NEWS

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STUDY FINDS 86% OF S&P 500 COMPANIES HAVE NOT DISCLOSED INDIRECT POLITICAL EXPENDITURE POLICIES, ONLY 20% DISCLOSE SPENDING

First Comprehensive Political Spending Governance Analysis Finds Few Boards Engaged in Oversight Despite Potential Corporate Risks

NEW YORK, NY, October 14, 2010 – A new study finds that while nearly 80 percent of S&P 500 companies have disclosed direct political campaign spending policies, 86 percent have no disclosed policies regarding indirect political expenditures. Additionally, only 20 percent of corporations disclose how much is actually spent and which organizations or causes receive the funds.

These findings are contained in a report issued today by the Investor Responsibility Research Center (IRRC) Institute and the Sustainable Investments Institute (Si2) entitled, "*How Companies Influence Elections: Political Campaign Spending Patterns and Oversight at America's Largest Companies*." It is the first comprehensive report to benchmark the governance of corporate political spending, which has proven contentious for companies as varied as News Corp. and Target Corp. The study comes against the backdrop of the landmark *Citizens United vs. the Federal Election Commission* Supreme Court decision that lifted key restrictions on corporate political spending and opened up an unprecedented flow of millions of dollars – increasingly from indirect spending – into elections.

"Shareholders are demanding increased political spending disclosure to inject greater oversight, accountability and transparency into campaign spending to protect their investments," said Heidi Welsh, report co-author and executive director of Si2. "The recent controversy and boycotts surrounding

Target's indirect political expenditures are a vivid illustration of the serious reputational and financial risks companies and investors can face when there is not rigorous oversight and disclosure of contributions. A company that doesn't pay attention can find itself supporting groups or paying trade associations that work against its stated public policy positions, raising many questions for shareholders and the public. In the wake of the Supreme Court ruling, companies have even more latitude and fewer restrictions, which should be a wake up call to investors," Welsh stated.

"The findings indicate that corporations are falling short on political expenditure governance," said Jon Lukomnik, IRRC Institute program director. "It's encouraging that 80 percent of the S&P 500 have disclosed political campaign policies. But that's where the good news stops. Political expenditures of corporate assets typically lack board oversight, and lack transparency with regard to the expenditure processes and gatekeepers to that corporate money. More importantly, few companies typically have policies disclosing the amounts and recipients of indirect expenditures – such as to trade groups and other organizations – which have become increasingly controversial. In practice, the existing disclosures may be of less use than they would appear because investors cannot determine how much of their money is actually being spent, or where it is going," Lukomnik said.

The IRRC Institute commissioned this study to take a comprehensive look at the governance of political spending. It was conducted in a non-partisan and non-advocacy manner, favoring no political party and with no position as to the legitimacy of corporate political spending. Rather, the study is intended to provide investors, policy makers, corporate decision makers, and thought leaders with baseline data on corporate political expenditure governance.

The key research findings include:

- Nearly 80 percent of the S&P 500 companies have disclosed political campaign spending policies. However, only a distinct minority has stand-alone policies that are easily accessible and with clear descriptions of spending decision making and oversight. The publicly available language that companies use to describe their political spending is usually not precise, and rarely includes all types of political spending.

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- 86 percent of the S&P 500 does not have stated policies on indirect political spending via contributions to trade associations and non-profit interest groups that have become a key area of concern. Financials firms are notably less likely than other sectors to have any policies on indirect spending.

- Less than one-quarter of S&P 500 companies require their boards to oversee political spending. Nearly all of those are the largest companies in America. Least likely to have oversight are smaller companies and companies in the Consumer Discretionary sector. Board oversight is more prevalent in the Health Care sector, which has been in the spotlight in recent elections and the subject of sweeping and controversial reform enacted in March 2010.

- More than 80 percent of the S&P 500 companies do not provide information on actual contributions, as opposed to the policies that ostensibly control that spending. Almost all companies that do report are at the top end of the revenue scale. One-third of Health Care companies disclose spending but only about 10 percent do in three other sectors—Financials, Telecoms and Consumer Discretionary.

- Only 52 companies indicated they do not use "independent expenditures" to advocate for or against the election of candidates.

- About half of all S&P 500 companies provide some information on which company officers make spending decisions. This management transparency is most common among Consumer Staples companies. In contrast, Financial sector companies provide the least amount of information, even though Congress enacted significant and contentious reforms for the industry in July 2010.

- Nearly 60 percent of S&P 500 companies spend shareholder money from the corporate treasury on political campaigns, while two-thirds have political action committees that spend money contributed by corporate executives. Utilities – amongst the most highly regulated industries – are more likely than any other sector to support candidates, parties and interest groups' political committees. Information Technology companies are the least likely to spend in these categories.

- Board oversight encourages disclosure of what companies do spend, but there is no evidence that such oversight affects spending.

This study was conducted through an examination of S&P 500 companies' federal and state campaign contribution data and other publicly available information, combined with the results of a Si2 survey sent to each company. The report also includes two case studies and a short primer on the various types of political spending. The full study is available at www.irrcinstitute.org and www.siinstitute.org and is included in the IRRC sponsored Social Science Research Network Corporate Governance Network at http://www.ssrn.com/cgn/index.html.

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The Sustainable Investments Institute provides online tools and in-depth reports that enable investors to make informed, independent decisions on social and environmental shareholder proposals. More information is available at www.siinstitute.org.

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