



Via Email

October 19, 2011

Ms. Elizabeth Murphy
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: File Number 4-637, "Petition to require public companies to disclose to shareholders the use of corporate resources for political activities"

Dear Ms. Murphy:

I am writing on behalf of the Council of Institutional Investors (Council), a nonprofit association of public, union and corporate pension funds with combined assets in excess of \$3 trillion.¹ Council members are large, long-term shareowners responsible for safeguarding the retirement savings of millions of American workers.

Shareowners have a right to know whether and how their company uses its resources for political purposes. Yet the existing regulatory framework creates barriers to this information. Disclosure is either dispersed among several regulatory authorities or entirely absent in cases where political spending is channeled through independent organizations exempt from naming donors.

The Council is not in principle opposed to corporate political spending provided it is transparent—both in terms of the amount spent and the process for board oversight of such spending. Any future rulemaking would ideally address both of these areas.

The Council's member-approved policy calls for comprehensive disclosure:

The board should develop and disclose publicly its guidelines for approving charitable and political contributions. The board should disclose on an annual basis the amounts and recipients of all monetary and non-monetary contributions made by the company during the prior fiscal year. Any expenditures earmarked for political or charitable activities that were provided to or through a third-party should be included in the report.²

The policy further emphasizes the importance of robust board oversight:

¹ For more information about the Council and its members, please visit our Web site at <http://www.cii.org>.

² See Section 2.14 of the Council's Corporate Governance Policies. The full text of the document is available at <http://www.cii.org/policies>.

The board of directors should monitor, assess and approve all charitable and political contributions (including trade association contributions) made by the company. The board should only approve contributions that are consistent with the interests of the company and its shareowners. The terms and conditions of such contributions should be clearly defined and approved by the board.³

Developments since the adoption of the Council's policy in 2006, including the 2010 Supreme Court decision in *Citizens United v. Federal Election Commission*, have underscored the appropriateness of full disclosure and robust oversight of corporate political spending. We point out that in that decision, the court acknowledged the significance of disclosure in helping shareowners determine whether contributions are advancing their interests:

... prompt disclosure of expenditures can provide shareholders and citizens with the information needed to hold corporations and elected officials accountable for their positions and supporters.⁴

The Council commends the scores of companies that have volunteered to improve their disclosure of political spending and the oversight of such spending.⁵ Unfortunately, these companies are few relative to those that disclose no more than what is required by existing regulation. Given this variance in transparency and the advantage to investors of having complete, uniform disclosure requirements, we support the substance of the petition.⁶

Thank you for the opportunity to comment on this important matter. If you have any questions or need any additional information, please feel free to contact me at (202) 261-7097 or glenn@cii.org.

Sincerely,



Glenn Davis
Senior Research Associate

³ Ibid.

⁴ *Citizens United v. FEC*. 558 U.S. 55 (2010), available at <http://www.supremecourt.gov/opinions/09pdf/08-205.pdf>.

⁵ See the Center for Political Accountability's list of companies engaging in best practice disclosure at <http://www.politicalaccountability.net/index.php?ht=d/sp/i/869/pid/869>.

⁶ While the Council supports the substance of the petition, our "number one" rulemaking priority is the reissuance of Rule 14a-11 on proxy access. See, e.g., Letter from Jeff Mahoney, General Counsel, Council of Institutional Investors to Mary L. Schapiro, Chairman, United States Securities and Exchange Commission 2 (Sept. 7, 2011), <http://www.cii.org/UserFiles/file/resource%20center/correspondence/2011/09-07-11%20Letter%20to%20SEC%20on%20Proxy%20Access.pdf>.