

April 27<sup>th</sup>, 2015

Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549  
Re: Disclosure Effectiveness Review

Chair Mary Jo White:

We, the undersigned, many of whom are members of the Corporate Reform Coalition, write today in support of petition 4-637 (“to Require Public Companies to Disclose to Shareholders the Use of Corporate Resources for Political Activities”).

The Corporate Reform Coalition is a group of more than 80 organizations including investors, corporate governance experts, civil society organizations, and more. As a group we are focused on the evolving need of investors to more fully understand the political activities (and the risks those activities present) of companies in which they invest. It is through that lens that we offer our perspective on the need for enhanced disclosure.

Petition 4-637 was submitted on August 3, 2011 by a committee of prominent law professors seeking to address the issue of corporate political spending transparency, an issue of concern for many investors.

The petition has since received a record-breaking [1.2 million supportive comments](#), illustrating the extensive concern from investors regarding political expenditures made by public companies with corporate assets without disclosure to shareholders.

The resources of the Securities and Exchange Commission (SEC) are required to write numerous rules, police the markets, and react to changes in company structure. In order to enact its mandate to protect investors the SEC needs to require material disclosures of critical business information for investors, and this includes being able to react quickly to the changing practices and priorities of corporate entities.

One such change was brought about by the 2010 Supreme Court decision *Citizens United*. The decision allowed corporations greater freedom to spend shareholder money to influence politics, however there have still been no new rules or procedures established to ensure that shareholders – those who actually own the wealth of corporations – are informed of decisions about spending their money on politics.

This lack of regulation is in direct conflict with the Court’s opinion in the case. In fact, Justice Anthony Kennedy justified permitting corporate electioneering in large part on the expectation that the corporate funders of the ads would be disclosed, thereby enabling shareholders and the public to hold corporations accountable:

*“A campaign finance system that pairs corporate independent expenditures with effective disclosure has not existed before today. With the advent of the Internet, prompt disclosure of*

*expenditures can provide shareholders and citizens with the information needed to hold corporations and elected officials accountable for their positions.... Shareholders can determine whether their corporation's political speech advances the corporation's interest in making profits, and citizens can see whether elected officials are in the pocket of so-called moneyed interests.” –Justice Kennedy*

The [growing number of shareholder resolutions](#) demanding greater investor oversight of corporate political spending further demonstrates the vast shareholder support for such transparency. Shareholders have been concerned about the business sense of corporate political spending for some time – but the concerns have become more pronounced as the scope and nature of corporate political activity has expanded under *Citizens United*. Since 2010, shareholders have filed [530 resolutions on corporate political activity](#), making it by far the most common shareholder proposal, including 110 resolutions in 2014.

These figures demonstrate clear and ongoing demand from investors for this information. We infer from the voting results, and the negotiated policy changes, strong agreement with the observation made in the initial rulemaking petition filed by 10 prominent securities law professors: “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.”

Without adequate disclosure of corporate political spending, shareholders and investors have little means to hold corporate directors accountable and to safeguard their investments. And investors understand this; a [recent survey](#) of members of the CFA Institute, an association of professional investors, found that 60% of members believe that if corporations are able to spend money in elections, they should be required to disclose the spending.

However because there are no current rules that require that companies disclose this spending to their shareholders, it is essentially impossible for an investor to obtain a full picture of any individual company's political spending unless the company chooses to disclose. Without an SEC rule requiring full disclosure for all public companies, shareholders have no uniform means to monitor these activities, or assess the risks of corporate political spending. Voluntary disclosure has led to a patchwork of understanding which makes it impossible for investors to manage, and potentially mitigate, the full range of risks presented by corporate political spending.

From an issuer's perspective, a disclosure mandate would level the playing field by relieving concern that disclosing activities could disadvantage the issuer's standing or competitiveness.

The robust support for petition 4-637 and the general concerns of those in the investment world must not be ignored by the agency tasked with protecting their interests. Shareholders should not be left in the dark when their companies spend their money to influence a political cause. Information on political spending is material to shareholders as they make decisions about where to invest, particularly with growing evidence that political spending might not always benefit the corporate bottom line.

Sincerely,

Agenda Project Action Fund

American Federation of Labor and Congress of Industrial  
Organizations (AFL–CIO)

American Federation of State, County and Municipal Employees  
(AFSCME)

Alliance for a Just Society

Avaaz

Boston Common Asset Management

Brennan Center for Justice at NYU School of Law

California Clean Money Campaign

Center for Biological Diversity

Center for Community Change

Center for Effective Government

Center for Science and Democracy at the Union of Concerned  
Scientists

Citizen Works

Citizens for Responsibility and Ethics in Washington

Clean Yield Asset Management

Congregation of Sisters of St. Agnes

Congregation of St. Joseph

Communications Workers of America (CWA)

Common Cause

Demos

Democracy 21

Dominican Sisters of Hope, Ursuline Sisters of Tildonk, U.S. Province

Every Voice

Harrington Investments, Inc

Government Accountability Project

Greenpeace US

Institute for Agriculture and Trade Policy

Investor Voice, SPC

Issue One

Interfaith Center on Corporate Responsibility

Main Street Alliance

Mercy Investment Services

Nell Minnow, founder of Governance Metrics Institute

New Economy Project

New Progressive Alliance

Newground Social Investment, SPC

Northwest Coalition for Responsible Investments

NorthStar Asset Management, Inc.

OIP Trust and Missionary Oblates USP

Pax World Management

People for the American Way

Public Campaign

Public Citizen

Social Equity Group

Sonen Capital, LLC

Stamp Stampede

Sunlight Foundation

Susan Makos; Daughters of Charity, Province of St. Louise

International Brotherhood of Teamsters (IBT)

Trillium Asset Management, LLC

U.S. Public Interest Research Group (U.S. PIRG)

ValueEdge Advisors

Walden Asset Management

West Virginia Citizen Action Group

Wisconsin Democracy Campaign

Voices for Progress

Zevin Asset Management, LLC