



October 30, 2012

By email: [rule-comments@sec.gov](mailto:rule-comments@sec.gov)

Ms. Elizabeth M. Murphy  
Secretary  
Securities and Exchange Commission  
100 F Street, NE  
Washington D.C. 20549

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:

I am writing to provide the SEC with information about recent shareholder resolutions filed on corporate political spending. My organization, the Sustainable Investments Institute (SI2), provides impartial information and analysis about corporate responsibility issues to institutional investors, including many of the largest endowed colleges and universities and some of the country's biggest pension funds. We do not advocate on the issues we cover and we do not make recommendations on how to vote on shareholder resolutions.

As the Commission considers petition 4-637 ("to Require Public Companies to Disclose to Shareholders the Use of Corporate Resources for Political Activities"), it will want to examine how much support exists among investors for the growing number of shareholder proposals for corporate political spending disclosure.

The attached Fact Sheet documents the volume and nature of these proposals that publicly traded U.S. companies have considered in the last three years (2010 to 2012). Key takeaways include the following:

- 79 percent of the 282 proposals filed about political spending have asked for more disclosure about how companies spend money in the political arena.
- The number of disclosure proposals filed increased from only 50 in 2010 to 99 in 2012.
- The sponsors of proposals represent a broad array of investors, although they are most likely to be social investment organizations, unions or public pension funds.

- Investors have voted on 101 proposals calling for more campaign spending disclosure, giving these resolutions support that averages 31 percent over the last three years.
- Twenty votes at 14 companies since 2010 have been above 40 percent and two have earned a majority of shares cast for and against, at Sprint Nextel in 2011 and WellCare Health Plans in 2012.
- One-quarter of disclosure proposals have been withdrawn by proponents in each of the last three years, generally after the proponents and companies reach agreement about further disclosure.

I would be happy to answer any questions or provide further details about the information presented in the Fact Sheet and this comment letter. I can be reached at tel. 301-432-4721 or email [REDACTED].

Sincerely,

Heidi Welsh  
Executive Director

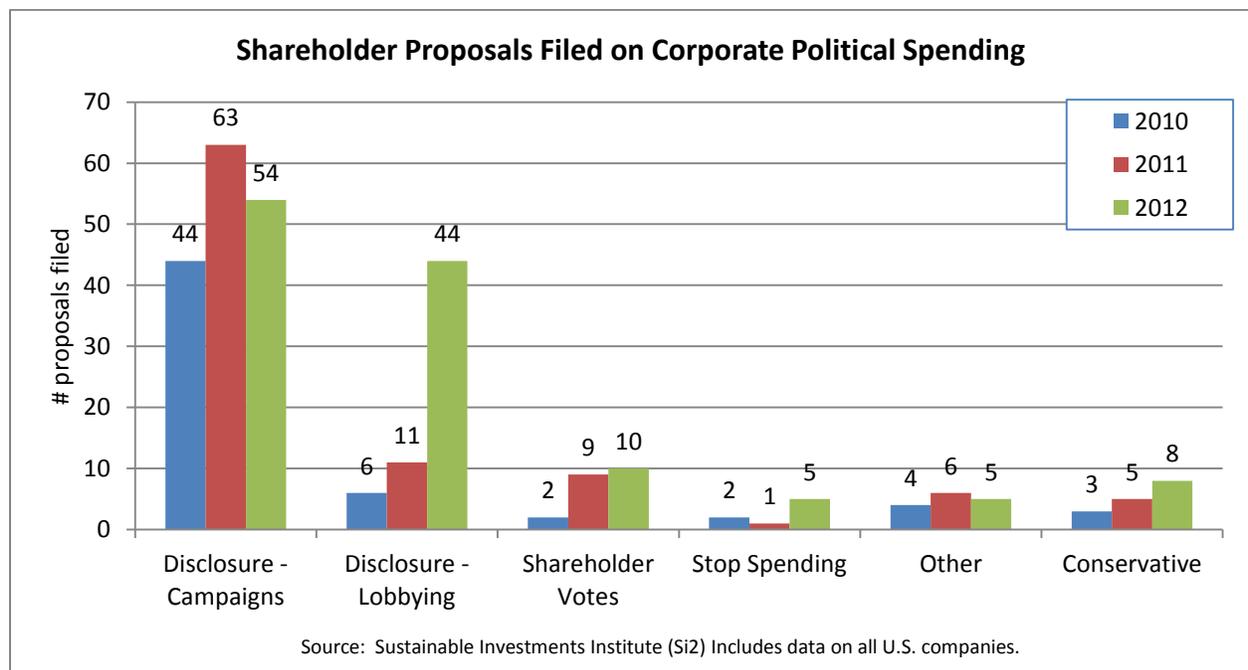


## FACT SHEET:

### Corporate Political Spending Shareholder Resolutions, 2010-2012

Investors filed 282 shareholder resolutions about corporate political spending from 2010 to 2012. These proposals accounted for 41 percent of all votes on social and environmental issues in 2012.

- Disclosure emphasis:** The vast majority (79 percent) asked companies to disclose more about spending before and after elections. Within the disclosure proposals, 159 used a template from the Center for Political Accountability requesting board oversight and data on both direct spending in political campaigns and indirect spending by trade associations (on both elections and lobbying). New in 2012 was an expanded focus on lobbying (44 proposals).
- Shareholder votes:** Two types of proposals suggested investors should have a formal voice on spending: either by approving it (7 resolutions) or by voting on reports about it (14).
- Bans:** A minority of resolutions (8 in all, 5 in 2012) proposed moratoria on election spending.
- Other:** Another 31 have come from conservative groups or longtime proponent Evelyn Davis.

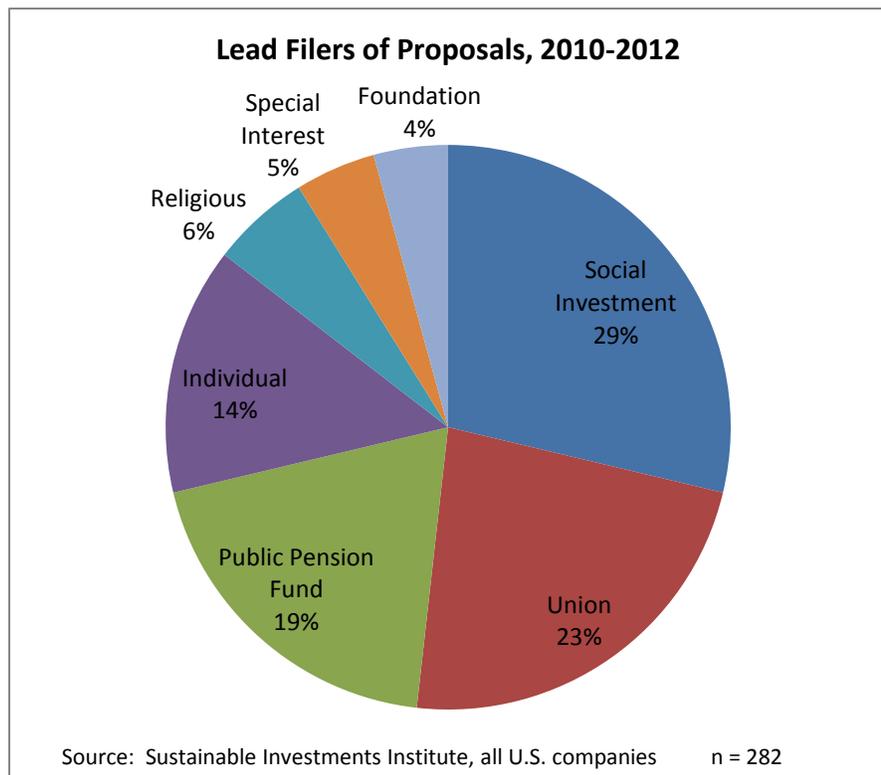


**Volume increase:** The total number of resolutions has increased from just 61 in 2010, when *Citizens United* was decided just before the spring annual meeting season. In 2011, the first year when investor advocates could file resolutions reflecting their concerns about the decision, the number of resolutions grew by more than 50 percent, to 95. In 2012, a record-breaking 126 proposals that relate to corporate involvement in politics were filed. These resolutions accounted for one-third of all resolutions filed on social and environmental issues in 2012, up from only 15 percent three years ago.

Shareholder Proposals Filed, 2010-2012				
	2010	2011	2012	
<b>Disclosure</b>	<b>50</b>	<b>74</b>	<b>99</b>	79%
Review/report on political spending (CPA model)	44	62	53	
Report on indirect political spending		1	1	
Report on lobbying (including "grassroots")	4	10	39	
Report on political spending and lobbying	2	1	5	
<b>Shareholder Votes</b>	<b>2</b>	<b>9</b>	<b>10</b>	7%
Adopt advisory vote on political spending	1	5	8	
Require shareholder approval of political spending	1	4	2	
<b>Stop Spending</b>	<b>2</b>	<b>1</b>	<b>5</b>	3%
<b>Other (Evelyn Davis)</b>	<b>4</b>	<b>6</b>	<b>5</b>	5%
<b>Conservative</b>	<b>3</b>	<b>5</b>	<b>8</b>	6%
<b>Grand Total</b>	<b>61</b>	<b>95</b>	<b>126</b>	<b>282</b>
<b>Percent of all social/environmental proposals filed</b>	<b>15%</b>	<b>23%</b>	<b>32%</b>	

**Sponsors:** Lead filers of proposals about corporate political spending represent a broad coalition, although 71 percent were filed by socially responsible investment organizations, unions and public pension funds.

**Investor support:** The election spending disclosure proposals are the most likely to gain approval from investors. Support dipped slightly in 2012 for election proposals but remains strong compared to other social issues. It averages 31 percent over three years; lobbying disclosure is a close second, with growing support that averages 22 percent over three years. Investors are far less supportive of other types of proposals. (See table, next page.)



Average Support Levels, 2010-2012							
	2010		2011		2012		Total
	#	Average Vote (%)	#	Average Vote (%)	#	Average Vote (%)	#
Disclosure - Elections	29	30.4%	40	32.7%	32	28.0%	101
Disclosure - Lobbying	3	12.4	7	21.6	24	23.4	34
Shareholder Votes	1	0.5	2	5.9	7	3.9	10
Stop Spending	1	5.1	1	3.8	3	5.1	5
Other	4	7.1	6	6.6	5	5.8	15
Conservative	2	3.7	1	3.8	1	4.1	4
<b>Grand Total</b>	<b>40</b>		<b>57</b>		<b>72</b>		<b>169</b>

Votes are figured as shares cast for divided by shares cast for and against; abstentions and broker-non votes are excluded.

**High votes:** Two disclosure proposals have earned majority support—at Sprint Nextel in 2011 and Well-Care Health Plans in 2012. Twenty votes at 14 companies since 2010 have been above 40 percent.

High Votes on Disclosure Proposals, 2010-2012				
Company	Lead Sponsor	2010	2011	2012
3M	Trillium/Walden Asset Mgt	--	35.8	39.3*
Abbott Laboratories	AFSCME	--	--	36.6*
Allstate	KC Firefighters/Phila. Public Employees	39.7	37.0	11.5
Anadarko Petroleum	NYSCRF	--	38.1	41.3
AT&T	Domini Social Investments	(omitted)*	31.0	38.6
Caterpillar	NYSCRF	--	34.7	10.4
CenturyLink	Communication Workers/Trillium Asset Mgt	--	34.8	41
Charles Schwab	NYC pension funds	33.2	31.0	23.5
Chesapeake Energy	SEIU Master Trust	--	--	44.7*
Coventry Health Care	NYC pension funds	46.0	44.3	48.6
CVS Caremark	Pax World Funds/Green Century	41.4	39.1	40.0
EOG Resources	Mercy Investment	--	42.5	--
Express Scripts	Miami Firefighters	42.0	--	--
Goldman Sachs	Domini Social Investments	37.2	13.8	8.4*
Halliburton	Trillium Asset Mgt	39.2	46.5	(withdrawn) <sup>#</sup>
JPMorgan Chase	Domini Social Investments	(omitted)*	37.4	10.6
Lorillard	NYSCRF	--	45.8	39.2
Lowe's	Miami/Phila. Firefighters	35.6	36.1	(withdrawn)
National Oilwell Varco	Nathan Cummings Fndn	--	35.2	33.8
Northrop Grumman	Mercy Investment	(withdrawn)	38.1	(withdrawn)*
R. R. Donnelley & Sons	NYSCRF	--	48.7	#
Regions Financial	NYC pension funds	33.4	27.9	38.1
Sprint Nextel	NYC pension funds	41.2	53.4	20.9
Southwestern Energy	KC/Miami Firefighters	34.1	27.6	(withdrawn) <sup>#</sup>
State Street	Trillium Asset Mgt	(withdrawn)	44.1	(withdrawn) <sup>#</sup>
Union Pacific	NYC pension funds/NYSCRF/AFSCME	(omitted)	--	35.4*
Valero Energy	Nathan Cummings Fndn		34.8/35.7	35.9
WellCare Health Plans	Amalgamated Bank	23.3	42.5	52.6
Windstream	Communication Workers		42.0	43.3

\*Related to lobbying and/or lobbying plus campaign spending

<sup>#</sup>Agreement on disclosure reached. 13 total CPA agreements in 2012 alone, at Aflac, Chubb, CSX, R.R. Donnelley, Halliburton, Hershey, Kroger, Reynolds American, Safeway, Sempra Energy, Southwestern Energy, State Street and Tenet Healthcare.

**Withdrawn and omitted proposals:** Not all shareholder proposals go to votes:

- Most often, proponents *withdraw* resolutions, generally after negotiations about the substance of the proposal. A little more than one-quarter of disclosure resolutions were withdrawn each year from 2010 to 2012. More than 100 firms have reached agreements on disclosure and board oversight with the Center for Political Accountability.
- Proposals can be *omitted* from consideration after being challenged by the target company at the Securities and Exchange Commission, under provisions of the Shareholder Proposal Rule 14a-8. The SEC considers campaign spending and lobbying resolutions to be the same subject and, if challenged, allows just one to be included in a proxy statement (Rule 14a-8, i-12). The SEC consistently rejects other challenges to disclosure proposals filed on other substantive grounds.
- Proposals sometimes *don't go to votes* because a company is acquired or merged with another, or because a proponent fails to show up to present the resolution at the annual meeting.

## Related Research and Background on Si2

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### Research Reports

- *Corporate Governance of Political Expenditures: 2011 Benchmark Report on S&P 500 Companies* (November 2011)
- *How Companies Influence Elections: Political Campaign Spending Patterns and Oversight at America's Largest Companies* (October 2010)

Available free of charge from the sponsor, IRRC Institute, [www.irrcinstitute.org](http://www.irrcinstitute.org).

### Si2 Subscription Research

Si2 provides subscribers with impartial research on social and environmental issues raised in U.S. shareholder resolutions, with comprehensive background briefing material, detailed tracking and company-specific reports. Si2 does not issue voting recommendations or advocate on the issues it covers.

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