Confronting Corporate Money in Politics

A Guide for Individual & Institutional Investors

US SIF FOUNDATION

The Forum for Sustainable and Responsible Investment

The Problem

Corporations have long influenced elements of the American political process in a number of ways despite being barred by federal law since 1907 from making contributions directly to federal candidates. One way has been through political action committees (PACs), first created in the 1940s and organized under federal campaign laws from the 1970s, which allow companies to gather, bundle and forward personal contributions from employees to federal candidates.[1] Contributions from employees to PACs are subject to annual limits. Approximately two-thirds of the largest US corporations (S&P 500) have PACs that spend money contributed by corporate executives.[2] Corporations could also influence elections by making donations from their general treasuries subject to certain legal limits to politically active non-profits, such as 527 groups, a type of U.S. tax-exempt organization,[3] although some of these groups were generally legally limited in how they could spend the money to influence elections.

In 2010, the Supreme Court's *Citizens United* decision dramatically expanded the ways that corporations can influence politics. This decision, in combination with other legal cases, has far reaching implications for the influence of corporations and other wealthy donors on the American political system. The decision is significant for the following reasons:

- Although the *Citizens United* decision left intact the prohibition that corporations may not make direct contributions to federal candidates, it allowed corporations to use their general treasuries to pay for political advertisements that expressly call for the election or defeat of a candidate (known as "independent expenditures"). The decision found that limits on political independent expenditures from corporations, unions and other organizations are unconstitutional because they violate the First Amendment free speech guarantee.

- After *Citizens United* and other subsequent court decisions, a new type of political group was created— the "Super PAC". Unlike traditional political action committees, Super PACs may raise and spend unlimited amounts of money for independent expenditures from any source, including from the general treasuries of companies. Although Super PACs are required to identify their donors, in reality it is often difficult to identify the ultimate sources of their funds in cases where the immediate donor is a non-profit or other entity that does not disclose its donors.

- The *Citizens United* decision allowed certain non-profit 501c groups, registered under provisions of the Internal Revenue Service code pre-dating the decision, to spend unlimited amounts of money on electioneering communications[4] and independent expenditures. The decision permitted "social welfare organizations", or 501c(4) groups, to accept unlimited contributions from individuals, corporations and unions.

While companies have used treasury funds to give to state-level elections and 527 groups for decades, the *Citizens United* decision widened opportunities for corporations (as well as trade associations and unions) by permitting them to make *unlimited* independent expenditures supporting or opposing a federal political

---

1. Political Action Committees (PACs) have been around since 1944, when the Congress of Industrial Organizations formed the first one to raise money for the re-election of President Franklin D. Roosevelt. Federal election law also refers to PACs as "separate segregated funds" because the money contributed to a PAC is kept in a bank account separate from the general corporate or union treasury. PACs may receive up to $5,000 from an individual, another PAC or party committee each calendar year. PACs can give $5,000 to a candidate committee per election (primary, general or special) and can also give up to $15,000 annually to any national party committee, and $5,000 annually to any other PAC. See Federal Election Commission at http://www.fec.gov/ans/answers_pac.shtml. See also OpenSecrets.org at https://www.opensecrets.org/pacs/pacfaq.php.
2. Heidi Welsh and Robin Young, *Forthcoming analysis of S&P 500 political spending governance*, Sustainable Investment Institute, 2014. Also see Sustainable Investment Institute and IRRC Institute, Corporate Governance of Political Expenditures: 2011 Benchmark Report on S&P 500 Companies, November 2011. Available at http://www.irrcinstitute.org/pdf/Political_Spending_Report_Nov_10_2011.pdf.
3. A 527 organization or 527 group is a type of U.S. tax-exempt organization under Section 527 of the U.S. Internal Revenue Code (26 U.S.C. Section 527). A 527 group includes political action committees.
4. According to the Federal Election Commission, electioneering communications is any broadcast, cable or satellite communication that fulfills each of the following conditions:
   • The communication refers to a clearly identified candidate for federal office;
   • The communication is publicly distributed shortly before an election for the office that candidate is seeking; and
   • The communication is targeted to the relevant electorate (U.S. House and Senate candidates only).
   See http://www.fec.gov/pages/brochures/electioneering.shtml#Electioneering_Communications.

WHAT IS *CITIZENS UNITED?*

In 2008, a non-profit organization, Citizens United, released a documentary in theaters and on DVD called Hillary: The Movie, which was critical of Hillary Clinton's candidacy for president. Citizens United wanted to make the film available as a video-on-demand cable selection, as well as run commercials for the film on television. The group's plans to air the film using video-on-demand shortly before the 2008 elections potentially conflicted with the Bipartisan Campaign Reform Act (commonly known as the McCain-Feingold Act or BCRA). In anticipation of potential penalties for violating certain sections of BCRA, Citizens United sought an injunction (a court order prohibiting a party from taking a specific course of action) to block the Federal Election Commission from enforcing those sections on the grounds they violated the First Amendment to the US Constitution. The District Court refused to grant Citizens United's request. Citizens appealed the case to the US Supreme Court.

In January 2010, in a 5-4 decision, the Supreme Court ruled in favor of Citizens United, overturning a variety of earlier decisions, and invalidating several state laws and federal acts. The Court found that corporate funding of independent political broadcasts in candidate elections is protected under the First Amendment and therefore may not be restricted. The Court concluded that the First Amendment prohibits the federal government from restricting independent political expenditures by corporations or labor unions. The new ruling gives corporations and unions the same political spending and political speech protection under the First Amendment as that afforded to an individual.[6]

The result of the ruling is that corporations can spend an unlimited amount of money in federal elections to support or defeat a candidate for any public office as long as they do not coordinate with a candidate's campaign. The Court left intact the federal-level prohibition against corporations making direct donations to candidates—an issue not raised in this case. However, companies can still give direct contributions to candidates at the state level, where allowed by law. The Court also upheld the authority of Congress and the states to pass laws to require companies to disclose their spending on election ads. To read more about this decision, please see Citizens United v. Federal Election Commission, 558 U.S. 310 (2010).

candidate as long as there is no coordination with the candidate; direct contributions to these candidates are still forbidden. The new political landscape, post *Citizens United*, has permitted the creation of Super PACs that can raise and spend unlimited amounts, including from those corporate treasuries, and allowed politically active non-profits to begin making independent expenditures with no limits on what they can raise or spend.[5]

Americans are concerned about corporate money in politics. A recent poll shows that nearly 9 in 10 Americans (89 percent) agree that there is too much money in politics, and 81 percent of Americans agree that companies should only spend money on political campaigns if they disclose their spending immediately.[7] They are concerned that corporations can—and have—spent millions of dollars to influence election results, the extent of which cannot be fully determined due, in part, to "dark money" or the increasing undisclosed spending by non-profit organizations and the use of these organizations as preferred vehicle for political spending.[8] They want to know how much companies spend and why.

According to the Federal Election Commission (FEC), an agency that administers and enforces the Federal Election Campaign Act—the statute that governs the financing of federal elections—approximately $7 billion was spent during the 2012 elections.[9] According to estimates from the Center for Responsive Politics, a non-partisan research group, the Presidential election alone accounted for $2.6 billion.[10]

5. The new Super-PACs are also tax-exempt organizations under Section 527 of the U.S. Internal Revenue Code (26 U.S.C. Section 527).
6. See Glass Lewis & Co, Political Contributions: *A Glass Lewis Issue Report 2012*. See also "A Free Speech Landmark," Wall Street Journal, January 22, 2010.
7. Poll released by the Corporate Reform Coalition on October 25, 2012 and survey conducted by Bannon Communications. See Public Citizen press release http://www.citizen.org/pressroom/pressroomredirect.cfm?ID=3748. See Executive Summary for National Survey on Corporate Reform, Bannon Poll, October 18, 2012 at http://www.citizen.org/documents/bannon-communications-research-executive-summary.pdf. See also Liz Kennedy, "Citizens Actually United," Demos, October 2012.
8. "Dark money" refers to the funding by nonprofits organized under sections 501(c)(4) and 501(c)(6) of the U.S. tax code as they need not publicly disclose the sources of their funding — unlike funding by candidates, political parties and super PACs. See The Center for Public Integrity website at http://www.publicintegrity.org/about for more information. See also, *Top U.S. corporations funneled $173 million to political nonprofits*, Center for Public Integrity, January 16, 2014.
9. Tarini Parti, "$7 Billion Spent on 2012 Campaign, FEC says" Politico, January 31, 2013 at http://www.politico.com/story/2013/01/7-billion-spent-on-2012-campaign-fec-says-87051.html. According to this article, about $7 billion was spent by candidates, parties and outside groups on the 2012 election—beating even the unprecedented expected total of $6 billion, according to a review of campaign finance reports by the Federal Election Commission.
10. The Center for Responsive Politics (CRP) projected that President Obama and challenger Mitt Romney spent approximately $2.6 billion, the House races totaled nearly $1.1 billion, and the Senate candidates spent around $743 million. "2012 Election Spending Will Reach $6 Billion, Center for Responsive Politics Predicts," Center for Responsive Politics, October 31, 2012 at http://www.opensecrets.org/news/2012/10/2012-election-spending-will-reach-6.html.

Tracking corporate disclosure of political contributions is a challenge. While some companies disclose some kind of policy on political campaigns or disclose which corporate official or department is involved in the process[11] there is little or no voluntary disclosure of their actual spending. At the state level, contributions to state candidates usually must be disclosed in that state. More than half the states allow companies to contribute directly to candidates—some have contribution limits while others do not.[12] The *Citizens United* decision did not affect these state laws. Under current federal law, companies are not required to independently disclose their direct political spending—such as the amounts they pay on their own for political advertising—although a growing number are doing so voluntarily. Tracking even these disclosures is difficult however, because companies do not disclose the information in a consistent manner or in any central place, and compiling information from different public sources is a demanding task for shareholders and the public. Investors currently have no organized reporting system available to them that provides comparable details about all corporate spending on elections and lobbying at different levels of government. Information that is publicly available on political spending is scattered among several federal, state and local government agencies and is available in widely varying formats ill-suited to providing investors with a clear picture of corporate efforts to influence the political system.[13]

The information that is available to investors and the public does not provide a comprehensive picture of the spending. While the FEC requires reporting of data on contributions by individuals and PACs to federal candidates, with individuals required to disclose their employer, it is far from being comprehensive. The FEC does not provide data on new post-*Citizens United* independent expenditures or state-level contributions, among other things. Additionally, while some pieces of information may be gleaned through Internal Revenue Service (IRS) filings, such as for 527 groups which have to file "periodic" reports of contributions and expenditures, the IRS does not regulate federal election laws. For example, the IRS definition of what constitutes "political spending" is not clear and the agency has never defined how much money social welfare groups can spend on express political advocacy.[14] The Center for Responsive Politics provides online tools to analyze federal election and lobbying data, while the National Institute on Money in State Politics provides similar tools to examine state-level spending on candidates, political parties and ballot initiatives. However, no central database amalgamates state-level lobbying data, which are gathered under 50 disclosure regimes that vary widely. As a result, the American public, including investors, has an incomplete picture of how companies affect government. These gaps in transparency and accountability may raise serious risks for companies and erode public trust and investor confidence.

Shareowner Action

Since the Citizens United decision, there has been an increase in shareholder proposals on political spending, asking for greater board oversight of campaign spending as well as increased disclosure to investors. A parallel shareholder campaign to encourage more disclosure of direct and indirect lobbying started in 2012. Both efforts contend that investors need information on corporate spending on elections and lobbying so they can make informed decisions and assess related risks. Shareholder resolutions are crucial tools for encouraging US companies to address key environmental, social and corporate governance (ESG) issues. By filing resolutions, which may then proceed to a vote by all shareholders in the company, active shareholders bring important issues to the attention of company management, often winning media attention and educating the public as well. Proponents believe that without strong disclosure rules, shareholders are unable to hold directors and executives accountable when they spend corporate funds on politics.

A key emphasis of both campaign spending and lobbying disclosure initiatives from investors focuses on corporate funding of intermediary non-profit groups, such as trade associations, that may keep their donors secret.[15] According to the Center for Political Accountability (CPA), more mutual funds are voting in support of

11. Nearly 90 percent of the largest US companies have disclosed some kind policy on political campaign, and 70 percent disclose which corporate official or department is involved in the process. See Heidi Welsh, Robin Young, Forthcoming analysis of S&P 500 political spending governance, Sustainable Investment Institute, 2014.
12. National Conference of State Legislatures, *State Limits on Contributions to Candidates* (updated October 2013). Available at http://www.ncsl.org/Portals/1/documents/legismgt/Limits_to_Candidates_2012-2014.pdf.
13. See SEC File No. 4-637, Petition to Require Public Companies to Disclose to Shareholders the Use of Corporate Resources for Political Activities, submitted August 3, 2011.
14. *IRS sets its sights on political 'dark money'*, Center for Public Integrity, Michael Beckel, November 27, 2013.
15. According to Heidi Welsh of Sustainable Investments Institute, intermediaries are non-profit groups that receive contributions from companies and then use the funds to 1) support specific candidates, parties or ballot initiatives and/or 2) lobby for specific policy outcomes. Specifically, it includes trade associations organized under 501(c)6 of the tax code, social welfare organizations organized under section 501(c)4 of the tax code and charities whose activities can be construed as political (organized under section 501(c)3 of the tax code).

resolutions asking portfolio companies to reveal political donations to nonprofits and trade associations. The CPA reports that in 2013, 39 percent of the mutual funds voted in favor of shareholder resolutions calling for companies to reveal their donations, up from 34 percent in 2012.[16]

Signifying the urgent nature of this issue, in the 2013 proxy season, political spending resolutions comprised the biggest share of environmental and social-issue resolutions filed, totaling one-third.[17] According to the CPA, the average vote in support of political spending disclosure proposals has almost quadrupled over the past decade and topped 30 percent for the last four years. Several disclosure proposals have achieved votes of over 40 percent in the past few years, including a 66 percent vote in favor of disclosure at CF Industries, an Illinois fertilizer company.[18]

In recent years, investors have raised questions, too, about how companies attempt to influence lawmakers after elections and are therefore asking more about disclosure of lobbying. In 2013, proponents filed 57 shareholder resolutions that mentioned lobbying; 42 went to votes and averaged 27 percent support.[19] This followed 40 proposals filed in 2012.[20]

While generally not winning majority support, shareholder resolutions can still signal to company management that a significant bloc of shareholders are concerned about this issue and can help inspire companies to act. (See sidebar on "The Impact of Shareholder Action.")

Your Investments

You can address the unlimited and undisclosed political spending by corporations provided you exercise your vote, voice and powers as an investor.

- If you are a **retail investor**, you may own shares directly in individual companies as part of your investment portfolio. You are likely to have investments in mutual funds and exchange-traded funds, perhaps as part of an individual retirement account, 401k plan or other type of retirement plan. You also probably have an account in a bank or credit union.

- If you are an **accredited[21] individual investor** or **institutional investor**, you (or your institution) own shares in companies or corporate bonds, perhaps through separately managed accounts. You may also have investments in mutual funds, exchange-traded funds and loan funds as well as in depository institutions.

DIRECT OWNERSHIP OF STOCKS OR HOLDINGS IN PUBLIC EQUITIES

If you own shares in companies, you have several options: to buy (invest) in or continue to hold shares of companies whose corporate political contribution policies and actions you approve of, to sell (divest) shares

16. Center for Political Accountability, Corporate Political Spending and the Mutual Fund Vote, November 2013. Available at http://www.politicalaccountability.net/index.php?ht=a/GetDocumentAction/i/8174.
17. Sustainable Investments Institute Press Release, August 15, 2013. "Growing investor support for political spending disclosure, jump in proxy season support for other corporate disclosure and action" at http://siinstitute.org/press/2013/08202013_Si2_Press_Release_Proxy_Review_FINAL.pdf.
18. Dina El Boghdady, Shareholders Press Companies to Disclose More About Political Spending, Washington Post, May 17, 2013. Letter from Heidi Welsh, to Elizabeth Murphy, Secretary, SEC, October 30, 2012.
19. Data provided by Sustainable Investments Institute, January 2014.
20. Statement by John Keenan in ProxyPreview 2013. Available at http://www.proxypreview.org/.
21. See http://www.sec.gov/answers/accred.htm. The federal securities laws define the term accredited investor in Rule 501 of Regulation D as:
    1. a bank, insurance company, registered investment company, business development company, or small business investment company;
    2. an employee benefit plan, within the meaning of the Employee Retirement Income Security Act, if a bank, insurance company, or registered investment adviser makes the investment decisions, or if the plan has total assets in excess of $5 million;
    3. a charitable organization, corporation, or partnership with assets exceeding $5 million;
    4. a director, executive officer, or general partner of the company selling the securities;
    5. a business in which all the equity owners are accredited investors;
    6. a natural person who has individual net worth, or joint net worth with the person's spouse, that exceeds $1 million at the time of the purchase, excluding the value of the primary residence of such person;
    7. a natural person with income exceeding $200,000 in each of the two most recent years or joint income with a spouse exceeding $300,000 for those years and a reasonable expectation of the same income level in the current year; or
    8. a trust with assets in excess of $5 million, not formed to acquire the securities offered, whose purchases a sophisticated person makes.

of companies whose corporate political contribution policies and actions you disapprove of,[22] and to use your voice and exercise your rights as a shareholder, such as voting or engaging in shareowner engagement to positively reinforce actions of companies who are doing the right thing or to bring attention and try and change company policies that you do not like.

Review the company: To find companies that have chosen to voluntarily disclose their corporate political spending policies and to review their policies, you might look at the 2013 CPA-Zicklin Index, which provides information for the top 200 companies in the S&P 500 Index.[23] Information on how companies oversee and disclose their spending is also found in *Corporate Governance of Political Expenditures: 2011 Benchmark Report on S&P 500 Companies* by Sustainable Investments Institute.

Additionally, the company may disclose its policies and actions on corporate political contributions and expenditures on its corporate website, often under the "Investor Relations," "Governance," "Code of Conduct" or "Sustainability" sections. You may check to see if the company publishes a corporate responsibility or sustainability report and if so, whether it has policies and disclosure on corporate political contributions. The company may also include this information in filings to applicable authorities, such as the US Securities and Exchange Commission. However, companies typically have not included corporate political contributions information in 10-K or annual reports submitted to the SEC. For example, a report reviewing corporate political contributions disclosures in 10-K filings, annual reports, sustainability reports or websites and the proxy statement found that such disclosures were only included in those reports if they mentioned a reputational risk or business opportunity for the firm.[24]

If you are an accredited individual investor or institutional investor, you may also consider purchasing research conducted by firms that specialize in assessing companies on various corporate governance issues, such as corporate political contributions and lobbying expenditures, as well as environmental and social issues. To find a list of these firms, visit the directory of financial services offered by US SIF members: under "Directory categories," select "Research & Index Providers."

Make your vote count: At a minimum, if you directly own shares in a company, you should pay close attention to the shareholder resolutions that are coming to votes at their annual meetings and be sure to vote your shares. Helpful information on upcoming shareholder resolutions is offered by the Interfaith Center on Corporate Responsibility, as well as a corporate lobbying chart on Green America's website.[25]

If you are an institutional investor or rely on investment managers to vote your shares, make sure they are voting in accordance with your views. Proxy advisory firms are available to assist with drafting proxy voting guidelines for your institution; they can also vote your institution's shares in accordance with these guidelines. Additionally, for background on political spending and lobbying expenditures being raised through shareholder resolutions, as well as lists of shareholder resolutions that have been filed for votes at US companies' upcoming annual meetings, please see the Interfaith Center on Corporate Responsibility (ICCR), As You Sow Foundation and the Sustainable Investments Institute (Si2).

File a resolution: You may also wish to file a shareholder resolution. You are eligible to file a resolution if you can document that you have owned $2,000 worth of the company's stock for a year as of the date you file the resolution. If you are an individual or retail investor who doesn't meet the $2,000 threshold on your own, or if you prefer to do this with others, you can collaborate with other shareholders—or "co-filers."

To find the deadline by which your resolution must be submitted to be considered for inclusion in a company's proxy statement for next year's annual meeting, find its most recent proxy statement on the "Edgar" site of the SEC. Enter the company's name where indicated. After selecting the correct company from the list, you can

22. As stated earlier, investors have an incomplete picture due to the lack of political spending disclosure from companies, and therefore evaluating policies and actions may be more challenging.
23. *The 2013 CPA-Zicklin Index of Corporate Political Accountability and Disclosure: How Leading Companies Are Strengthening Their Political Spending Policies*, Center for Political Accountability, September 24, 2013, at http://www.politicalaccountability.net/index.php?ht=a/GetDocumentAction/i/8047.
24. IRRC and Si2, *Integrated Financial and Sustainability Reporting in the United States*, April 2013. Available at http://irrcinstitute.org/pdf/FINAL_Integrated_Financial_Sustain_Reporting_April_2013.pdf.
25. Chart was compiled with data from the AFL-CIO, As You Sow, Ceres, Interfaith Center on Corporate Responsibility, Investor Environmental Health Network and the Investor Network on Climate Risk.

type “DEF 14A” under “Filing Type” to access the company’s definitive proxy statement. The deadline for filing shareholder resolutions is usually given under “Other” or “Additional” information in the proxy statement, and will typically be about five and a half months before the next annual meeting. The same section of the proxy statement will give the name, title and address of the corporate officer to whom the shareholder proposals should be submitted.

Your shareholder resolution must also meet certain other requirements established under rules administered by the SEC. Proposals are limited to 500 words and cannot contain false or misleading information or be motivated by a personal grievance. In addition, you or your designated representative must attend the annual meeting in person to present the proposal formally. While some companies have sought to block these proposals by arguing under SEC Rule 14a-8 that shareholder requests relating to political spending are either “vague” or “ordinary business decisions” in which shareholders should not be involved, the SEC has rejected both arguments in its “no-action” letters. The SEC indicated that shareholders could not be denied the opportunity to indicate their views on a corporation’s political spending, and made clear that corporate political activity is not an ordinary business decision.[26]

There are various types of shareholder resolutions on corporate influence over the political system, including the following:[27]

1. **Disclosure of Corporate Political Contributions**—A growing number of companies are being asked for more oversight and disclosure of their spending. These resolutions typically ask the company to provide a report disclosing the company’s policies and procedures for political contributions made with corporate funds, monetary and non-monetary contributions, and other expenditures used to participate or intervene in any political campaign on behalf of (or in opposition to) any candidate for public office or to influence the general public. These resolutions ask that such a report be presented to the board of directors or relevant board oversight committee and posted on the company’s website. The shareholder resolution may also ask the company to assign board responsibility for formulating and revising the corporate political contributions policy and establishing the parameters of the company’s commitment to publicly disclose political expenditures.

2. **Disclosure of Lobbying Expenditures**—Very few companies independently disclose the full range of their lobbying activities, although federal lobbying is extensively regulated and information about it is available from the US government lobbying disclosure website and many other sources that provide online analytical tools.[28] Shareholders increasingly are asking companies to disclose their lobbying activities and expenditures in order to evaluate whether a company’s lobbying is consistent with its expressed business goals and objectives and whether it may present risks to the company.[29] These resolutions typically ask the company to prepare annual reports on company policy and procedures governing lobbying, payments used for lobbying, memberships in and payments to any tax-exempt groups that write and endorse model legislation (such as the American Legislative Exchange Council (ALEC), the Heartland Institute and the US Chamber of Commerce). Resolutions also frequently ask companies to make public a description of the decision making process for making payments to lobbying organizations. There are also “hybrid” resolutions that combine requests for lobbying, campaign spending and other election-related expenditures disclosure.

In addition to the above types of shareholder resolutions, investors also filed other closely related proposals during 2012 and 2013:[30]

- **Adopting a Policy on Values and Political Spending**—These new kinds of proposals, filed in 2013 by Northstar Asset Management, asked companies like **Chubb, Ecolab, EMC, Intel, Johnson & Johnson,**

---

26. See Home Depot, Inc. SEC No Action letter (March 25, 2011) and Bank of America, SEC No Action Letter.
27. *ProxyPreview 2013*, As You Sow, Si2 and Proxy Impact.
28. Lobbying data is generally available. For example, OpenSecrets.org of the Center for Responsive Politics publishes this information on its site. The lobbying data that form the basis of their site are compiled using the lobbying disclosure reports filed with the Secretary of the Senate’s Office of Public Records (SOPR) and posted on its website. According to Open Secrets.org, there are three different filing methods. *“Two options are largely identical (one for for-profit groups, the other for nonprofits) and use a definition of lobbying contained in the Internal Revenue Code (IRC). The third follows the definition of lobbying contained in the Lobbying Disclosure Act of 1995 (LDA). Filers using the IRC methods must report state and grassroots lobbying costs, which are not included in LDA reports. However, the list of covered public officials under the IRC is much narrower than the set covered by the LDA. Thus, lobbying expenditures may not be strictly comparable among organizations.”* See http://www.opensecrets.org/lobby/methodology.php. Also see the Lobbying Disclosure Act Database of the United States Senate at http://soprweb.senate.gov/index.cfm?event=selectfields.
29. Ibid.
30. *ProxyPreview 2013*, As You Sow, Si2 and Proxy Impact.

Praxair and **Western Union** to create and implement a policy that aligns their values with decisions about political spending.

- **Ending Political Campaign Spending**—Investors such as Clean Yield Asset Management, Green Century Capital and Harrington Investments filed resolutions asking companies to prohibit the use of treasury funds for political contributions or to study the feasibility of adopting such a policy. Increasingly, companies such as **IBM, Colgate Palmolive, Wells Fargo** have adopted policies prohibiting spending of corporate funds to influence elections directly or indirectly.

To find models or templates to follow in drafting your resolution, you may wish to consult the political disclosure resolution template on CPA's website and the list of shareholder resolutions filed by investors affiliated with the Interfaith Center on Corporate Responsibility.

If you divest, send a message: If you own shares in companies that have poor or no policies on corporate political contributions and/or lobbying expenditures or are unresponsive to your requests for information, you may choose to divest if you believe that shareholder activism is not sufficient to change these companies' performance on disclosure. To ensure that the company knows why you have divested, you should inform the company's investor relations department. Typically, company websites have a tab for "Investors" from which you will find telephone numbers and mailing addresses for investor relations contacts.

MUTUAL FUNDS AND EXCHANGE-TRADED FUNDS

Rather than (or in addition to) owning stocks directly, you or your institution may also own shares in mutual funds and exchange-traded funds that invest in stocks and bonds.

POLITICAL SPENDING AND LOBBYING DISCLOSURE: THE IMPACT OF SHAREHOLDER ACTION

After engagement by sustainable investors, a growing number of companies have responded positively to requests to disclose and require board oversight of their political spending with corporate funds.

According to the Center for Political Accountability (CPA), to date, a total of 217 companies have formally been engaged through a shareholder resolution on the issue of political spending disclosure and accountability, resulting in a total of 118 agreements that led to a withdrawal of the resolution. In 2013 alone, CPA-coordinated shareholder resolutions concerning political disclosure and accountability led to 16 agreements to disclose by companies.[1] Additionally, since 2011 several Fortune 500 companies have reached an agreement with the New York State Comptroller to disclose political spending. They include: **CSX, Dr Pepper Snapple Group, Harley-Davidson, KeyCorp, Kroger, Limited Brands, Marriott International, Noble Energy, PepsiCo, PG&E, Plum Creek Timber, Qualcomm, R. R. Donnelley & Sons, Reynolds American, Safeway, Sempra Energy, Southwest Airlines and Yum! Brands.**[2]

A number of companies have adopted new political disclosure policies. For example, Accenture adopted a new policy that prohibits political spending with corporate funds. **Procter & Gamble** increased disclosure of lobbying activities and reviewed and amended its Political Action Committee (PAC) contributions policy to explicitly reference corporate values in the criteria. **PepsiCo** agreed to disclose direct lobbying and contributions made to trade associations, as well as funds paid to grassroots lobbying and tax exempt groups that write and endorse legislation. Similarly, a resolution at **3M** was withdrawn after it agreed to disclose lobbying activities and expenditures to trade associations.

Many companies also ended their membership in the American Legislative Exchange Council, an organization that has received scrutiny for drafting model bills for its customers on issues such as reducing corporate regulation and taxation, tightening voter identification rules and promoting gun rights; as well as from the Heartland Institute, an organization that promotes skepticism about climate change and conducts research and advocacy work on issues including government spending, taxation, healthcare, education, tobacco policy and other issues.

1. *Shareholder Resolutions on Corporate Political Spending Disclosure & Accountability: Summary Analysis of Vote Results and Agreements*, 2004-2013. Center for Political Accountability. See also Center for Political Accountability Newsletter, May 2013.
2. *DiNapoli Reaches Agreement With Five Companies To Disclose Political Spending: Eighteen Agreements Reached Over Three Years*, Press Release from the Office of the New York State Comptroller, April 9, 2013.

Learn about your funds: You can learn about a fund's investment philosophy from its online summary prospectus. The prospectus will note if the fund takes social responsibility or corporate governance and business ethics concerns into account in selecting its portfolio. Funds that invest in stocks (equities) also have a responsibility to vote their shares (proxies) in portfolio companies, and are required to provide a record of how they voted, called an "N-PX" report, under rules issued by the SEC. The report will list each resolution and whether it was proposed by the company management or by shareholders, how the fund voted ("for," "against" or "abstain") and whether that vote was "for" or "against" the company's recommendation. N-PX reports are lengthy, so you should search by key words, such as "political contributions," "political spending," and "lobbying" or the names of companies where you know or suspect that such resolutions were voted.

Express your views to fund management: If you don't see evidence that the funds in which you are invested have thoughtful voting or investment policies on corporate political contributions disclosure and/or lobbying expenditures, contact the fund company to express your concerns. You should be able to find a general, toll-free telephone number on the website of your mutual fund company under "Contact Us" or "Open an Account." Mutual fund companies are sensitive to customer opinion. You should not hesitate to express your concerns and suggestions. Remember that the shares you own in mutual funds are ostensibly being voted on the behalf of you and other clients. Moreover, fund companies are likely to develop or modify their products if they believe there is sufficient customer demand.

Switch funds: If you are able to do so, you may also wish to switch funds. A good place to start is the list of mutual funds offered by members of US SIF. By clicking on the screening and advocacy tab, you can see which equity funds file shareholder resolutions or communicate with portfolio company management on environmental, social and corporate governance issues. The proxy voting tab provides quick links to the funds' proxy voting guidelines and records. Many of the US SIF member funds vote thoughtfully on corporate political spending issues and sometimes file shareholder resolutions on these issues. Additionally, you may also use CPA's 2013 Corporate Political Spending and the Mutual Fund Vote report to see how 40 of the largest U.S. fund families voted for political disclosure resolutions.

FINDING PROFESSIONAL INVESTMENT HELP

If you are a retail investor and seek to put corporate political contributions and lobbying expenditure disclosures, as well as other governance, environmental and social related investment strategies into action in a manner that is appropriate for your age, investment objectives, risk tolerance and return expectations, you may want to enlist the assistance of a financial advisor.

A good place to start is the directory of financial services offered by US SIF members, as they have expertise in sustainable and responsible investing options and strategies. Under "Directory Categories," retail investors can select "Financial Advisors and Brokers" and institutional investors can select "Investment Consultants."

If you are an accredited or institutional investor, you may also wish to employ the services of an investment management firm that specializes in sustainable and responsible investment approaches. A good place to start is US SIF's online chart of "Separate Account Managers in Sustainable and Responsible Investing." Many of these firms assist clients in filing shareholder resolutions on environmental, social and corporate governance issues, including corporate political contributions and lobbying expenditure disclosures. You may also want to enlist the assistance of a financial advisor or consultant with expertise in sustainable and responsible investing options and strategies.

SRI options in retirement plans: For retail investors, if your IRA, 401k or retirement plan platform does not offer funds with thoughtful policies on corporate political contributions and/or lobbying disclosure, request your investment advisor or investment committee to make such options available. In a recent survey of retirement plan sponsors, US SIF Foundation found that requests from participants are important in determining whether sustainable and responsible investing (SRI) funds are offered. Among the survey respondents that do offer SRI options, nearly a quarter said they were influenced by participant requests. And of the plan sponsors that did not offer SRI options, 71 percent said they had never received recommendations or requests to do so. For institutional investors, if your institution's retirement plan does not offer funds with thoughtful corporate governance policies on corporate political spending or lobbying expenditures, consider adding some to the plan lineup. You may wish to share US SIF Foundation's *Resource Guide for Plan Sponsors* with your plan's investment committee.

BANKS AND FINANCIAL INSTITUTIONS

Deciding what depository institutions to invest in also provides an opportunity to avoid institutions with poor track records on political contributions and lobbying expenditure disclosure. Some of these institutions are among the top corporate campaign contributors, but may not disclose their corporate political contributions or lobbying expenditures. If you are a retail investor, you may wish to contact your bank or financial institution to determine whether it has a policy on corporate political contributions disclosure or discloses its lobbying expenditures. Additionally, for political spending disclosure data on some of the largest US public companies, including banks and financial services companies, you can look at the Center for Political Accountability's report.

You may wish to open accounts in, or purchase certificates of deposits and other cash instruments from, banks and credit unions that have a mission of sustainable and responsible investing.

To find a community development bank or credit union, please visit:

- National Federation of Community Development Credit Unions
- National Community Investment Fund
- Community Development Bankers Association
- Center for Responsible Lending

More background on community development banks and credit unions can be found in Options and Innovations in Community Investing, available on US SIF's website.

Your Community

In addition to your own investment accounts, you or your institution may also have some ability to influence the investment actions of organizations with which you are connected, on whose boards or advisory committees you serve, or with which you have other connections. This includes non-profit organizations, university endowments, religious institutions and local government operating funds and pension funds. Consider asking the investment committee or trustees how they vote proxies on resolutions relating to corporate political contributions or lobbying expenditures.

Your Public Policy Actions

As an investor concerned about the role of corporations in the political process, it is important for you or your institution to make your voice heard on public policy issues. You can join hundreds of thousands of other investors, large and small, who have petitioned the SEC to require companies to disclose their political contributions. US SIF and many other investors signed a letter in support of this petition. Public Citizen provides a model letter that you may use or adapt to add your support for this petition.

You may also communicate with your Representatives and Senators in Congress to ask them to contact the SEC to demonstrate support for this rule. Your members of Congress can also be contacted to support legislation requiring disclosure of political spending, such as the Shareholder Protection Act. There are also calls for a constitutional amendment to eliminate unlimited campaign spending. People for the American Way tracks local, state and federal resolutions that have been introduced in support of such an amendment on its webpage.

LEGISLATION ON POLITICAL SPENDING

On March 29, 2012, Senator Sheldon Whitehouse (D-RI) re-introduced the "Democracy is Strengthened by Casting Light On Spending in Elections Act of 2012" (S.3369) also called DISCLOSE Act 2.0.[1] The bill was a reintroduction of similar legislation that came close to passing previously. This version of the DISCLOSE Act would require, among other things, disclosure of donors and a disclosure report from any group that spends $10,000 or more on election ads, or any other political activity.[1] In July 2012, some members of Congress blocked debate on the DISCLOSE Act. The vote failed to overcome a filibuster.

In April 2013, Congressman Mike Capuano (D-MA) and Senator Robert Menendez (D-NJ) reintroduced the Shareholder Protection Act (S. 824 and HR 1734) which requires CEOs to seek authorization from a majority of shareholders before a corporation can spend money from its general treasury on political activities. It also requires the disclosure of these expenditures.

1. *Sen. Whitehouse says Disclose Act needed to fight 'shadowy' political groups*, The Hill, July 16, 2012.

For Further Reading

BACKGROUND INFORMATION ON POLITICAL SPENDING & LOBBYING EXPENDITURE

- Brennan Center for Justice – Money in Politics
- Center for Political Accountability
- Center for Responsive Politics
- Corporate Reform Coalition
- Demos
- Green America
- Interfaith Center on Corporate Responsibility
- International Corporate Governance Network
- Maplight
- Public Citizen
- Sustainable Investments Institute
- The Conference Board - Handbook on Corporate Political Activity

ABOUT THIS GUIDE

Addressing Corporate Money in Politics is part of the US SIF Foundation's "How do I SRI?" series of practical guidebooks. Each guide focuses on a social, environmental or governance problem and the strategies through which investors can address it. The US SIF Foundation thanks the Wallace Global Fund for its support of these guidebooks.

US SIF FOUNDATION
The Forum for Sustainable and Responsible Investment

910 17th Street NW, Suite 1000 • Washington, DC 20006
P +1-202-872-5361 • F +1-202-775-8686
Website: www.ussif.org
Twitter: www.twitter.com/followUSSIF
Facebook: www.facebook.com/followUSSIF

For comments and questions, contact us at info@ussif.org.