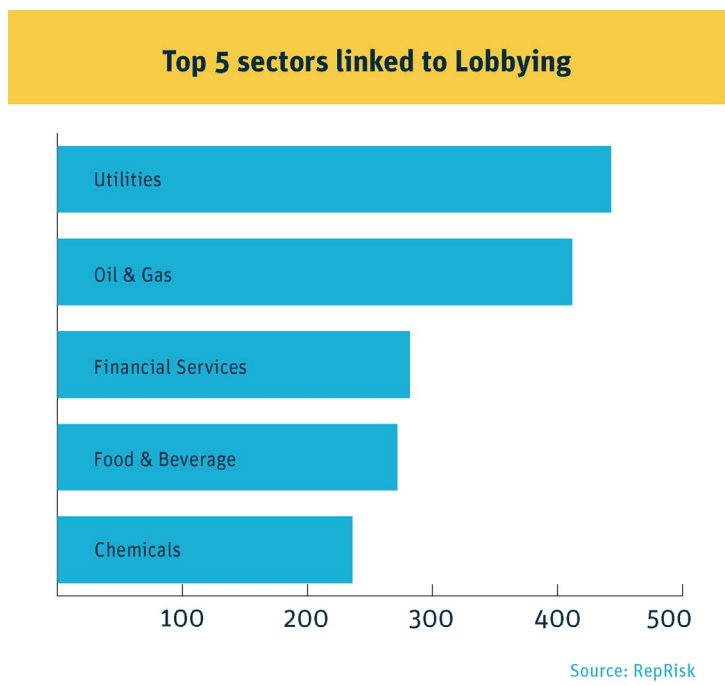
Top 20 ESG issues linked to Lobbying			
Corruption, bribery, extortion and money laundering	3,668	Coal-fired power plants	746
Violation of national legislation	2,080	Greenhouse gas (GHG) emissions	721
Impacts on communities	1,566	Fraud	704
Impacts on landscapes, ecosystems and biodiversity	1,542	Airborne pollutants	587
Climate change, GHG emissions, and global pollution	1,340	Soy	437
Local pollution	1,120	Protected Areas	434
Human rights abuses and corporate complicity	993	Genetically modified organisms (GMOs)	426
Misleading communication	938	Palm oil	401
Occupational health and safety issues	888	Involuntary resettlement	387
Indigenous people	882	Land grabbing	373

Source: RepRisk. RepRisk’s research scope consists of 28 ESG issues and 67 ESG Topic Tags. The chart shows the ESG Issues and Topic Tags most frequently linked with Lobbying based on the number of risk incidents in which they were linked.

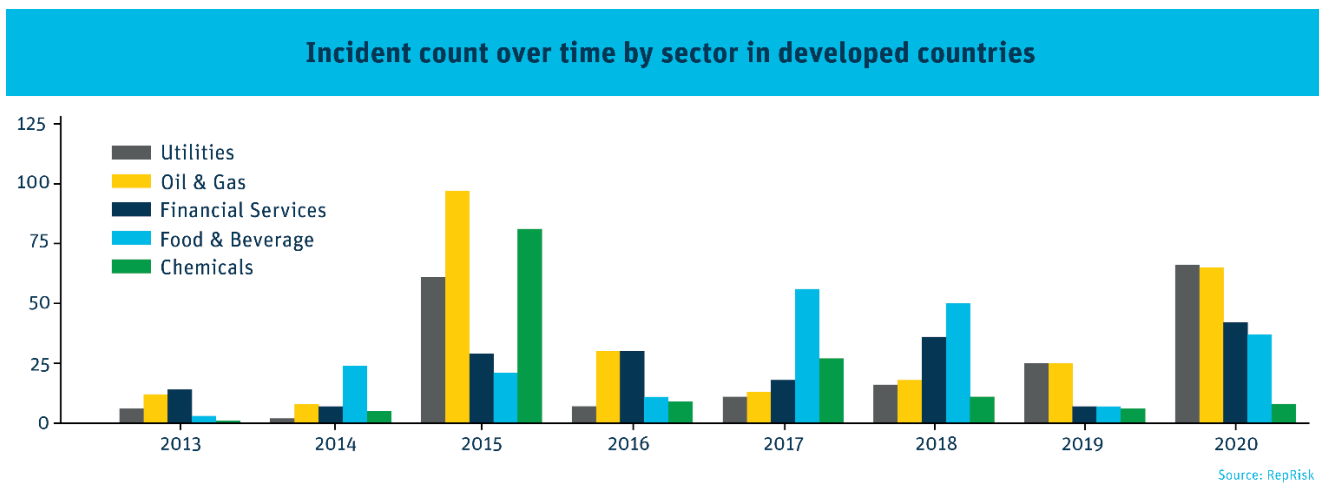
Our research found that lobbying is most frequently tagged alongside *corruption, bribery, extortion, and money laundering* – a connection that might seem intuitive given the perceived nature of lobbying.

<sup>1</sup> RepRisk ESG Risk Platform

In light of Climate Week 2020, we examined how environmental issues intersect with lobbying, including *climate change, greenhouse gas (GHG) emissions, global and local pollution, and impacts on landscapes, ecosystems, and biodiversity*. We found that ‘E’ issues frequently intersect with lobbying, with risk incidents commonly occurring in sectors dealing with non-renewables like utilities and oil and gas:



Oil and gas companies’ public messaging often positions them as working to reduce adverse environmental impacts of their business operations – in fact, many “Big Oil” supermajors feature language in support of the Paris Agreement and carbon reduction in their operations. However, our data suggests that they are not “walking the talk.”



With only one exception, Oil and Gas is among the top three sectors with risk incidents related to lobbying over the last several years. Notably, the sector had the most or second-most risk incidents of any sector during presidential election years in the US – 2016 and 2020.

It is important for investors to pay attention to companies' lobbying practices, especially when it comes to climate change and the environment, and in fact some already are. Storebrand Asset Management, Norway's largest asset manager, recently divested<sup>2</sup> from oil and gas supermajors Exxon Mobil and Chevron over their climate lobbying practices.

As ESG becomes an imperative in investment analysis, asset managers and asset owners should cross-check a company's messaging with their lobbying practices to assess whether they are walking their talk – by doing so they will illuminate risk, informing sound investment decisions.

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<sup>2</sup> Responsible Investor: Storebrand AM ditches Exxon and Chevron over climate lobbying  
<https://www.responsible-investor.com/articles/storebrand-am-ditches-exxon-and-chevron-over-climate-lobbying>