November 1, 2011

Ms. Elizabeth M. Murphy, Secretary
Securities and Exchange Commission
100 F Street, Northeast
Washington D.C. 20549
By email: rule-comments@sec.gov

Re: File No. 4-637, Petition to Require Public Companies to Disclose to Shareholders the Use of Corporate Resources for Political Activities

Dear Ms. Murphy,

We are writing today representing the undersigned organizations to voice our strong support for the petition referenced above seeking a rulemaking requiring corporate political transparency. We represent a wide range of investment professionals, including mutual fund and other institutional asset managers, foundations, religious investors and financial planners. Our organizations manage more than $690 billion on behalf of individual and institutional clients in North America and Europe

The rulemaking petition was submitted on August 3, 2011 by the Committee on Disclosure of Corporate Political Spending, a group of prominent law professors specializing in the areas of corporate and securities law. The petition captures the concerns of a substantial number of investors that have, particularly over the past five years, persistently sought transparency in corporate political spending. Many leading corporations have responded to this growing call for disclosure. Currently, 88 major companies already publicly disclose their political spending policies and their direct political payments, including more than half of the S&P 100. These companies include Microsoft, Wells Fargo, Merck and Aetna.

Shareholder proposals requesting corporate political transparency have been among the most frequently filed proposals over the past few years, making up one-quarter of all social and environmental policy resolutions filed in 2011, with 88 proposals, up from only 53 in 2010. Thirty-three disclosure-oriented proposals from the Center for Political Accountability went to a vote and received 34 percent support on average in 2011, up from 30.4 percent at 29 firms in 2010. These proposals have received sustained and growing support from investors.

We strongly believe that corporate political spending transparency is in the best interests of investors, companies and the general public, and that the Securities and Exchange Commission is the most appropriate agency to require such disclosure.

Corporate political spending transparency is necessary for the smooth and efficient functioning of our capital markets, as discussed below, and can serve as a critically needed risk management tool for shareholders, corporate management, and directors.

Finally, we believe the time has come for a clear rule requiring all public companies to disclose this information, and that such a rule would be simple to draft and to implement, as some of the largest U.S. companies have clearly demonstrated.

Background

Corporations use treasury funds[1] for a variety of political purposes, including direct contributions to state-level political candidates, including judges, to fund ballot initiatives, political parties and a range of tax-exempt entities, such as trade associations and 527 organizations that engage in political activity. Corporations may also contribute funds to finance political advertising on public policy issues or to advocate for or against the election of particular candidates. These activities are subject to a variety of state and federal laws, but there are no current rules that require that companies disclose this spending to their shareholders, and there are significant gaps in the type of spending that is required to be disclosed to anyone. As a result, it is virtually impossible for an investor to obtain a complete picture of any individual company's political spending, with the exception of those companies that have elected to voluntarily disclose this information.

Some corporations claim that these activities are important to maintain their competitive business position, and thus they are in shareholders' best interests. Shareholders, however, have no uniform means to monitor these activities, or assess the risks of corporate political spending without an SEC rule requiring full disclosure for all public companies. Information that is already available points to a range of serious risks. Full disclosure would allow investors to manage, and help to mitigate, the full range of risks presented by corporate political spending. For example:

- Political spending disclosure helps prevent corporations (and unaccountable corporate executives) from using corporate treasury funds to obtain competitive advantages through political means, rather than by adding value in the marketplace (in economics, what is commonly known as "private rent seeking"). Secret political giving undermines free enterprise and creates unearned advantages in the marketplace. These activities distort the workings of the market, and result in misallocations of capital. Mandatory corporate political spending disclosure would further a marketplace where companies compete and win based on superior products and services, rather than by superior access to lawmakers. Certainly this is in keeping with the SEC's mandate to "maintain fair, orderly, and efficient markets."

- Political spending disclosure would also help to mitigate the high risk of conflicts of interest and self-dealing by politically active CEOs and other senior executives that may be using corporate treasury funds for their own political purposes. The Commission has consistently favored disclosure as an effective means to address conflicts of interest.

- Trade associations, and a range of other tax-exempt entities such as 501(c)(4) social welfare organizations, have become significant conduits for 'indirect' corporate political spending. Many of these organizations are not required to disclose the source of their funding. We believe that the opacity of these organizations has contributed to an increased radicalization of their politics. In our experience engaging with corporations on these issues, trade associations are frequently taking positions that contradict the policies of many of their

[1] It should be noted that many companies maintain a Political Action Committee (PAC), which is administered by the company, but is funded by employees. Information on PAC contributions is already publicly available. This letter is focused on the direct and indirect use of corporate treasury funds for political purposes, not employee money.

corporate members. Without full disclosure of the payments corporations make to these groups for political purposes and the corporate policies and procedures that guide such payments, neither shareholders nor corporations have any effective means to hold these increasingly influential and powerful organizations accountable. We have seen instances where this lack of accountability has led corporations to finance both sides of controversial public policy issues, such as healthcare reform and climate change regulation.

- Political spending disclosure also protects companies from the growing risks posed by pay to play political fundraising. The SEC recently passed a rule to address the risks of pay to play arrangements between registered investment advisers and state entities, and issuers of municipal securities are also covered by pay to play regulations requiring, *inter alia*, the adoption of compliance policies and procedures and internal monitoring of political spending of certain key executives. Many public corporations, however, are also exposed to these risks and are not subject to similar regulations.

- Corporations face a complex patchwork of legal risks at the state and federal levels when they engage in political spending. [2]

The Rulemaking Petition notes that "Absent disclosure, shareholders are unable to hold directors and executives accountable when they spend corporate funds on politics in a way that departs from shareholder interests." Based on our experience engaging with corporations, we believe it is ***common*** for corporate political spending to diverge and undermine shareholder interests. We believe that undisclosed corporate political spending can encourage behavior that poses legal, reputational and operational risks to companies and systemic risks to our economy and to our political and judicial institutions.

All of these concerns were dramatically increased by the Supreme Court's decision in *Citizens United v. Federal Election Commission*,[3] which legalized unlimited corporate spending to influence the outcome of elections, so long as this spending is not coordinated with a candidate ("independent expenditures"). It is troubling to note than most public companies have no publicly available policies to address this new and risky avenue of political spending. [4]

The Supreme Court said that full, real-time disclosure of corporate political payments allows shareholders to "determine whether their corporation's political speech advances the corporation's interest in making

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[2] Lack of compliance with these laws can have significant consequences. For example, eight major companies were indicted by a Texas grand jury in 2004 for giving more than $500,000 to Rep. Tom DeLay's Texans for a Republican Majority political action committee in the 2002 elections. Texas law prohibits corporate political contributions at the state and local level. The companies were Alliance Quality Nursing Home Care, Bacardi USA, Cracker Barrel, Diversified Collection Services, Questerra Corporation, Sears Roebuck, Westar Energy, and Williams Companies. The total amount they spent on legal costs is unknown, but likely far exceeded the political contributions that resulted in the indictments.

[3] 130 S.Ct. 876 (2010)

[4] See, e.g., Ryan McConnell, Katharine Southard and Katelyn Richardson, *Corporations and Politics: Blue or Red, Few Companies are Neutral, Corporate Counsel, Oct. 31, 2011*, available at http://bit.ly/rJsiKs ("After *Citizens United*, companies are able to draw from their own corporate funds to finance political advertisements, instead of using political action committees funded through voluntary employee contributions. ... Surprisingly, we found the political contribution policies in codes of conduct remained basically unchanged after the Supreme Court's decision. Only two Fortune 500 codes of conduct specifically reference the *Citizens United* decision.")

profits."[5] Corporate political disclosure would provide investors with a previously unavailable window into this important area of corporate strategy, providing shareholders with additional means to discern the true drivers of corporate value, and to more accurately assess management's view of the political risks and opportunities they face.

Political spending disclosure protects not just shareholders but also protects and strengthens companies. Indeed, disclosure facilitates good corporate governance, because it is not only shareholders that are currently in the dark about corporate political spending—corporate directors are too often not well informed about the purposes or recipients of this spending either. According to a report issued by the Conference Board, a leading non-partisan, non-profit business membership and research organization, "For directors, an understanding of the details and nuances of political spending is becoming essential in order to carry out their oversight responsibilities."[6] According to a 2008 survey of corporate directors conducted by Mason-Dixon Polling and Research, Inc. a substantial percentage reported that political activity poses risks to their company, industry and corporate America at-large, but 4-in-10 directors reported that they do not even receive reports detailing the political spending of the companies they oversee. Surveyed directors were strongly supportive of disclosure of this information.[7]

Many leading companies have now recognized that political transparency and board oversight are prudent and efficient means to mitigate the broad range of risks presented by corporate political spending. As a result, board oversight of political spending, accompanied by full disclosure of both direct and indirect political spending is becoming a best practice corporate governance standard. As noted above, 88 major corporations, including more than half of the S&P 100, have voluntarily established board oversight of corporate political spending, and full disclosure of all direct political payments made by the company. A smaller number of companies have adopted full political transparency, by also disclosing the company's *indirect* political spending, through trade associations and similar entities that engage in political activity and serve as conduits for corporate political spending. Forty-three corporations disclose full or partial information on their trade association payments or memberships.[8]

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[5] *Citizens United* at 916. The court added that "this transparency enables the electorate to make informed decisions and give proper weight to different speakers and messages." Eight justices supported full disclosure.

[6] Bruce Freed and Karl Sandstrom, *Political Money: The Need for Director Oversight* (The Conference Board Executive Action Series, No. 263, April 2008), available at http://www.perkinscoie.com/files/upload/DC_10-05_Sandstrom.pdf, and see also, *Handbook on Corporate Political Activity: Emerging Corporate Governance Issues* (The Conference Board, November 2010). In light of the importance of corporate political activity to corporate governance, the Conference Board has established a committee on corporate political activity, co-chaired by executives from Microsoft and Merck.

[7] This survey was commissioned by The Center for Political Accountability and the Zicklin Center for Business Ethics Research of the University of Pennsylvania's Wharton School. Mason-Dixon Polling & Research, Inc. conducted the survey from February 4-15, 2008. A total of 255 members of boards of directors of Russell 2000 companies were interviewed by telephone. *Nationwide Survey of Members of Corporate Boards of Directors* (2008), available at http://www.politicalaccountability.net/index.php?ht=a/GetDocumentAction/i/919. The survey and its findings are attached to this letter for your convenience, in addition to the findings of a Mason-Dixon survey of investors.

[8] According to a new study issued by the Center for Political Accountability and the Zicklin Center for Business Ethics at the Wharton School of the University of Pennsylvania, 43 companies disclose some information about their indirect spending through trade associations or other tax-exempt groups. Of the 43 companies, 26 disclose the portion of their trade association payments, or funds paid to tax-exempt third-party groups, that are used for political or lobbying purposes. Another 17 companies disclose less detailed information about their trade associations, such as listing their memberships but failing to disclose the amounts used for political purposes. See *The CPA-Zicklin Index of Corporate Political Disclosure and Accountability: How Leading U.S. Companies Navigate Political Spending in the Wake of Citizens United* (Center for Political Accountability and Zicklin Center for Business Ethics at the Wharton School of the University of Pennsylvania, Oct. 28, 2011), available at http://www.politicalaccountability.net/index.php?ht=a/GetDocumentAction/i/5800

Perhaps the closest analogy in existing regulation is to the requirement that mutual funds publicly disclose their proxy voting polices and actual votes. In that context, the Commission recognized that mutual funds are fiduciaries, voting proxies on behalf of their investors. The Commission stated that "Investors in mutual funds have a fundamental right to know how the fund casts proxy votes on shareholders' behalf." The Commission argued:

> Yet, despite the enormous influence of mutual funds in the capital markets and their huge impact on the financial fortunes of American investors, funds have been reluctant to disclose how they exercise their proxy voting power with respect to portfolio securities. We believe that the time has come to increase the transparency of proxy voting by mutual funds. This increased transparency will enable fund shareholders to monitor their funds' involvement in the governance activities of portfolio companies, which may have a dramatic impact on shareholder value.[9]

Similar arguments apply to corporate political spending. Corporations do not speak for themselves. Whether you believe they speak for their shareholders, or their broader base of stakeholders, as some companies claim, they are legal entities using other people's money for political purposes. They have a tremendous influence over our government and the laws and rules that ultimately impact our economy and shareholder value. We believe shareholders should have a right to this information.

Specific Guidance: Content and Format of Disclosure

In its rulemaking petition, the Committee on Disclosure of Corporate Political Spending raised a series of questions regarding the scope and format of the requested disclosure. We believe these questions are easily answered, and that the experience of the 88 major companies that currently disclose their political contributions should be instructive.

Public companies should be required to disclose the following information:

1. Policies and procedures for political contributions and expenditures (both direct and indirect) made with corporate funds.

2. Monetary and non-monetary contributions and expenditures (direct and indirect) used to participate or intervene in any political campaign on behalf of (or in opposition to) any candidate for public office, and used in any attempt to influence the general public, or segments thereof, with respect to elections or referenda. The report should include:

    a. An accounting through an itemized report that includes the identity of the recipient as well as the amount paid to each recipient of the Company's funds that are used for political contributions or expenditures as described above; and

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[9] Final Rule: Disclosure of Proxy Voting Policies and Proxy Voting Records by Registered Management Investment Companies, 17 CFR Parts 239, 249, 270, and 274, available at http://www.sec.gov/rules/final/33-8188.htm (Footnote omitted)

b. The title(s) of the person(s) in the Company responsible for making the decisions to make the political contribution or expenditure.

Corporate political spending disclosure must be provided in a disaggregated fashion, broken down by recipient. This is consistent with how most companies currently disclose this information.

We would recommend that companies be required to report on how trade associations are using their payments. This would include providing a report on the recipients or beneficiaries of trade association political spending underwritten by company funds. Avon is one company that currently provides this level of disclosure.[10]

Links to current corporate disclosures are available at:
http://www.politicalaccountability.net/index.php?ht=d/sp/i/869/pid/869

DE MINIMUS EXCEPTION: The Committee on Disclosure of Corporate Political Spending recommended that the Commission adopt a *de minimus* exception for corporate political spending disclosure, with a low threshold. We do not believe that such an exception is warranted or necessary for direct political payments to candidates and most third parties. Companies have not had any problem disclosing small contributions, and it is important to understand that the amount of the payment is not necessarily proportional to the risk. Target, for example, has faced a persistent consumer boycott and public relations debacle after a single $150,000 contribution, certainly not a 'material' figure when compared to the company's annual revenues.[11] In 2004, Merck made a $1,000 contribution to a Mississippi Supreme Court candidate's campaign. This small contribution resulted in controversy for the company when the candidate was accused of running a racist campaign.[12]

With respect to trade association payments, some corporations have established a threshold for disclosure due to the significant number of memberships they may maintain. We believe that a $25,000 threshold for disclosure would be acceptable where corporations can demonstrate that full disclosure of all of these memberships would be impractical.

EXEMPTION: The rulemaking petition suggests that companies that restrict how their money can be used politically should be exempted from the disclosure requirements. We are aware of a number of major companies that have placed formal restrictions on the use of their funds by trade associations. Companies that include such restrictions in their formal policies should be exempt from the requirement to disclose these payments. This exemption would provide companies with the means to minimize the cost of compliance with this rule by placing meaningful restrictions on the use of their money.

FREQUENCY: The Supreme Court speculated about the advantages of "real time" disclosure of corporate political expenditures. Most corporations that currently disclose their political spending do so on an annual basis. We would recommend that disclosure be required to be produced on a semi-annual basis to ensure that disclosure is reasonably well aligned with the political cycle. In order to allow shareholders to make accurate comparisons between companies, all companies should be directed to

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[10] http://avoncompany.com/aboutavon/corporategovernance/docs/2010.Poli.Contribute.report.pdf (visited 9/22/11)

[11] See, e.g., Brian Montopoli, *Target Boycott Movement Grows Following Donation to Support "Antigay" Candidate, CBS News, July 28, 2010, available at* http://www.cbsnews.com/8301-503544_162-20011983-503544.html

[12] *Handbook on Corporate Political Activity*, at 29.

publish these reports by a set date. To achieve alignment with both the proxy voting and electoral seasons, we would recommend that these reports be provided at the end of the first and third quarters.

LOCATION OF DISCLOSURE: Currently, companies that voluntarily disclose their political contributions provide this information on their websites. We would support a requirement to notify shareholders in the proxy statement where this information can be found on the corporate website. The creation of a new form, similar to Form N-PX for mutual fund proxy voting disclosure, would improve investors' ability to analyze and compare corporate disclosures.

Conclusion

Political disclosure is necessary for the smooth functioning of markets, and fits comfortably within the securities laws and the SEC's framework. It is an important tool that helps shareholders, management and directors deal with significant risks that can threaten companies and shareholder value. We respectfully urge the Commission to move forward with the Committee's rulemaking petition, and would be pleased to provide additional information on any of the points raised in this letter. If you need any further information, Adam Kanzer of Domini Social Investments will serve as primary point of contact for the undersigned group of investors.

Sincerely,

Iain Richards
Regional Head of Corporate Governance
Aviva Investors

Judy Seid
Branch Manager
Blue Summit Wealth Management, Inc.

B. Scott Sadler, CFA
President, Chief Investment Officer
Board Walk Capital Management, Inc.

Lauren Compere
Managing Director
Boston Common Asset Management

Susan Vickers, RSM
VP Community Health
Catholic Healthcare West

Daniel Nielsen
Director, Socially Responsible Investing
Christian Brothers Investment Services, Inc.

Rian Fried
President
Clean Yield Asset Management

Community of the Sisters of St. Dominic
of Caldwell, NJ

Steve Zielinski
Representative/Fund Manager
Diocese of Springfield, IL
Dominican Sisters of Springfield, IL
Sisters of the Presentation -- Aberdeen, SD

Adam Kanzer
Managing Director & General Counsel
Domini Social Investments

Stephen Hine
Head of Responsible Investment Development
EIRIS

Dr. Dominique Biedermann
Executive Director
Ethos Foundation Switzerland

Elizabeth McGeveran
Senior Vice President
F&C Investments

Steven J. Schueth
President
First Affirmative Financial

Kristina Curtis
Senior Vice President for Sustainable Investing
Green Century Capital Management

John Harrington
CEO
Harrington Investments, Inc.

Laura Berry
Executive Director
Interfaith Center on Corporate Responsibility

Joyce K. Moore, ChFC, LUTCF
President
Joyce Moore Financial Services

Peter Krull
President & Founder
Krull & Company

Susan Makos
Director of Social Responsibility
Mercy Investment Services, Inc.

Deirdre McElroy LPL
Financial Planner and
Responsible Investing Advocate

Laura Campos
Director of Shareholder Activities
The Nathan Cummings Foundation

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NEI Investments

Bruce T. Herbert, AIF
Chief Executive
Newground Social Investment

Jerome L. Dodson
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Parnassus Investments

Julie Gorte
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PaxWorld Management LLC

Richard W. Torgerson
Director of Social Research & Shareholder
Advocacy
Progressive Asset Management

Dan Apfel
Executive Director
Responsible Endowments Coalition

Manuel Adamini
Head of ESG-research
SNS Asset Management

Ron Freund CFS
Duncan Meaney
Social Equity Group

Lars Lewander
President
Spring Water Asset Management

Seb Beloe
Head of SRI Research
Sustainable & Responsible Investment (SRI) funds of Henderson Global Investors

Thomas E. Ellington II
Trust Administrator
The Sustainability Group of Loring, Wolcott & Coolidge

Lauren Webster
CFO
Tides Foundation

Shelley Alpern
Vice President
Trillium Asset Management

Patricia Daly
Executive Director
Tri-State Coalition for Responsible Investment

Kathryn McCloskey
Director, Corporate Social Responsibility
United Church Funds

Lisa Woll
CEO
US SIF: The Forum for Sustainable and Responsible Investment

Timothy Smith
Senior Vice President and
Director of ESG Shareowner Engagement
Walden Asset Management

Sonia Kowal
Director of Socially Responsible Investing
Zevin Asset Management, LLC

Enclosures:

- Mason-Dixon Polling & Research, Nationwide Survey of Members of Corporate Boards of Directors (2008)
- Mason-Dixon Polling & Research, Corporate Political Spending: A Survey of American Shareholders (2006)

MASON-DIXON
POLLING & RESEARCH

The Center for Political Accountability

&

Zicklin Center
For Business Ethics Research
The Wharton School

2008

Nationwide Survey of Members of Corporate Boards of Directors

Attitudes Towards
& Awareness Of:

- **Campaign Finance Laws**
- **Corporate Oversight of Political Spending and Activity**
- **Proposed Reforms**

Conducted By
Mason-Dixon Polling & Research
Washington, D.C. - (202) 548-2680

The Center for Political Accountability
&
Zicklin Center
For Business Ethics Research
The Wharton School

2008

Nationwide Survey
of
Members of Corporate Boards of Directors

Political Spending & Activity

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Report

APPENDIX

BACKGROUND & RESEARCH OBJECTIVES

This survey was commissioned by ***The Center for Political Accountability (CPA)*** and the Zicklin Center for Business Ethics Research of the University of Pennsylvania's Wharton School. CPA is a "non-profit, non-partisan dedicated to bringing transparency and accountability to corporate political giving" and activity.[1] The Zicklin Center sponsors research on critical topics in business focusing on business ethics and corporate governance.[2]

Core to the organizations' mission is to better understand corporate leaders attitudes towards, awareness of and behaviors related to corporate political activities and political spending.

That is the context in which this survey was conducted. The research objectives were defined by CPA and the Zicklin Center and focused on documenting and measuring:

- The level of political activity of boards of directors.
- The perceived importance and impact of corporate political activity.
- The level of familiarity and knowledge of campaign finance laws as they relate to corporations.
- Internal reporting and processes related to corporate political activity.
- The perceived level of risk associated with corporate political activity.
- The degree of support for specific reform proposals regarding disclosure and board oversight of corporate political activity.

The objectives were accomplished by the survey and are detailed in this report.

[1] http://www.politicalaccountability.net
[2] http://www.zicklincenter.org

Methodology

Mason-Dixon Polling & Research, Inc. conducted this survey from February 4-15, 2008. A total of 255 members of boards of directors of Russell 2000 companies were interviewed by telephone.

Those interviewed were selected randomly from commercially available lists of Russell 2000 companies, which included listings of their boards of directors. In addition, the list of board member names were tele-matched to their personal residences; this enable researches to contact ‘independent and outside’ board members as well as ‘internal and management’ board members. Of the 255 board members interviewed 57% were ‘internal/management’ board members and 43% were ‘Independent/outside’.

The margin for error, according to standards customarily used by statisticians, is no more than plus or minus +/-6 percentage points. This means that there is a 95 percent probability that the "true" figure would fall within that range if all board members of Russell 2000 companies were surveyed.

Key Findings

- Relatively few boards are actively engaged in political advocacy and even fewer are engaged in fund raising.

- **A majority of directors think that political advocacy is essential to their industry and company**, **yet few say the activity results in favorable outcomes.**

- More directors report that **political advocacy by competitor companies and industries does more 'harm' than their political advocacy does 'good'.**

- A substantial percentage of directors state that they are familiar with the laws and regulations concerning corporate political activity. Yet, **when tested on the disclosure regime that is at the core of campaign finance law, they fail miserably.**

- Directors express a high level of confidence in their company's internal reporting and oversight of political activity. Yet, 4-in-10 directors report that they do not even receive reports detailing political spending

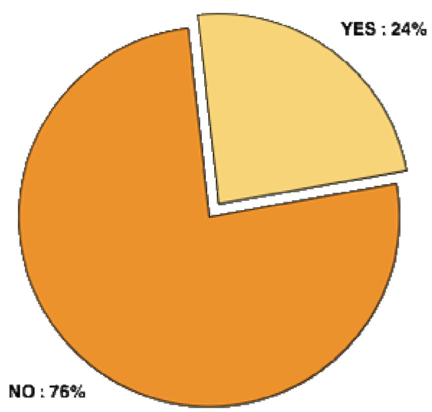
- **A substantial percentage report that political activity poses risks to their company**, industry and corporate America at-large.

- In response to the legal and reputational risk, **directors strongly support reforms in the disclosure** of corporate political activity.

Political Activity by Boards of Directors

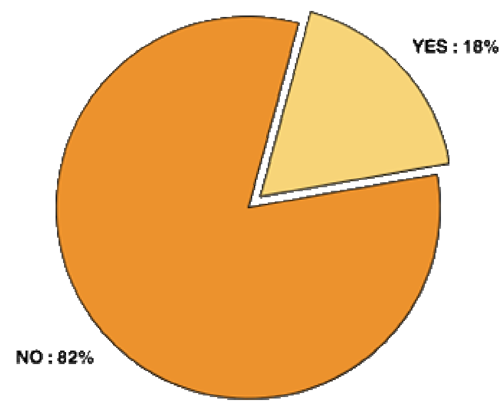
Advocacy

Are you or other board members personally engaged in political and policy advocacy for your corporation or industry with elected officials or regulatory agencies?



Fundraising

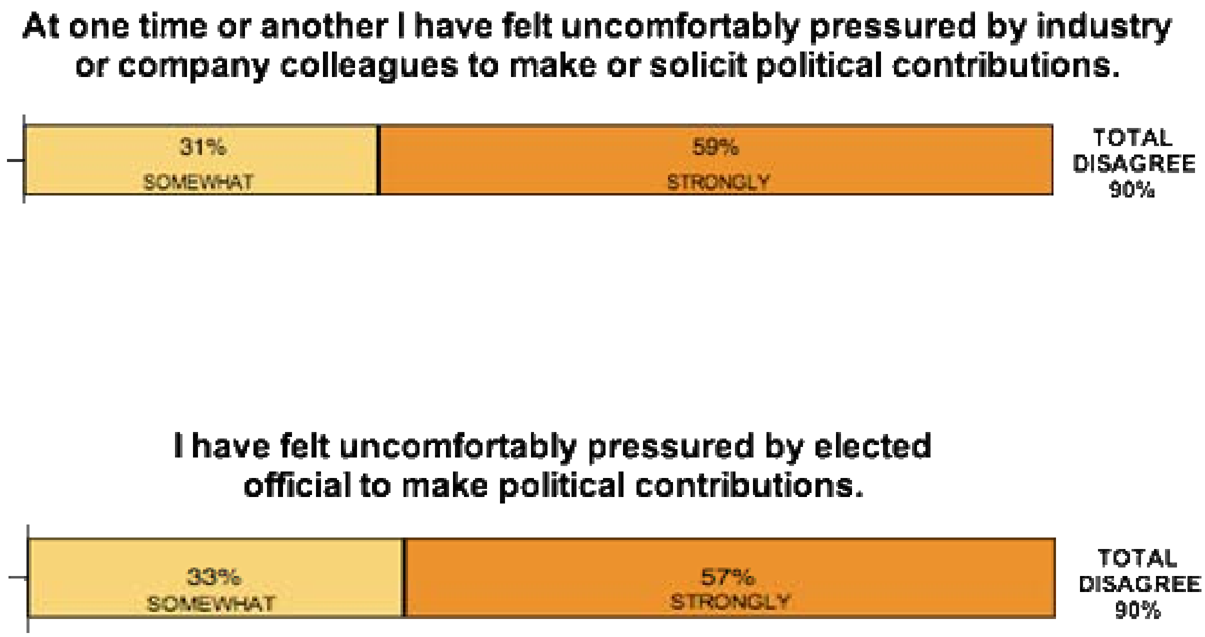
Are you or other board members personally engaged in corporate or industry political fundraising or spending?



- **Relatively few boards** are involved **in political activity**. When asked if they or any other board members engaged in political advocacy, just 24% said yes and even fewer are engaged in political fund raising (18%).

- During their tenure, a majority (66%) of directors said that the level of corporate political activity has stayed about the same, 14% said it had increased, 5% decreased, and 15% were not sure.

Pressure to Contribute?

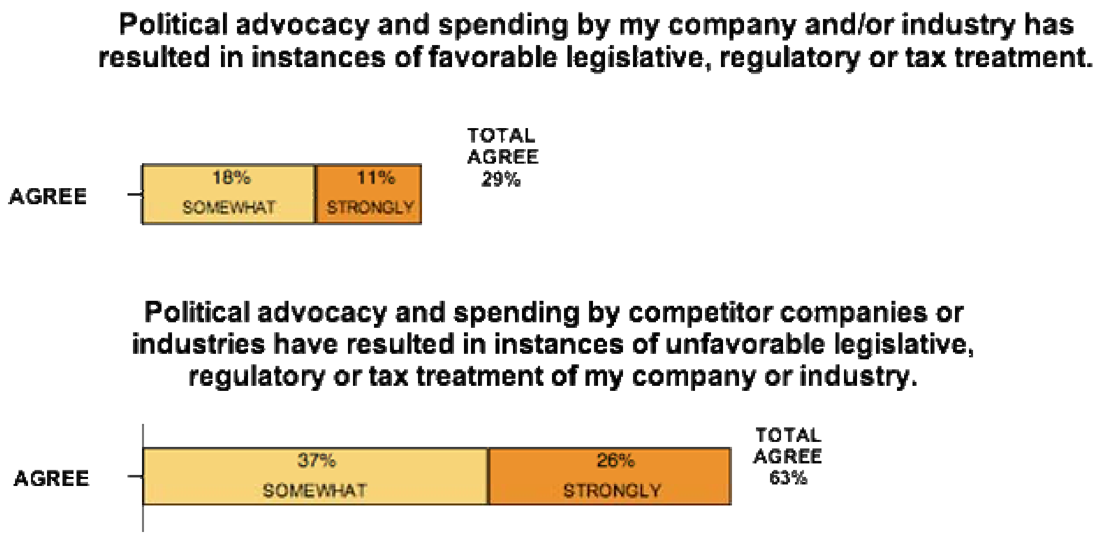


- There is a **strong consensus (90%) among directors that they are not *'uncomfortably pressured'*** to make or solicit political contributions by company or industry colleagues.

- An identical percentage (90%) said the same about pressure from elected officials.

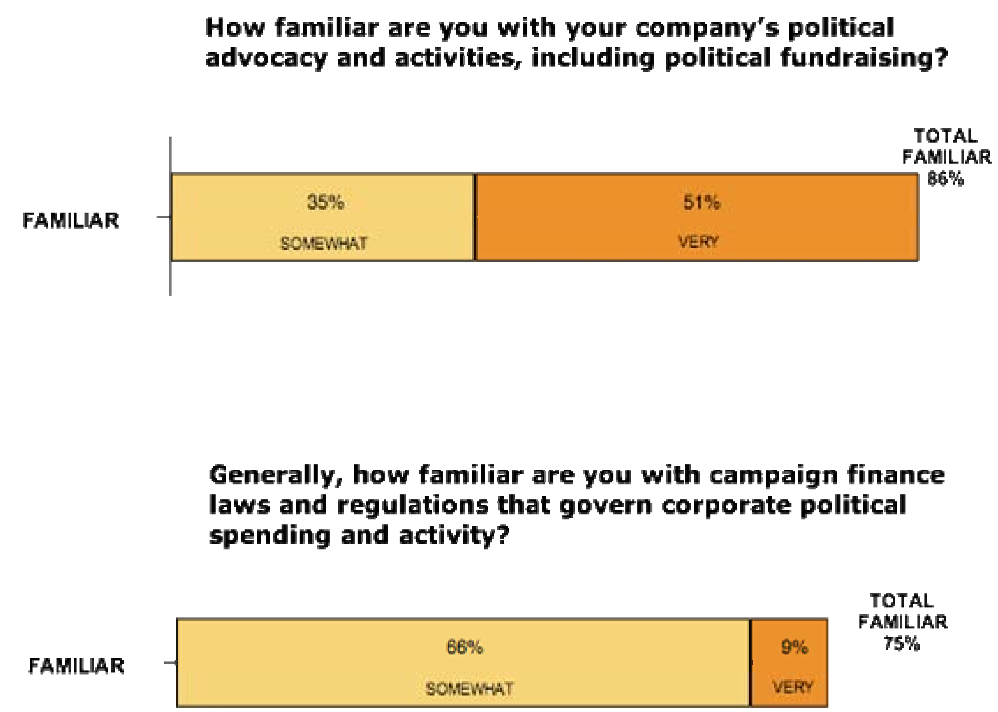
- There was a good deal of intensity in response to both questions with nearly 6-in-10 directors 'strongly disagreeing' that they felt pressure to make political contributions.

Impact of Political Advocacy & Spending by Companies



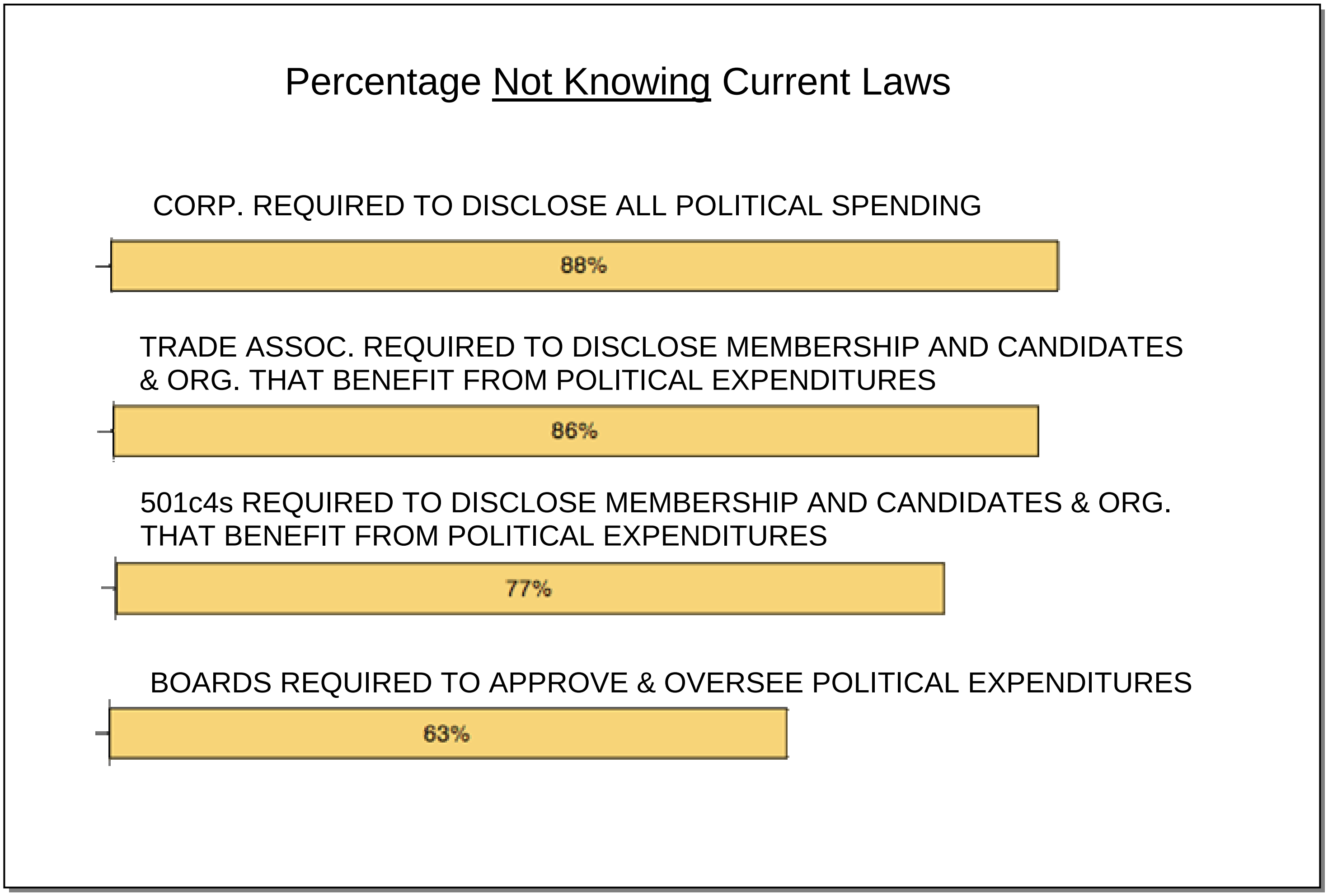
- While 6-in-10 directors state that political activity is essential to their company's and industry's competitiveness, twice as many (63%) say that political activity by competitor companies or industries has resulted in unfavorable treatment than favorable (29%).

Familiarity with Campaign Finance Laws & Own Company Political Activities

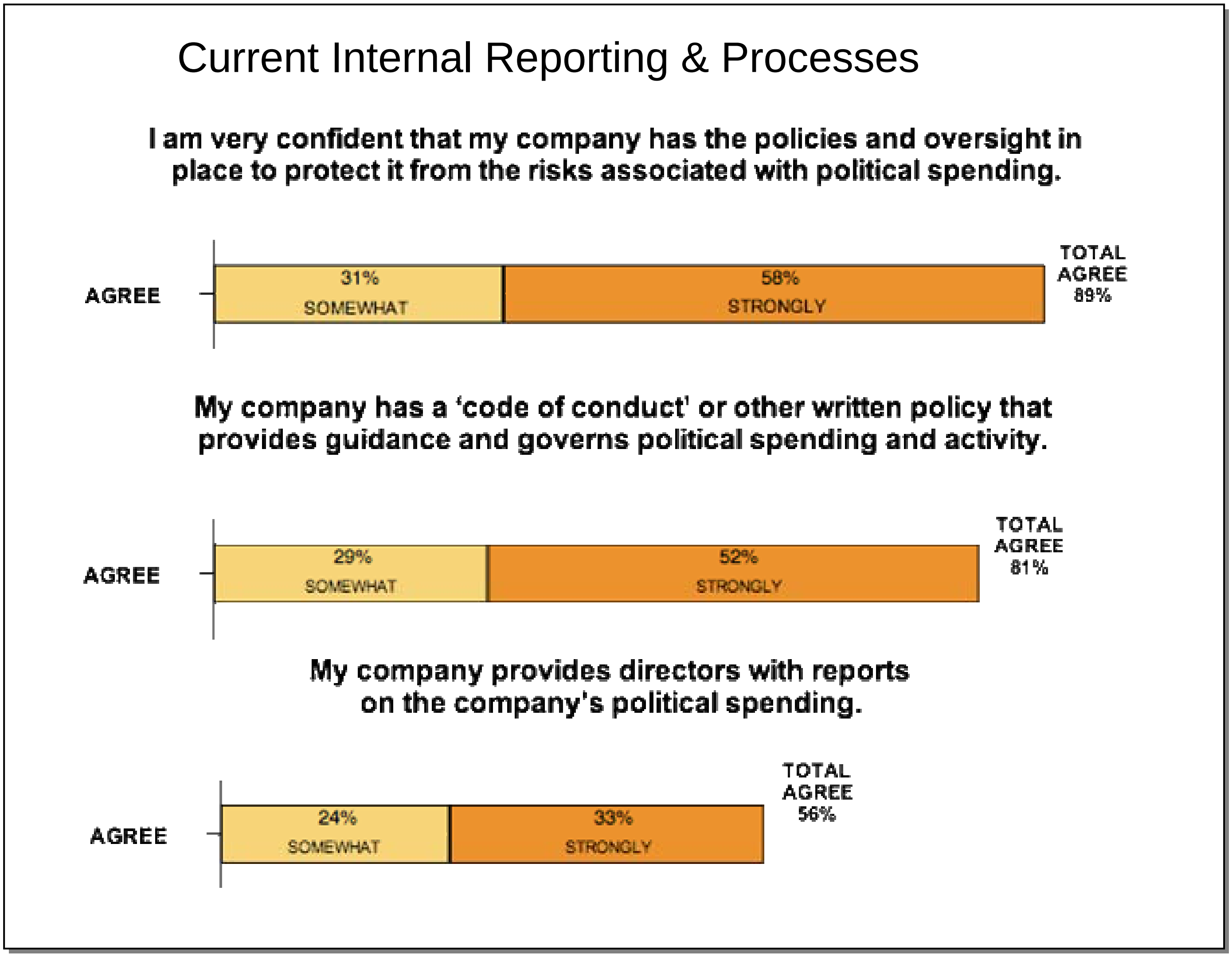


- Nearly 9-in-10 directors stated that they were familiar with the own company's political activity, with a majority (51%) of all directors saying that they were 'very familiar', and 35% 'somewhat' familiar.

- A substantial majority (75%) of directors say they are familiar with campaign finance laws, (9% 'very familiar' and 66% 'somewhat familiar').



- An overwhelming majority of directors failed when tested on their professed knowledge and familiarity with corporate campaign finance laws an.
- The chart above illustrates that overwhelming majorities of directors incorrectly think that all political contributions by corporations, trade associations and non-profits are required to be disclosed.
- More interestingly is the fact that 63% of directors mistakenly think that boards are required to approve and oversee political expenditures.



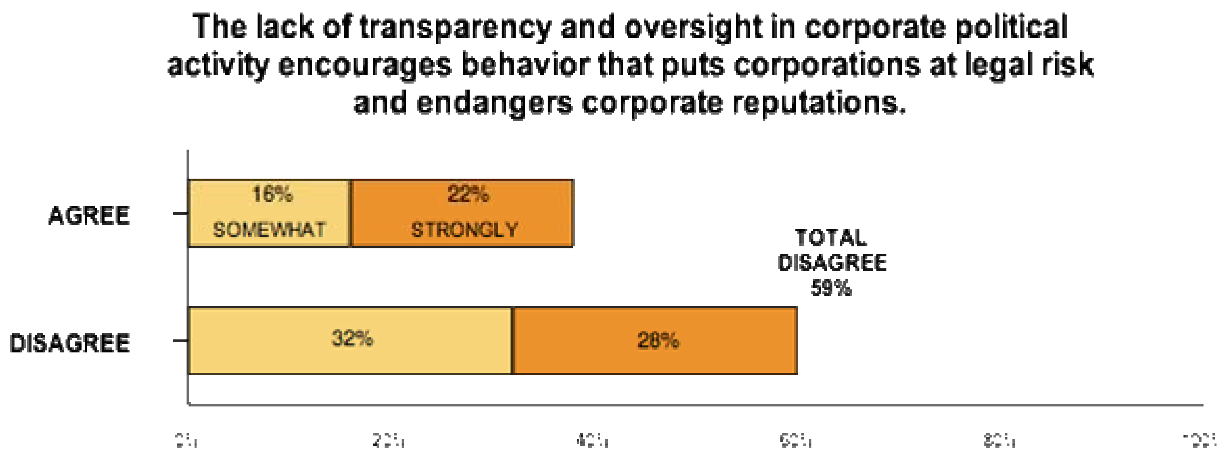
- 89% of directors say they are confident that their company policies and oversight protect the company from risks associated with political spending.

- 81% say they have 'codes of conduct' or other policies that provided guidance on political activity.

- But, just over half 56% say the receive reports on their company's political spending, which belies their reported confidence in their oversight.

Attitudes about Corporate Political Activity & Risk

Legal risk & risk to reputation



- While a majority (59%) disagreed, **4-in-10 (38%) directors think that lack of transparency and oversight of corporate political activity 'encourages behavior' that poses legal and reputational risks to companies**.

Attitudes about Corporate Political Activity & Risk
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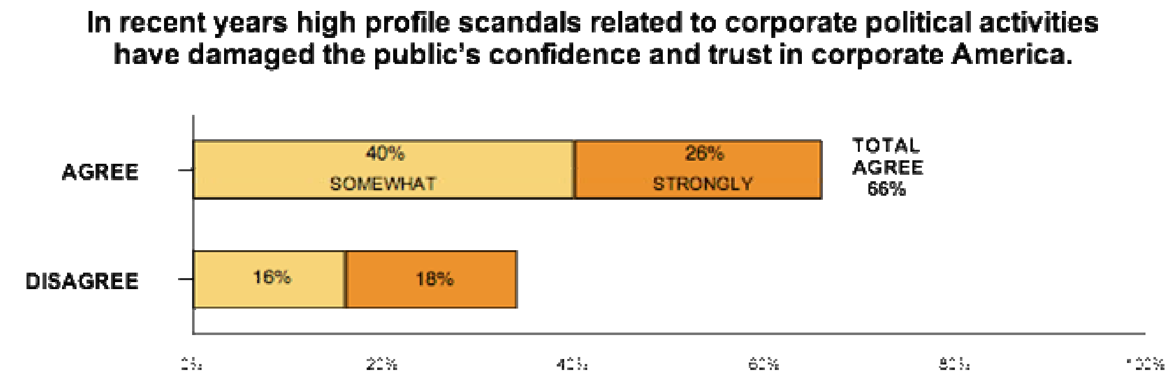
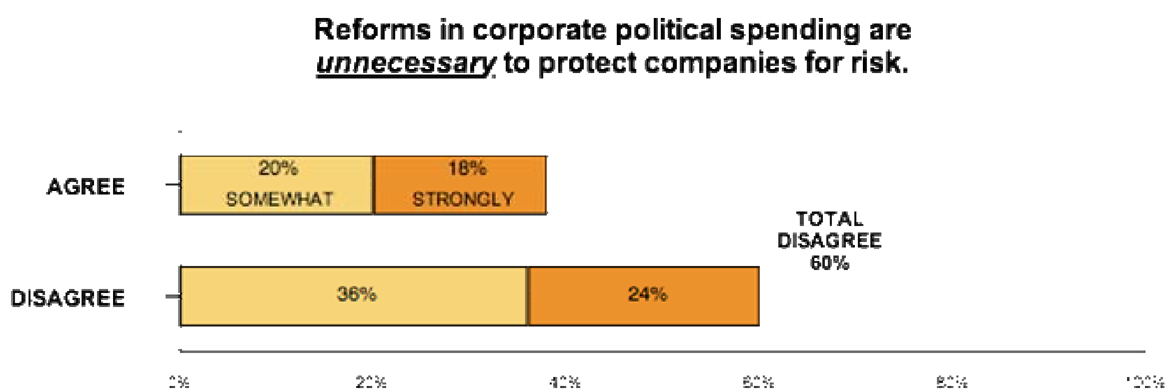
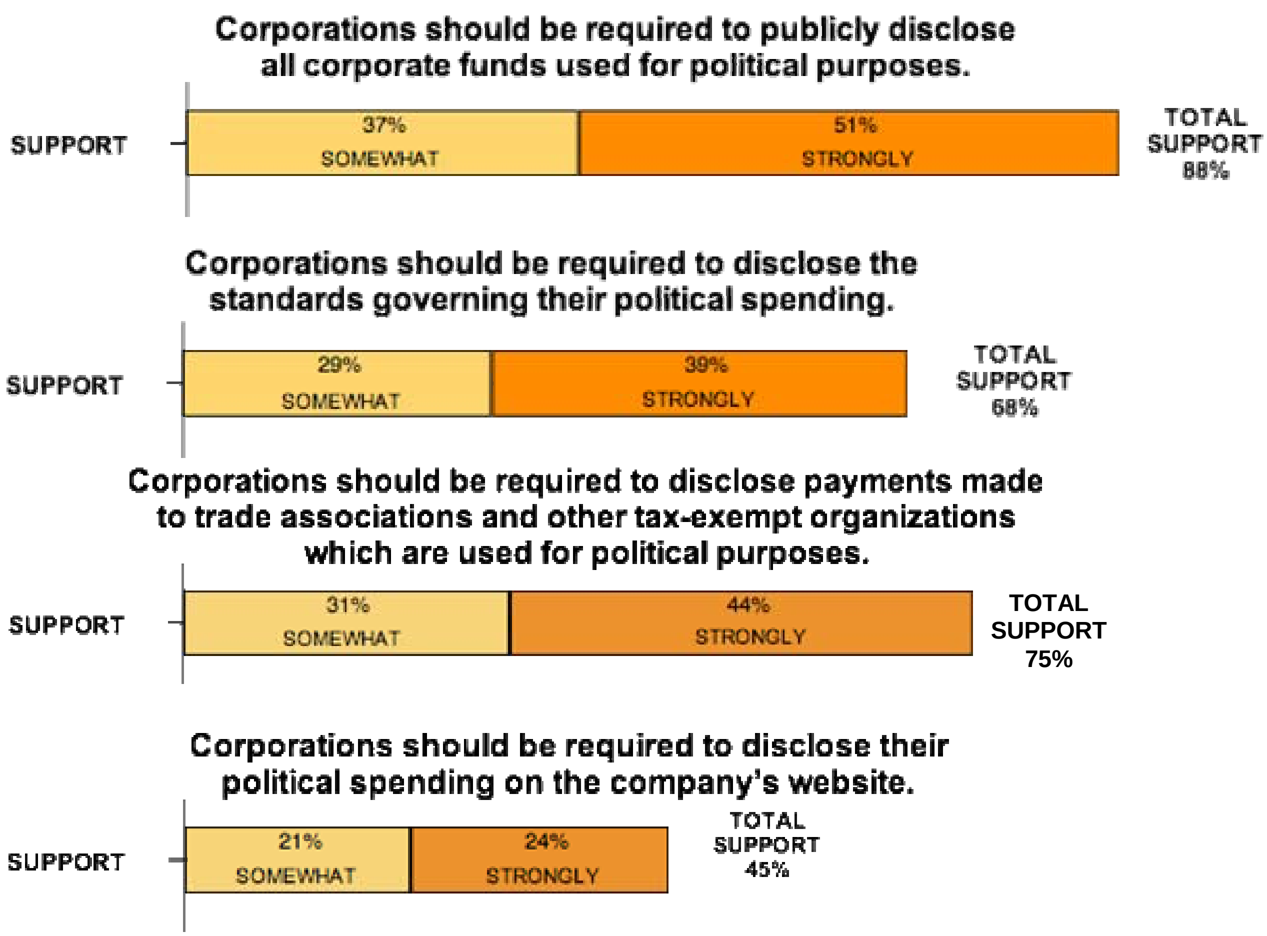


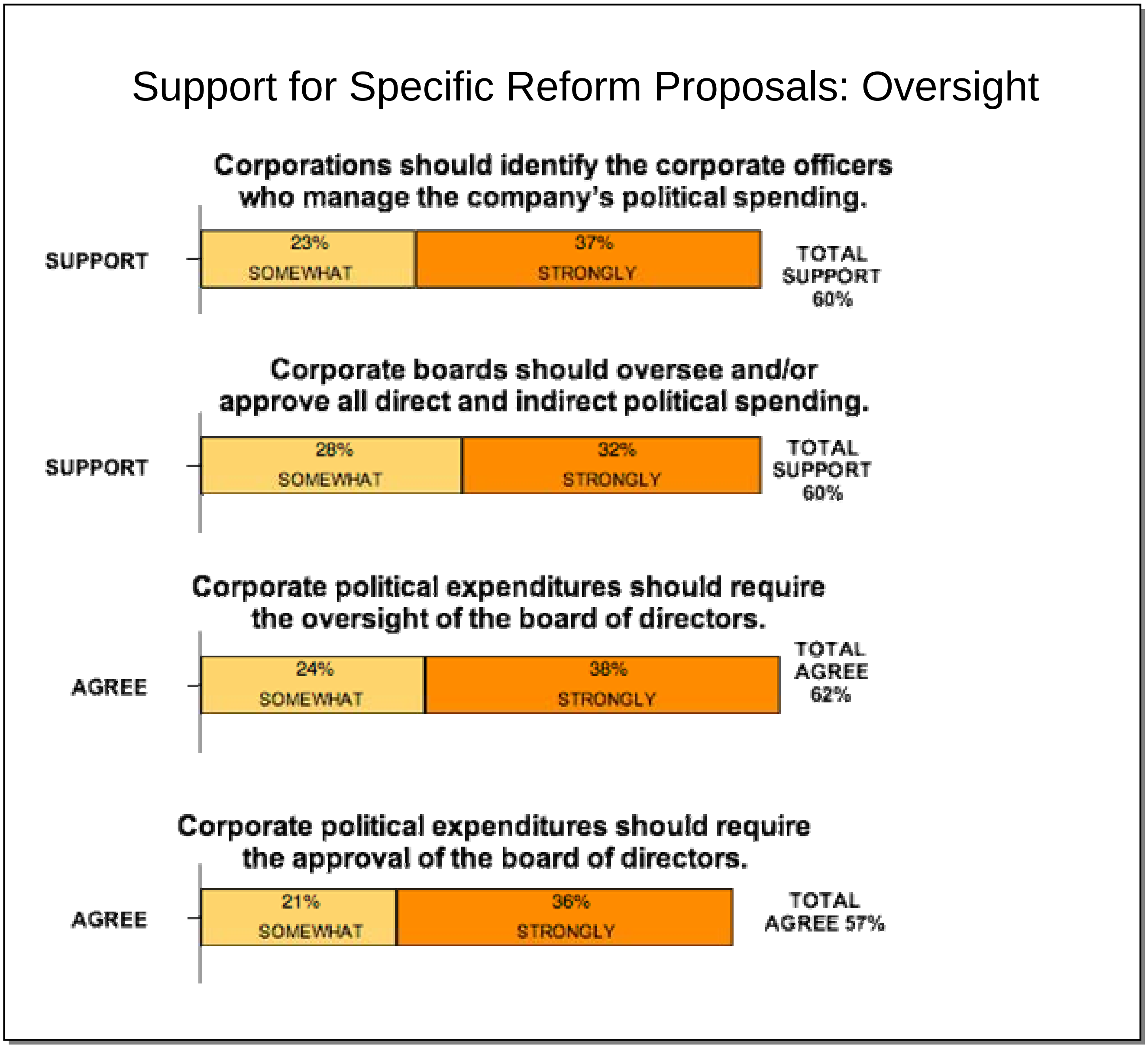


- Two thirds (66%) of directors say that recent corporate **scandals have damaged** the public's **trust and confidence in corporate America**.

Support for Specific Reform Proposals: Disclosure

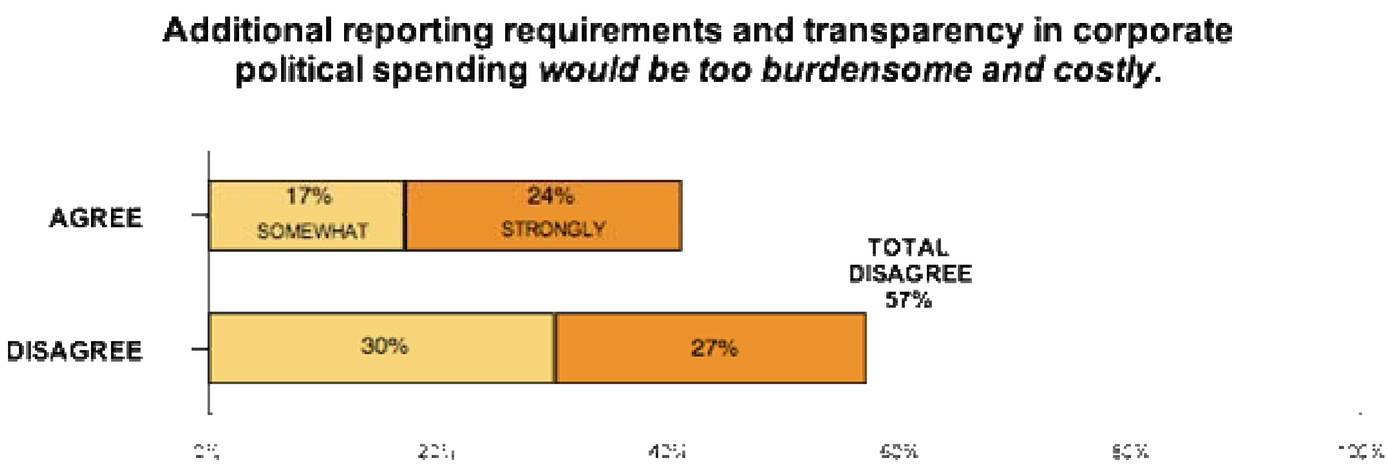


- Directors expressed **strong support with substantial intensity in each of the disclosure based reforms** tested (with the exception of posting their political spending on their company website).



- 60% of directors support accountability by identifying corporate officers who are responsible for political spending.
- Directors also stated support reforms codifying the boards' accountability by requiring board oversight (62%) and explicit approval (57%) of political spending.

The Burden & Cost of Reform



- A majority (57%) of board members disagreed that these additional reporting requirements and transparency in political spending would be too burdensome and costly.

Methodology: A total of 255 members of boards of directors of Russell 2000 companies were interviewed by telephone. Interviews were conducted between February 4 – 15, 2008. Margin of error is 6%.

1. Generally, how familiar are you with campaign finance laws and regulations that govern corporate political spending and activity?

VERY FAMILIAR	9%	
SOMEWHAT FAMILIAR	66%	75%
NOT TOO FAMILIAR	16%	
NOT FAMILIAR	9%	25%

2. How familiar are you with your company's political advocacy and activities, including political fundraising?

VERY FAMILIAR	51%	
SOMEWHAT FAMILIAR	35%	86%
NOT FAMILIAR	14%	
NOT SURE	0%	0%

3. Are you or other board members personally engaged in political and policy advocacy for your corporation or industry with elected officials or regulatory agencies?

YES	24%
NO	76%

4. Are you or other board members personally engaged in corporate or industry political fundraising or spending?

YES	18%
NO	82%

5. During your tenure as a corporate board member, has corporate political activity, including political spending, increased, decreased or stayed about the same?

INCREASED	14%
DECREASED	5%
STAYED THE SAME	66%
NOT SURE	15%

6. To the best of your knowledge, under current law, are corporations required or not required to publicly disclose all of their political spending?

REQUIRED	73%
NOT REQUIRED	12%
NOT SURE	15%

7. Under current law, are corporate boards required or not required to approve and oversee political expenditures?

REQUIRED	38%
NOT REQUIRED	37%
NOT SURE	24%

8. Are trade associations required to disclose their corporate members and the candidates and political organizations that benefit from their political expenditures?

REQUIRED	41%
NOT REQUIRED	14%
NOT SURE	46%

9. Are 501 c4 organizations required to disclose their contributors and the candidates and political organizations that benefit from the political expenditures?

REQUIRED	23%
NOT REQUIRED	23%
NOT SURE	54%

10. Corporations should be required to publicly disclose all corporate funds used for political purposes.

STRONGLY SUPPORT	51%	
SOMEWHAT SUPPORT	37%	88%
SOMEWHAT OPPOSE	9%	
STRONGLY OPPOSE	3%	12%
NOT SURE	1%	

11. Corporations should be required to disclose payments made to trade associations and other tax-exempt organizations which are used for political purposes.

STRONGLY SUPPORT	44%	
SOMEWHAT SUPPORT	31%	76%
SOMEWHAT OPPOSE	17%	
STRONGLY OPPOSE	6%	23%
NOT SURE	1%	

12. Corporations should be required to disclose the standards governing their political spending.

STRONGLY SUPPORT	39%	
SOMEWHAT SUPPORT	29%	68%
SOMEWHAT OPPOSE	15%	
STRONGLY OPPOSE	16%	31%
NOT SURE	1%	

13. Corporations should identify the corporate officers who manage the company's political spending.

STRONGLY SUPPORT	37%	
SOMEWHAT SUPPORT	23%	60%
SOMEWHAT OPPOSE	19%	
STRONGLY OPPOSE	19%	38%
NOT SURE	2%	

14. Corporate boards should oversee and/or approve all direct and indirect political spending.

STRONGLY SUPPORT	32%	
SOMEWHAT SUPPORT	28%	60%
SOMEWHAT OPPOSE	17%	
STRONGLY OPPOSE	22%	39%
NOT SURE	1%	

15. Corporations should be required to disclose their political spending on the company's website.

STRONGLY SUPPORT	24%	
SOMEWHAT SUPPORT	21%	45%
SOMEWHAT OPPOSE	28%	
STRONGLY OPPOSE	26%	54%
NOT SURE	1%	

16. Reforms in corporate political spending are unnecessary to protect companies for risk.

STRONGLY AGREE	18%	
SOMEWHAT AGREE	20%	38%
SOMEWHAT DISAGREE	36%	
STRONGLY DISAGREE	24%	60%
NOT SURE	2%	

17. I am very confident that my company has the policies and oversight in place to protect it from the risks associated with political spending.

STRONGLY AGREE	58%	
SOMEWHAT AGREE	31%	89%
SOMEWHAT DISAGREE	7%	
STRONGLY DISAGREE	3%	
NOT SURE	1%	4%

18. Corporations should disclose dues to trade associations and other tax-exempt organizations that are used for political purposes.

STRONGLY AGREE	38%	
SOMEWHAT AGREE	26%	64%
SOMEWHAT DISAGREE	18%	
STRONGLY DISAGREE	17%	35%
NOT SURE	2%	

19. Corporate political expenditures should require the oversight of the board of directors.

STRONGLY AGREE	38%	
SOMEWHAT AGREE	24%	62%
SOMEWHAT DISAGREE	20%	
STRONGLY DISAGREE	17%	36%
NOT SURE	2%	

20. Corporate political expenditures should require the approval of the board of directors.

STRONGLY AGREE	36%	
SOMEWHAT AGREE	21%	57%
SOMEWHAT DISAGREE	20%	
STRONGLY DISAGREE	23%	42%
NOT SURE	1%	

21. The lack of transparency and oversight in corporate political activity encourages behavior that puts corporations at legal risk and endangers corporate reputations.

STRONGLY AGREE	22%	
SOMEWHAT AGREE	16%	38%
SOMEWHAT DISAGREE	32%	
STRONGLY DISAGREE	28%	59%
NOT SURE	3%	

22. In recent years high profile scandals related to corporate political activities have damaged the public's confidence and trust in corporate America.

STRONGLY AGREE	26%	
SOMEWHAT AGREE	40%	66%
SOMEWHAT DISAGREE	16%	
STRONGLY DISAGREE	18%	34%
NOT SURE	0%	

23. Effective and active political advocacy by our industry, including fundraising and spending is essential to our industry's competitiveness and bottom line.

STRONGLY AGREE	26%	
SOMEWHAT AGREE	37%	63%
SOMEWHAT DISAGREE	18%	
STRONGLY DISAGREE	18%	35%
NOT SURE	2%	

24. Political advocacy and spending by competitor companies or industries have resulted in instances of unfavorable legislative, regulatory or tax treatment of my company or industry.

STRONGLY AGREE	17%	
SOMEWHAT AGREE	29%	46%
SOMEWHAT DISAGREE	29%	
STRONGLY DISAGREE	21%	51%
NOT SURE	3%	

25. Political advocacy and spending by my company and/or industry has resulted in instances of favorable legislative, regulatory or tax treatment.

STRONGLY AGREE	11%	
SOMEWHAT AGREE	18%	29%
SOMEWHAT DISAGREE	38%	
STRONGLY DISAGREE	28%	66%
NOT SURE	4%	

26. My company has a 'code of conduct' or other written policy that provides guidance and governs political spending and activity.

STRONGLY AGREE	52%	
SOMEWHAT AGREE	29%	82%
SOMEWHAT DISAGREE	11%	
STRONGLY DISAGREE	5%	16%
NOT SURE	3%	

27. My company provides directors with reports on the company's political spending.

STRONGLY AGREE	33%	
SOMEWHAT AGREE	24%	56%
SOMEWHAT DISAGREE	21%	
STRONGLY DISAGREE	20%	41%
NOT SURE	3%	

28. Additional reporting requirements and transparency in corporate political spending would be too burdensome and costly.

STRONGLY AGREE	24%	
SOMEWHAT AGREE	17%	41%
SOMEWHAT DISAGREE	30%	
STRONGLY DISAGREE	27%	57%
NOT SURE	2%	

29. At one time or another I have felt uncomfortably pressured by industry or company colleagues to make or solicit political contributions.

STRONGLY AGREE	2%	
SOMEWHAT AGREE	7%	10%
SOMEWHAT DISAGREE	31%	
STRONGLY DISAGREE	59%	90%
NOT SURE	0%	

30. At one time or another I have asked industry or company colleagues to make political contributions.

STRONGLY AGREE	5%	
SOMEWHAT AGREE	13%	18%
SOMEWHAT DISAGREE	25%	
STRONGLY DISAGREE	57%	82%

31. I have felt uncomfortably pressured by elected official to make political contributions.

STRONGLY AGREE	4%	
SOMEWHAT AGREE	7%	11%
SOMEWHAT DISAGREE	33%	
STRONGLY DISAGREE	57%	89%
NOT SURE	0%	

32. How many years have you been a member of a board of directors?

<5 YEARS	24%	
5-9 YEARS	19%	43%
10-19 YEARS	28%	
20+ YEARS	28%	56%
REFUSED	0%	

33. Are you an independent or outside director or not?

OUTSIDE	48%
NOT OUTSIDE	51%
REFUSED	2%

34. Would you consider your industry a highly regulated industry?

HIGHLY REGULATED	75%
NOT HIGHLY REGULATED	25%
REFUSED	0%

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The Center for Political Accountability

Corporate Political Spending

A SURVEY OF AMERICAN SHAREHOLDERS

2006

Conducted By
Mason-Dixon Polling & Research
Washington, D.C. - (202) 548-2680

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The Center for Political Accountability

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BACKGROUND & RESEARCH OBJECTIVES

This survey was commissioned by ***The Center for Political Accountability (CPA)***. Founded in October 2003, the Center is a non-profit, non-partisan organization dedicated to achieving corporate political transparency and accountability.[1]

The CPA is mounting the first sustained shareholder campaign to convince companies that disclosure and board oversight of their political activity is in their and their shareholders' best interest. Under current law, companies are not required to fully report and account for their political activity. In fact companies are free to use corporate funds to make unlimited political contributions and expenditures without ever having to account to shareholders for those disbursements. The amount of corporate money devoted to politics is often a mystery to shareholders. The mystery is compounded by the fact that an enormous amount of corporate political spending is routed through trade associations and other tax exempt entities. These organizations, including the country's leading trade associations, are not required to report funds they spend on political activity and many do not even disclose the names of their members. The result is that tens if not hundreds of millions of corporate dollars flow into the political process, often without internal or external controls, board oversight, or shareholder knowledge.

Through the efforts of the Center and a group of institutional investors, a growing number of companies have recognized that disclosure and board oversight is just good business practice and now disclose and have their boards oversee their political activity.

To better understand the views of American shareholders, the Center commissioned one of the country's foremost public opinion firms to conduct a survey of shareholder attitudes towards corporate political involvement. The research objectives were defined by CPA and focused on:

- Current practices, governance and regulation of corporate political spending
- Risks associated with corporate political spending.
- Attitudes on proposals that require greater corporate disclosure, transparency and accountability of corporate political spending.

The results are detailed in this report.

[1] http//:www.politicalaccountability.net

Methodology

This survey was conducted by Mason-Dixon Polling & Research, Inc. from March 6-9, 2006. A total of 800 American adults were interviewed by telephone. Those interviewed stated that they held stock or mutual funds with common equities.

Those interviewed were selected by the random variation of the last four digits of telephone numbers. A cross-section of exchanges was utilized and quotas were assigned in order to ensure a fair reflection of the demographic profile American households owning stocks and mutual fund in the United States[2].

The margin for error, according to standards customarily used by statisticians, is no more than +/-3.5 percentage points. This means that there is a 95 percent probability that the "true" figure would fall within that range if all shareholders were surveyed. The margin for error is higher for any subgroup, such as an age or gender grouping.

[2] *Fundamentals*, *INVESTMENT COMPANY INSTITUTE RESEARCH IN BRIEF*, Vol. 14 / No. 5, October 2005 based on June 2005 survey of 3000 US households conducted by Investment Company Institute Research and extrapolated data from US Census Data.

The Center for Political Accountability

Corporate Political Spending

A SURVEY OF AMERICAN SHAREHOLDERS

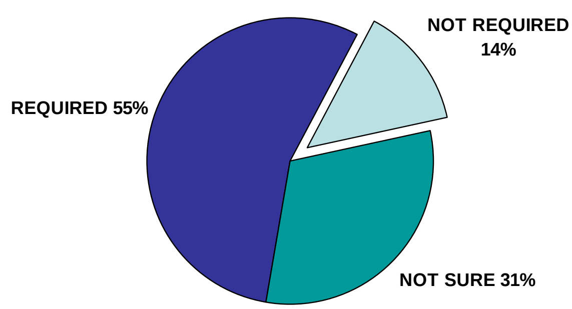
2006

<u>Findings:</u>

Awareness of Current Governance & Regulation of Corporate Political Spending:

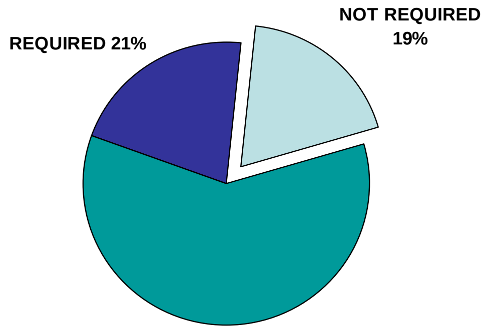
- **Just 14% of American shareholders correctly** stated that corporations are not required to disclose all political contributions. The overwhelming majority (86%%) were either under the mistaken impression that corporations are required (55%) to disclose all political contributions or stated they were not sure (31%) what current law requires.

Are corporations required or not required to publicly disclose all political contributions?



- In response to another question, only 19% of shareholders correctly stated that corporate boards <u>are not required</u> to approve and oversee political contributions. A majority (81%) either thought that corporate boards had a legal obligation to approve and oversee political contributions (21%) or did not know (60%)

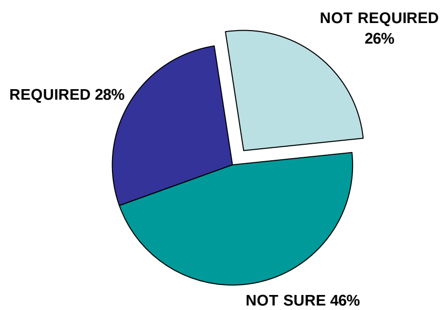
Are corporate boards required to approve and oversee political contributions?



Awareness of Current Governance & Regulation of Corporate Political Spending: (continued)

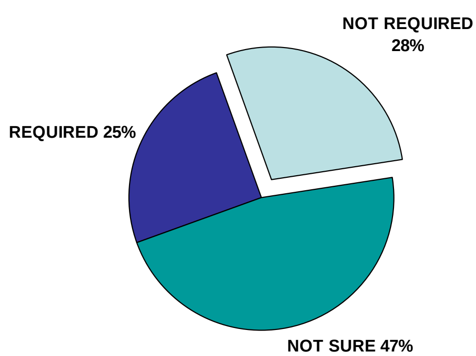
- Seventy-four percent (74%) of all shareholders did not know that corporations are not required to disclose their contributions to trade associations, which are then passed on to political committees and candidates. In 2004, more than **$100 million of corporate monies were spent by just 6 trade associations** on political and lobbying and activities, including contributions to political committees and candidates. None of this spending was required to be disclosed by the contributing corporations.

Are corporations required to disclose the amount of money they contribute to trade associations which is then passed on to political committees and candidates?



- Similarly, 72% of shareholders did not know that corporations were not required to disclose which candidates and organizations receive the money they contribute to through a trade association? (72% total, of which 47% not sure, 25% stating there was a disclosure requirement)

Are corporations required to disclose which candidates and organizations receive the money they contribute through a trade association?



Confidence in Corporate Leadership and Oversight:

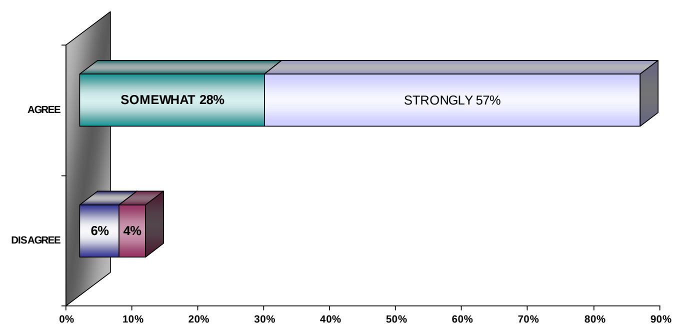
After benchmarking the level of shareholder awareness about the current governance and regulation of corporate political spending, shareholders were informed that

- Not all corporate political spending is disclosed.
- Corporate political spending does not require board oversight or approval.
- The amounts and identity of candidates and political organizations a particular corporation gives to through trade associations are not required to be disclosed.

The survey then documented shareholder opinion towards the risks posed by the lack of board oversight. It paid particular attention to the extent that shareholders were confident that corporations in which they held stock exercised corporate oversight and avoided risky political involvement.

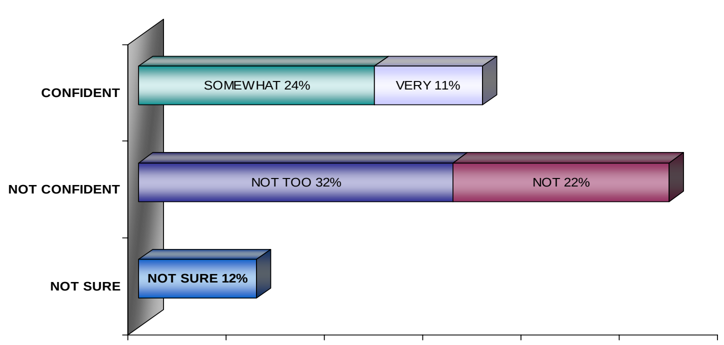
- An **overwhelming majority of 85%** of shareholders agreed that the "…**lack of transparency and oversight** in corporate political activity encourages behavior that **puts corporations at <u>legal risk and endangers corporate reputations</u>**". Intensity among shareholder **opinion was pronounced with 57% strongly agreeing** and just 28% somewhat agreeing.

The lack of transparency and oversight in corporate political activity encourages behavior that puts corporations at legal risk and endangers corporate reputations.



- Further, a majority (54%) stated that they had little or no confidence that the corporations *"...in which you own stock"* have adequate oversight of political contributions.

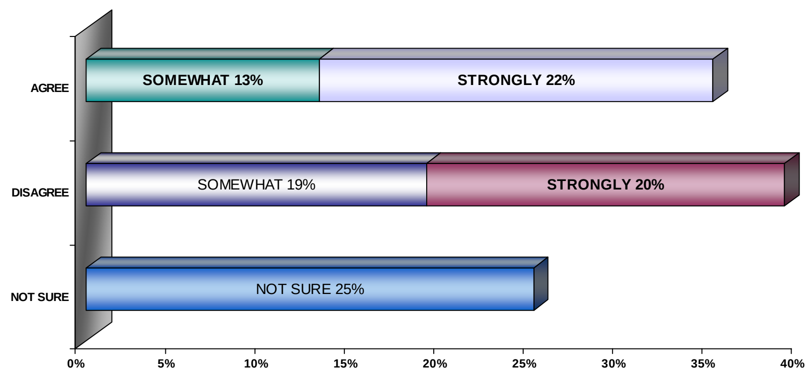
Confidence that the corporations *"...in which you own stock"* have adequate oversight of political contributions:



Confidence in Corporate Leadership and Oversight: (continued)

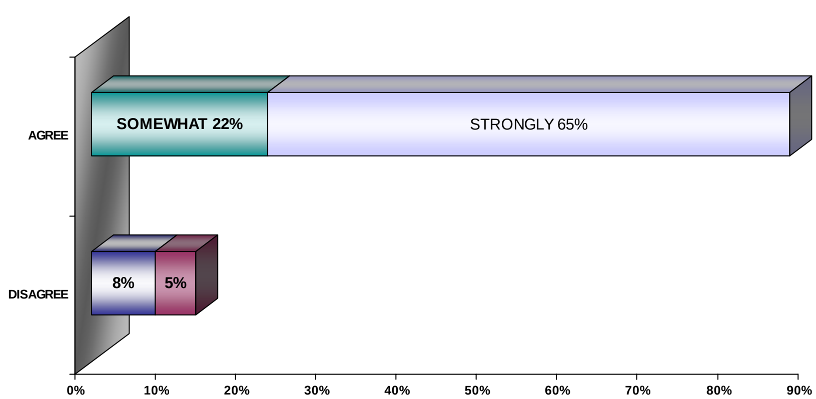
- A plurality of shareholders (39%) expressed little or no confidence that companies in which they own stock do not engage in risky political behavior. Another quarter 25% said they weren't sure. That left just over a third (35%) of American shareholders stating confidence about their investments not being exposed to risky political behavior.

I am confident that corporations in which I own stock directly or in my mutual funds do not engage in risky political behavior.



- But, the vast majority of shareholders **(87%)** agreed with the simple proposition that they would have **more confidence in investing in corporations** that have adopted reforms that **provide for transparency and oversight in political spending**. **Intensity of opinion was particularly strong** with **65% strongly agreeing** with the proposition.

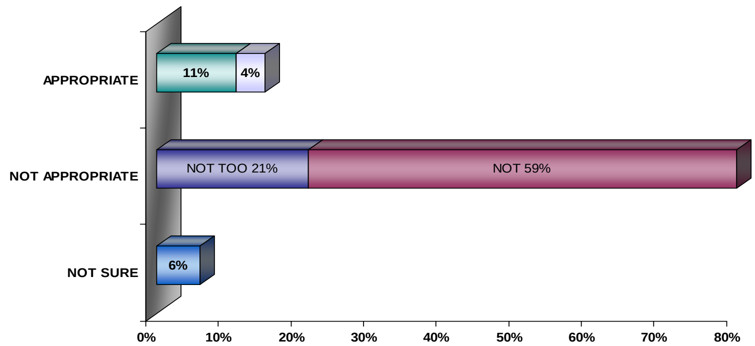
Generally, I would have more confidence in investing in corporations that have adopted reforms that provide for transparency and oversight in political spending.



Current Corporate Practices:

- The Center for Public Accountability's *Green Canary* report[3] documents several examples of "risky" corporate behavior that has resulted in criminal and civil penalties, tarnished corporate reputations and loss of shareholder value. The CPA has also documented examples of corporate payments to trade associations which are contributed to political and other organizations and candidates that promote and support controversial social agendas. **A substantial majority (80%) of American shareholders consider this an inappropriate use of corporate funds with a strong intensity of opinion** (58% "not at all appropriate", 21% "not too appropriate").

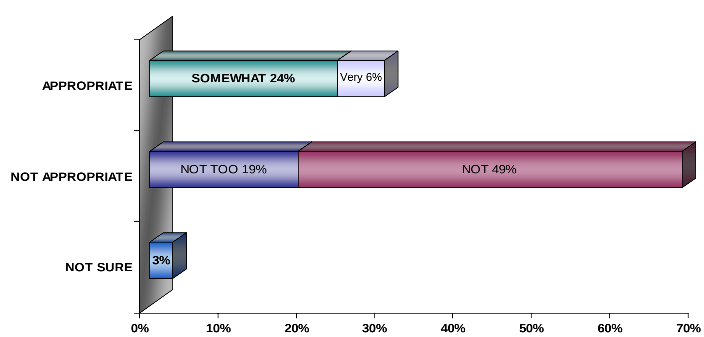
Appropriateness of corporate political contributions, passed through trade associations, supporting controversial social agendas that have nothing to do with the corporation's business:



- Another corporate behavior that poses a risk to reputations and shareholder value is that companies are increasingly using aggressive political contributions and political relationships as a critical part of their business strategy. Enron, Qwest, and Global Crossing are examples of the over reliance of corporations on political spending to salvage their failed business plans.

  When asked "*how appropriate do you think large political contributions and heavy spending on lobbying efforts are for the companies in which you own stock?"* 68% said that it was inappropriate behavior.

Appropriateness of large political contributions and heavy spending on lobbying efforts are for the companies *"…in which you own stock"*:

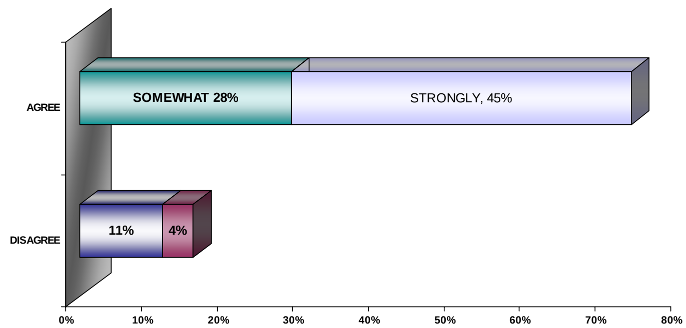


3 *Green Canary: Alerting Shareholders and Protecting Their Investments,* The Center for Political Accountability, February 2005. http://www.politicalaccountability.net/gcreport/indexgc.htm.

Current Corporate Practices: (continued)

- Shareholders also agreed that lack of transparency and oversight led to the **inappropriate behavior** by some **corporate executives**. Fully, **73% of shareholders agreed that corporate political spending** is often undertaken to advance the **private political interests of corporate executives rather than the interest of the company and its shareholders.**

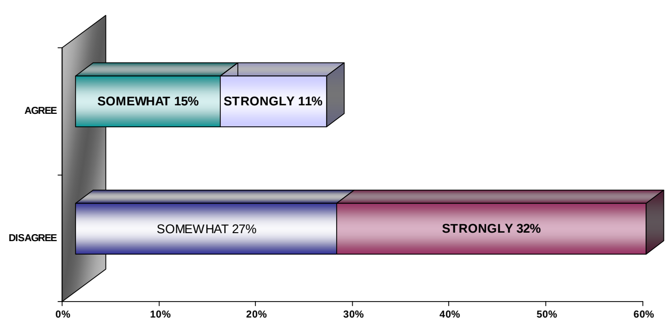
Corporate political spending is often undertaken to advance the private political interests of corporate executives rather than the interest of the company and its shareholders.



Support for Reform:

- **A majority of shareholders think that current law and regulation do not provide sufficient checks and accountability in corporate spending.** Fifty-nine percent (59%) disagreed with the statement "C*urrent law and regulation governing corporate political spending provides sufficient checks or accountability on corporate boards and executives.*" (27% somewhat, 32% strongly disagreeing)

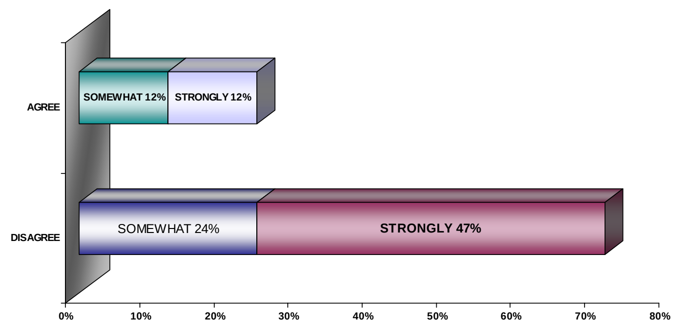
Current law and regulation governing corporate political spending <u>provides sufficient checks or accountability</u> on corporate boards and executives.



Support for Reform: (continued)

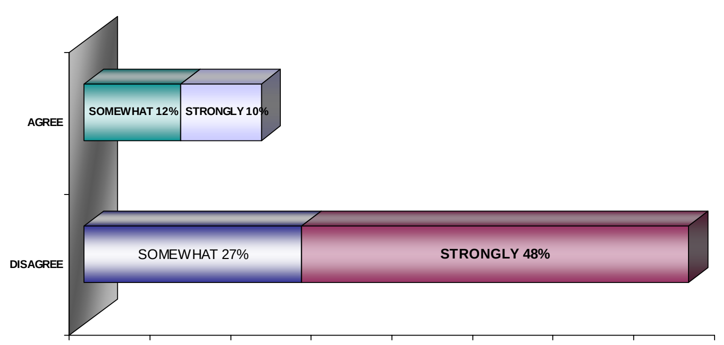
- **Shareholders clearly and overwhelming think that reform is needed**. Seventy-one (71%) disagree with statement that reform is <u>not needed</u> to protect the ordinary investor. Again, there was strong intensity of opinion with 47% strongly disagreeing. There was weak support, both in total numbers and intensity, for the status quo. Just 24% stated that reform was not necessary (somewhat 12%, strongly 12%).

Reforms in corporate political spending <u>are not necessary</u> to protect the interests of the ordinary public investor.



- **Shareholders are looking to corporate boards for leadership and accountability on these issues**. When asked to agree or disagree with the statement "*Corporate political contributions <u>should not</u> require the oversight and approval of the board of directors,*" 75% shareholders disagreed. The support for board accountability is further evidenced by the intensity found in response to the question with nearly half (48%) of all American shareholders strongly disagreeing with the statement.

Corporate political contributions <u>should not</u> require the oversight and approval of the board of directors.

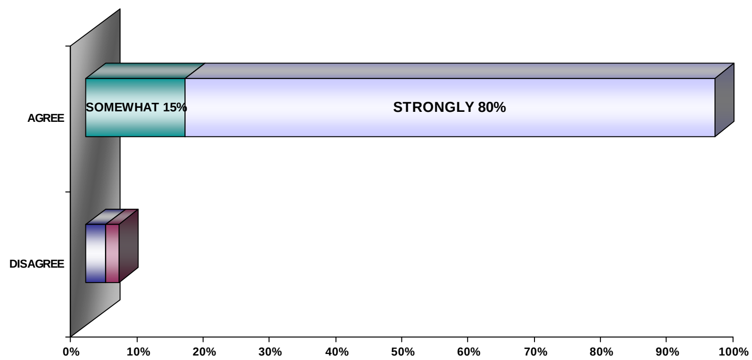


Support for Reform: (continued)

As detailed in the forthcoming *Hidden Rivers* report, some corporate contributions to trade associations end up in the coffers of political organizations that champion divisive social issues unrelated to the corporation's business. And, as documented in the report, often these **political payments support policies that are contrary to the publicly stated policies of the corporation**. The Center's *Green Canary* report also found this to be the case with company soft money political contributions.

- Of all the issues tested in this survey, **this one elicited the strongest response and greatest intensity of opinion**. Fully 95% of American shareholders agree that corporations should make certain that political contributions made to trade associations be consistent with company policies and be fully disclosed. Eighty percent (80%) strongly agreed with the statement.

Corporations should ensure that payments made to trade associations that are used for political purposes be consistent with company policies and fully disclosed.



Reform Proposals Considered:

In response to the risks posed by the current lack of transparency and oversight in corporate political spending, the Center for Public Accountability has proposed a set of reforms[4] for adoption by corporations, the elements of which are:

1. Corporations should be required to publicly disclose all political spending.

2. Corporate boards should oversee and approve all direct and indirect political spending.

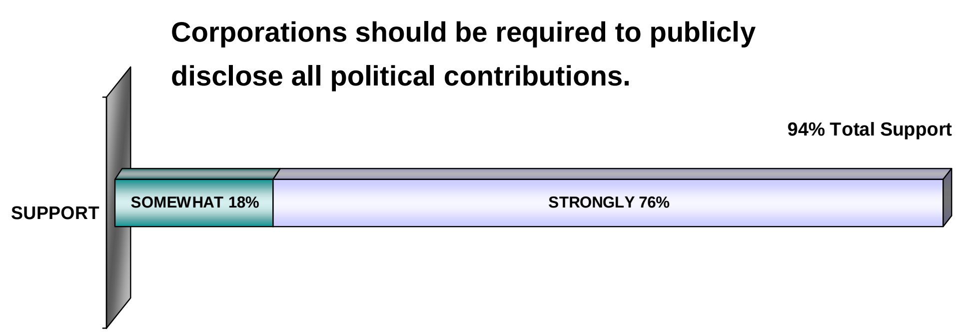
3. Corporations should be required to disclose the guidelines they use for their political spending decisions.

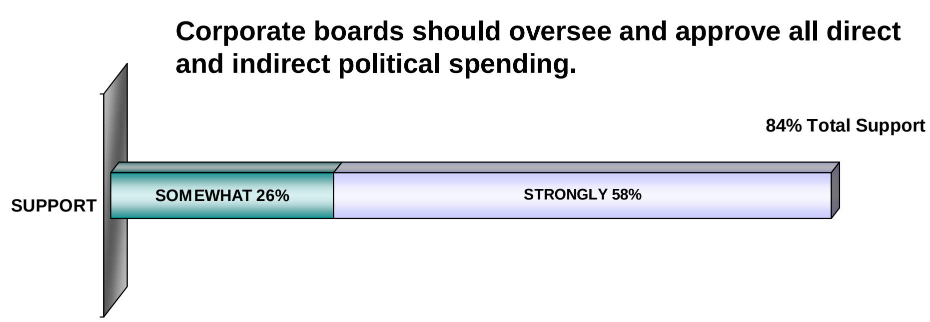
4. Corporations should identify the corporate officers who manage the company's political giving.

5. Corporations should be required to disclose their political spending on the company's website on a quarterly basis.

6. Corporations should be required to disclose payments made to trade associations which are then used for political purposes.

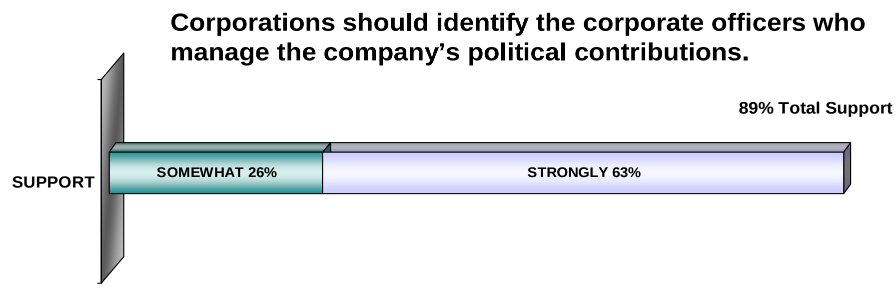
- Shareholders were read each reform proposal and asked if they supported or opposed it. As illustrated in the charts below and on the following pages, **each proposal is supported by the vast majority of American shareholders**. **All have the support of at least 84% of shareholders**. In addition, the **degree of support was particularly intense**, with an average of **64%** of shareholders **'strongly' supporting each of the reform measures.**

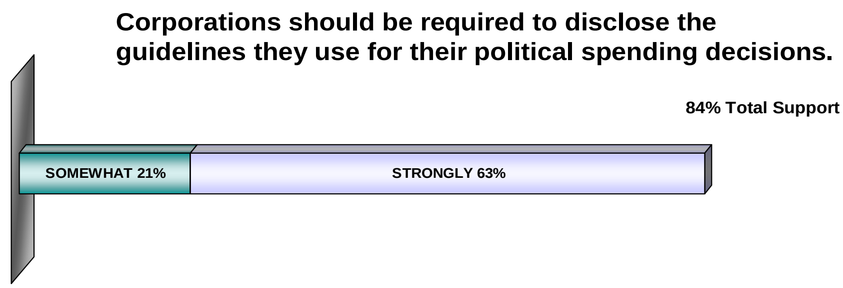


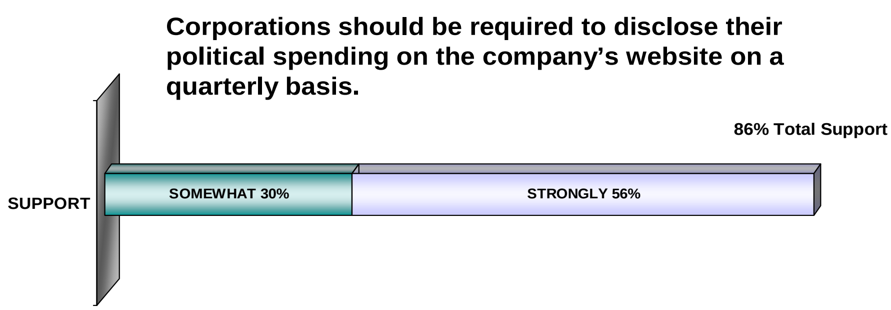


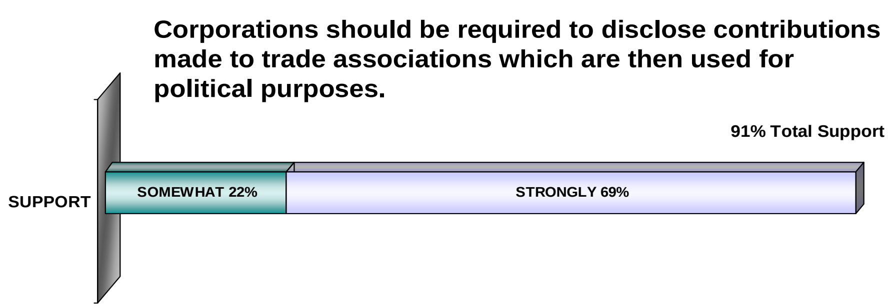
[4] The Center for Political Accountability drafted a model political disclosure resolution that has been filed by institutional investors since the 2004 proxy season. It calls on companies to disclose their soft money contributions and payments to trade associations and other tax-exempt organizations that are used for political purposes, identify the corporate officers involved in the expenditure decisions, disclose their political spending guidelines, and require board of directors oversight of their political spending. The CPA also has developed eight principles for corporate political spending and accountability for companies to follow. (http://www.politicalaccountability.net/principles.htm)

Reform Proposals Considered: (continued)





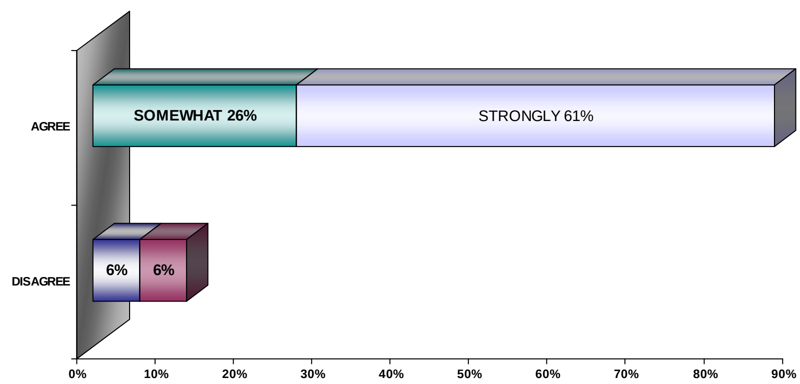




Voting Their Proxy:

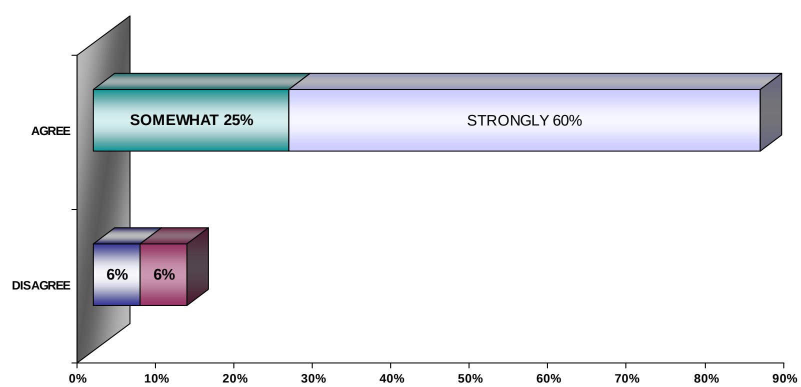
- Finally, when asked if they would vote their proxy in favor of corporate political reforms, 87% agreed with 61% expressing strong sentiment.

I would vote my proxy in corporations I hold stock in to implement these corporate political spending reforms.



- American shareholders also expressed overwhelming (85%) support and intensity of opinion for "mutual funds and other equity managers" voting their proxies in support of shareholder resolutions calling for corporate political disclosure and accountability.

Mutual funds and other equity managers should vote their corporate proxies in support of resolutions that require disclosure and board accountability for political spending.



Questionnaire

CPA Project

March 2006 Shareholder Survey

American Shareholder Awareness:

I first want to ask you a few questions about your familiarity with campaign finance laws. If you don't know, please feel free to say you are not sure.

1. Under current law, are corporations required or not required to publicly disclose all political contributions?

REQUIRED	55%	
NOT REQUIRED	14%	
NOT SURE	31%	45%

2. Under current law, are corporate boards required or not required to approve and oversee political contributions?

REQUIRED	21%	
NOT REQUIRED	19%	
NOT SURE	60%	79%

3. Corporations pay millions of dollars in dues as members of trade associations. In turn, trade associations distribute these millions to political committees and candidates. Under current law, are corporations required or not required to disclose the amount of money they contribute that is passed on by the trade association to political committees and candidates?

REQUIRED	28%	
NOT REQUIRED	26%	
NOT SURE	46%	72%

4. Under current law, are corporations required or not required to disclose which candidates and organizations receive the money they contribute through a trade association?

REQUIRED	25%	
NOT REQUIRED	28%	
NOT SURE	47%	75%

Attitudes towards the status Quo:

In fact, corporations are not required to disclose all their political contributions, and their boards are under no obligation to approve or oversee contributions made by their corporate executives and lobbyists.

5. In general, how much confidence do you have that the corporations in which you own stock have adequate oversight of political contributions so that they protect the corporation from legal liability and not threaten shareholder value? Are you:

VERY CONFIDENT	11%	
SOMEWHAT CONFIDENT	24%	35%
NOT TOO CONFIDENT	32%	
NOT CONFIDENT	22%	54%
NOT SURE	12%	

In another practice, millions of corporate dollars have been given to political committees and trade associations which in turn give this money to candidates and special interest groups that promote social agendas that have nothing to do with issues that impact the corporation's business or shareholder value. For example, issues like abortion, gay rights and other issues of morality.

6. As a shareholder, how appropriate do you think it is it that corporate political contributions given to trade associations end up supporting special interests groups that promote controversial social agendas that have nothing to do with the corporation's business? Is it:

VERY APPROPRIATE	4%	
SOMEWHAT APPROPRIATE	11%	15%
NOT TOO APPROPRIATE	21%	
NO APPROPRIATE	59%	79%
NOT SURE	6%	

Another issue of concern is that some corporations made political contributions and political relationships a critical part of their business strategy. Their strategy was to use aggressive corporate political spending to curry favor with elected officials in order to gain favors, tax breaks and regulatory relief.

7. As a shareholder, how appropriate do you think large political contributions and heavy spending on lobbying efforts are for the companies in which you own stock? Is it:

VERY APPROPRIATE	6%	
SOMEWHAT APPROPRIATE	24%	30%
NOT TOO APPROPRIATE	19%	
NO APPROPRIATE	49%	67%
NOT SURE	3%	

Support for Reform

In response, many in the investment community are calling for reforms.

I going to read several proposals and I would appreciate your telling me if you support or oppose each.

The first proposal is ______________. Do you support or oppose that proposal? Is that strongly favor/oppose or somewhat favor/oppose?

8. Corporations should be required to publicly disclose all political contributions.

STRONGLY SUPPORT	**76%**	
SOMEWHAT SUPPORT	**18%**	**95% Total Support**
SOMEWHAT OPPOSE	4%	
STRONGLY OPPOSE	1%	5%
NOT SURE	1%	

9. Corporations should be required to disclose their political spending on the company's website on a quarterly basis.

STRONGLY SUPPORT	56%	
SOMEWHAT SUPPORT	30%	85%
SOMEWHAT OPPOSE	9%	
STRONGLY OPPOSE	5%	14%
NOT SURE	1%	

10. Corporations should be required to disclose contributions made to trade associations which are then used for political purposes.

STRONGLY SUPPORT	69%	
SOMEWHAT SUPPORT	22%	91%
SOMEWHAT OPPOSE	6%	
STRONGLY OPPOSE	2%	8%
NOT SURE	1%	

11. Corporations should be required to disclose the guidelines they use for their political spending decisions.

STRONGLY SUPPORT	63%	
SOMEWHAT SUPPORT	21%	84%
SOMEWHAT OPPOSE	8%	
STRONGLY OPPOSE	7%	15%
NOT SURE	1%	

12. Corporations should identify the corporate officers who manage the company's political contributions.

STRONGLY SUPPORT	63%	
SOMEWHAT SUPPORT	26%	89%
SOMEWHAT OPPOSE	8%	
STRONGLY OPPOSE	3%	11%
NOT SURE	1%	

13. Corporate boards should oversee and approve all direct and indirect political spending.

STRONGLY SUPPORT	58%	
SOMEWHAT SUPPORT	26%	85%

SOMEWHAT OPPOSE	8%	
STRONGLY OPPOSE	4%	12%
NOT SURE	4%	

Now I'd like to read several statements and I would appreciate your telling me if you agree or disagree with each. [Rotate order]

The first statement is ____________. Is that strongly agree/disagree or somewhat agree disagree?

14. Corporate political spending is often undertaken to advance the private political interests of corporate executives rather than the interest of the company and its shareholders.

STRONGLY AGREE	45%	
SOMEWHAT AGREE	28%	73%
SOMEWHAT DISAGREE	11%	
STRONGLY DISAGREE	4%	15%
NOT SURE	12%	

15. Current law and regulation governing corporate political spending provides sufficient checks or accountability on corporate boards and executives.

STRONGLY AGREE	11%	
SOMEWHAT AGREE	15%	27%
SOMEWHAT DISAGREE	27%	
STRONGLY DISAGREE	32%	59%
NOT SURE	15%	

16. Reforms in corporate political spending are not necessary to protect the interests of the ordinary public investor.

STRONGLY AGREE	12%	
SOMEWHAT AGREE	12%	24%
SOMEWHAT DISAGREE	24%	
STRONGLY DISAGREE	47%	71%
NOT SURE	6%	

17. Mutual funds and other equity managers should vote their corporate proxies in support of resolutions that require disclosure and board accountability for political spending.

STRONGLY AGREE	60%	
SOMEWHAT AGREE	25%	85%
SOMEWHAT DISAGREE	6%	
STRONGLY DISAGREE	6%	12%
NOT SURE	3%	

18. Corporations should ensure that payments made to trade associations that are used for political purposes be consistent with company policies and fully disclosed.

STRONGLY AGREE	80%	
SOMEWHAT AGREE	15%	95%
SOMEWHAT DISAGREE	3%	
STRONGLY DISAGREE	2%	4%
NOT SURE	1%	

19. Corporate political contributions should not require the oversight and approval of the board of directors.

STRONGLY AGREE	10%	
SOMEWHAT AGREE	12%	22%
SOMEWHAT DISAGREE	27%	
STRONGLY DISAGREE	48%	75%
NOT SURE	4%	

20. Corporations should adopt procedures that ensure political contributions are spent lawfully and consistent with the stated public policies of the company.

STRONGLY AGREE	80%	
SOMEWHAT AGREE	15%	95%
SOMEWHAT DISAGREE	3%	
STRONGLY DISAGREE	2%	4%
NOT SURE	1%	

21. The lack of transparency and oversight in corporate political activity encourages behavior that puts corporations at legal risk and endangers corporate reputations.

STRONGLY AGREE	57%	
SOMEWHAT AGREE	28%	85%
SOMEWHAT DISAGREE	6%	
STRONGLY DISAGREE	4%	9%
NOT SURE	5%	

22. I would vote my proxy in corporations I hold stock in to implement these corporate political spending reforms.

STRONGLY AGREE	61%	
SOMEWHAT AGREE	26%	87%
SOMEWHAT DISAGREE	6%	
STRONGLY DISAGREE	6%	11%
NOT SURE	2%	

23. Generally, I would have more confidence in investing in corporations that have adopted reforms that provide for transparency and oversight in political spending.

STRONGLY AGREE	65%	
SOMEWHAT AGREE	22%	86%
SOMEWHAT DISAGREE	8%	
STRONGLY DISAGREE	5%	12%
NOT SURE	2%	

24. I am confident that corporations in which I own stock directly or in my mutual funds do not engage in risky political behavior.

STRONGLY AGREE	22%	
SOMEWHAT AGREE	13%	35%
SOMEWHAT DISAGREE	19%	
STRONGLY DISAGREE	20%	40%
NOT SURE	25%	

AGE

18-34	13%
35-49	34%
50-64	36%
65+	16%
REFUSED	0%

RACE

WHITE	90%
BLACK	5%
HISPANIC	2%
OTHER	3%
REFUSED	1%

PARTY ID

DEMOCRAT	28%
REPUBLICAN	40%
INDEPENDENT	34%

SEX

MALE	48%
FEMALE	52%

REGION

NORTHEAST	25%
MIDWEST	24%
SOUTH	28%
WEST	24%

INCOME

<$35,000	9%
$35,000-$49,999	17%
$50,000-$74,999	15%
$75,000-$99,999	20%
$100,000+	23%
REFUSED	16%