NEWS

For Immediate Release

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NEW STUDY FINDS OVERSIGHT AND DISCLOSURE OF CORPORATE POLITICAL SPENDING INCREASING, BUT SUCH MEASURES DO NOT NECESSARILY LIMIT SPENDING

Analysis Counts More Companies with "No Spending" Policies, but Reveals Inconsistencies Between What Companies Say and What They Do

Press Conference Releasing Study: Thurs, Nov. 10, 2011 at 12 PM ET,
National Press Club, 529 14th Street, NW Washington, D.C.
Register at http://events.constantcontact.com/register/event?llr=slt7y9cab&oeidk=a07e53un2ad32ee3f76

WASHINGTON, D.C., November 10, 2011 – Corporate accountability and disclosure of political expenditures is on the upswing, with the boards of 31 percent of S&P 500 companies now explicitly overseeing such spending, compared to 23 percent in 2010. However, this increased oversight and transparency does not necessarily translate into less spending, as companies with board oversight of political expenditures spent about 30 percent more in 2010 than those without such explicit policies.

These findings are contained in a new study commissioned by the Investor Responsibility Research Center (IRRC) Institute and conducted by Sustainable Investments Institute (Si2), **"Corporate Governance of Political Expenditures: 2011 Benchmark Report on S&P 500 Companies."** It is the most comprehensive study of corporate political spending to date and the first to compare political spending of the S&P 500 over time.

"For the first time, investors and policymakers have a comparative benchmark for the governance and political expenditures of the S&P 500" said Jon Lukomnik, executive director of the IRRC Institute. "The good news is that many companies have voluntarily heeded the call for increased disclosure, transparency and oversight. Given the high impact and high risk nature of this spending, that's probably appropriate."

The study also finds that:

- There is a trend towards more oversight and more "no spending" policies: 77 companies now say they will not use independent expenditures, up from 58 in 2010.
- The number of companies with policies on corporate oversight of indirect spending through trade associations has jumped to 24% from 14% a year ago. Fully half the largest 100 companies now have such policies. However, only 14% of S&P 500 companies actually give a numerical report on how much of their trade association dues are spent for political purposes
- 65% of the S&P now identify who at the company is responsible for making political expenditure decisions, up from 58% last year.

In addition, the study uncovered inconsistencies between companies' stated political expenditure policies and what is actually spent. Fifty-seven of S&P 500 companies state they will not make political contributions, up from just 40 in 2010. But an in-depth search of federal and state records shows that only 23 of these companies actually refrained from giving to candidates, parties, political committees and ballot measures in 2010.

The analysis also tallies what S&P 500 companies spent – some $1.1 billion from corporate treasuries in 2010. This includes:

- $979 million for lobbying at the federal level
- $112 million on state-level candidates, parties and ballot initiatives, and
- $31 million on federally registered political committees.

The data indicate the largest companies spent the most with the top 40% of the companies (by revenues) spending $915 million of the $1.1 billion. The average S&P 500 company spent $144 for political purposes per million dollars of revenue. Utilities and Health Care companies spent proportionately more than any other sectors.

"While many people assume that strong disclosure and governance practices will reduce corporate political spending, the data show that's far from a foregone conclusion. Indeed, on a revenue-adjusted basis, companies with greater board involvement in the process actually spend more," said Lukomnik. "However, I'd caution that the causation is unclear. For example, heavily regulated companies spend disproportionately. It stands to reason that the boards of highly regulated companies would both be more concerned with such spending, and could view such spending as a necessary cost of business."

"It's a complicated landscape. On the one hand, there's been real movement towards disclosure, but on the other, a huge part of the picture remains obscured," said Heidi Welsh, the report's lead author and Si2 executive director. "This project was about better defining what we do and don't know about company oversight and spending. Two-thirds of the companies that appear to spend from their treasuries don't report to investors, although we put many of the pieces together for direct political spending using data from the Center for Responsive Politics and the National Institute on Money in State Politics," she added. "However, reporting on indirect spending depends on voluntary corporate disclosures, and the 39 companies that disclosed such spending for 2010 reported a total of $41.1 million that went to political purposes. Most of it probably went to lobbying, and nobody is breaking out how much may have gone to political campaigns," she said.

Furthermore, Welsh noted, "There's a small but growing number of firms shying away from exercising their new right to fund ads that support or attack candidates, but that leaves hanging a question mark for nearly four-fifths of S&P 500 companies. Also, we found only 26 companies in the whole index mention anything about the 501(c)4 ‘social welfare’ groups that are playing a key role in funding issue ads.”

The report provides an impartial and non-partisan analysis, and does not advocate for particular policy solutions nor take a position on the legitimacy of corporate spending. It also provides two case studies. One examines ballot measure spending in California by PG&E, highlighting a type of corporate treasury spending that sometimes gets lost in the mix. The other looks at indirect support for independent expenditures in Ohio judicial elections by Procter & Gamble.

Download a copy of the full report at www.irrcinstitute.org or www.siinstitute.org. It also 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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About Sustainable Investments Institute
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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