



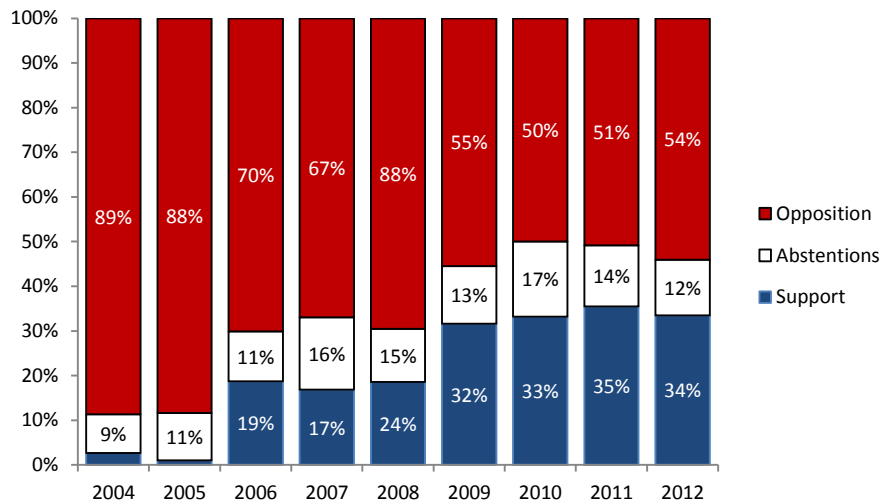
## Corporate Political Spending and the Mutual Fund Vote *2012 PROXY SEASON ANALYSIS*

**Jackie Cook, Fund Votes  
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Mutual funds’ support for corporate political disclosure dipped slightly in 2012 from its record high in the previous year, according to an analysis by the Center for Political Accountability. The review looked at how 40 of the largest mutual fund families voted on CPA’s model shareholder resolution that asked companies to disclose their political spending from corporate funds. It found that these fund families supported corporate political disclosure about 34 percent of the time in 2012, on average, compared with 35 percent in 2011.

CPA’s review of mutual fund votes presents a nine-year look at how 40 of the largest U.S. fund families voted on 250 shareholder requests for disclosure of corporate political contributions at U.S. companies. Together, these fund families manage around \$2.7 trillion in U.S. securities, according to Morningstar® fund data.

**Figure 1: Mutual Fund Voting Trend on Political Contributions Resolutions 2004-2012<sup>1</sup>**

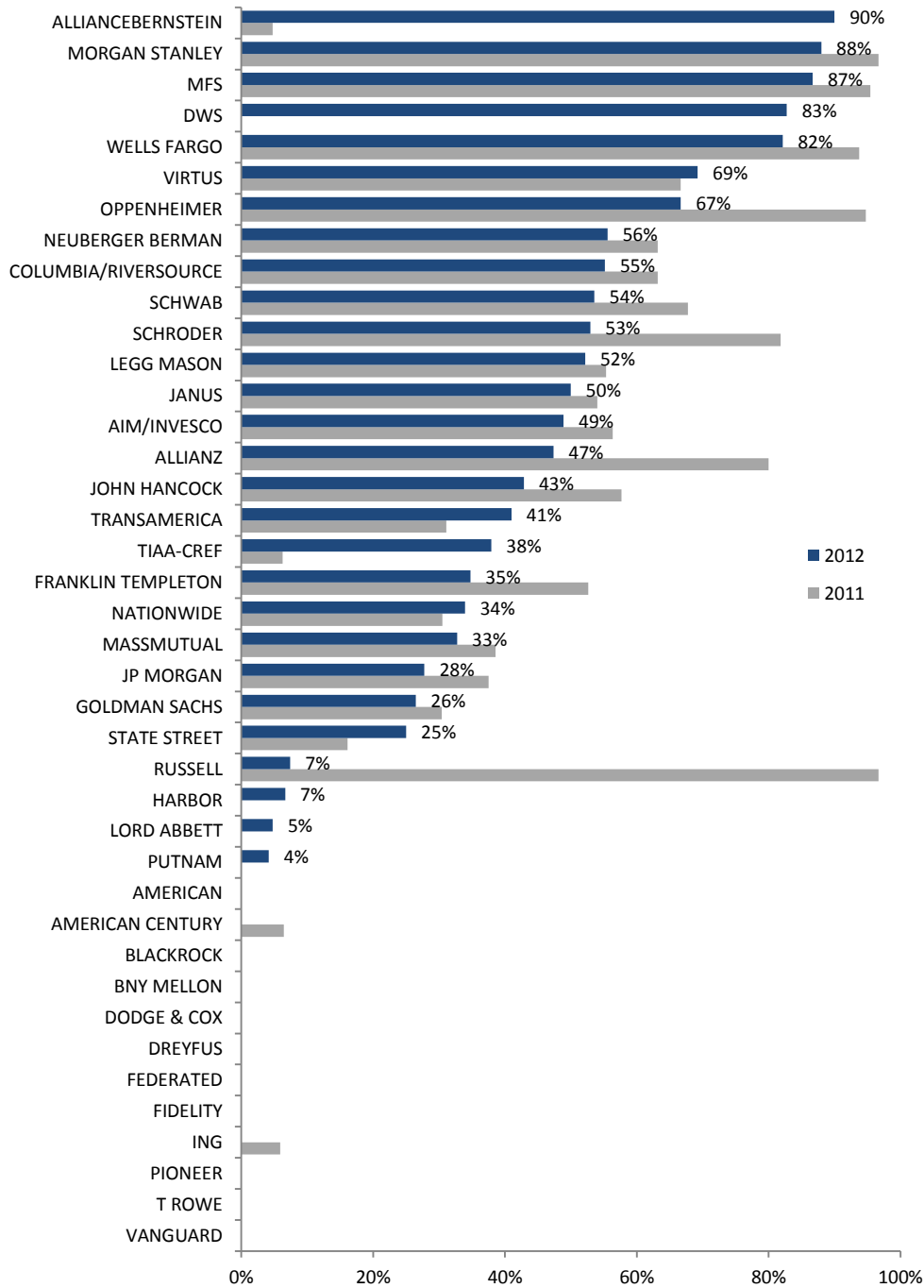


<sup>1</sup> For this review, CPA counted the numbers of votes cast for, against, and abstained by the mutual funds, not taking into account how many shares the funds voted with for each resolution. Hence, CPA is looking only at the funds’ *decision* on each resolution, in the three possible options of “for, against, and abstain.” This differs from the Securities and Exchange Commission’s method of accounting for shareholder support for each resolution, which counts the numbers of *shares* that voted for and against a resolution.

## Key Findings:

- In the 2012 proxy season, 40 of the largest mutual fund families supported, on average, 34 percent of the 29 CPA-model shareholder resolutions for corporate political disclosure. They abstained on 12 percent and opposed 54 percent.
- Average mutual fund support in 2012 decreased slightly from 2011's record 35 percent average support.
- Four fund families - Morgan Stanley, MFS, DWS Investment and Wells Fargo - supported disclosure of corporate political spending more than 80 percent of the time.
- Thirteen of the 40 fund families supported at least 50 percent of corporate political disclosure resolutions in 2012.
- AllianceBernstein and DWS Investments showed the largest increases in support between the 2011 and 2012 proxy seasons. AllianceBernstein supported disclosure of political contributions 90 percent of the time - the highest support by a large US mutual fund – in 2012, compared with supporting just 5 percent in 2011. DWS Investments supported 83 percent of all disclosure resolutions in 2012, compared with no support in the previous year.
- While abstentions have decreased overall, two fund groups, Fidelity and Pioneer, abstained on all corporate political disclosure resolutions that they voted on in the 2012 proxy season. In previous years Vanguard had also abstained on all such resolutions, but in the 2012 proxy season cast votes 'against' five of the 29 resolutions.
- Of the 30 fund groups that supported any corporate political disclosure resolution in either the 2011 or 2012 proxy season, average support declined at 20 funds but increased at 10 funds between the two years.
- Two fund groups, Dodge & Cox and Vanguard, have never supported any of the 250 CPA-model political contribution resolutions that have come to vote in the nine-year survey.

**Figure 2: Mutual Fund Families Ranked by 2012 Support for Corporate Political Disclosure Resolutions**



This year's survey considered 58,504 votes cast by large U.S. mutual funds on 250 shareholder-sponsored resolutions during the 2004 to 2012 proxy seasons.<sup>2</sup>

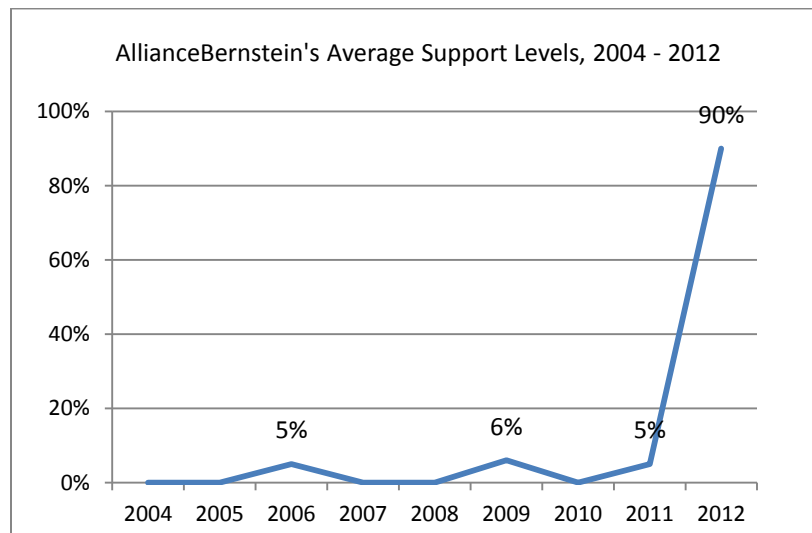
<sup>2</sup> In order not to overweight large companies that tend to be more widely held across fund groups' portfolios, only unique votes were counted for this year's survey. Where a single resolution was voted across multiple funds within a single fund family, each holding the corresponding security in their fund portfolios, only one vote is recorded against the corresponding fund family. In the case of

**The Resolution:** Appendix I lists all 29 resolutions, based on the CPA model, that came to vote in the 2012 proxy season. In 2012, a typical CPA-model resolution asked the company to report on and update semiannually the following:

1. *Policies and procedures for political contributions and expenditures (both direct and indirect) made with corporate funds.*
2. *Monetary and non-monetary contributions and expenditures (direct and indirect) used to participate or intervene in any political campaign on behalf of (or in opposition to) any candidate for public office, and used in any attempt to influence the general public, or segments thereof, with respect to elections or referenda. The report shall include:*
  - a. *An accounting through an itemized report that includes the identity of the recipient as well as the amount paid to each recipient of the Company's funds that are used for political contributions or expenditures as described above; and*
  - b. *The title(s) of the person(s) in the Company responsible for the decision(s) to make the political contributions or expenditures.*

The resolution with the highest level of shareholder support in 2012 was filed by Amalgamated Longview Bank and New York City retirement systems and pension funds at Wellcare. This resolution was voted on by shareholders on May 23, 2012, and earned 53 percent shareholder support. In addition to this, five of the 29 resolutions received over 40 percent shareholder support and additional seven received over 30 percent support.

**Funds Increasing Support:** The strongest support for corporate political disclosure resolution in 2012 among the 40 fund families came from **AllianceBernstein**, which voted on 20 of such resolutions and supported 18 (90 percent). It opposed resolutions at Sara Lee/Hillshire and FedEx. In the nine years that this survey covers, AllianceBernstein had never before supported more than 6 percent of the resolutions in a single proxy season, as illustrated in the table below.

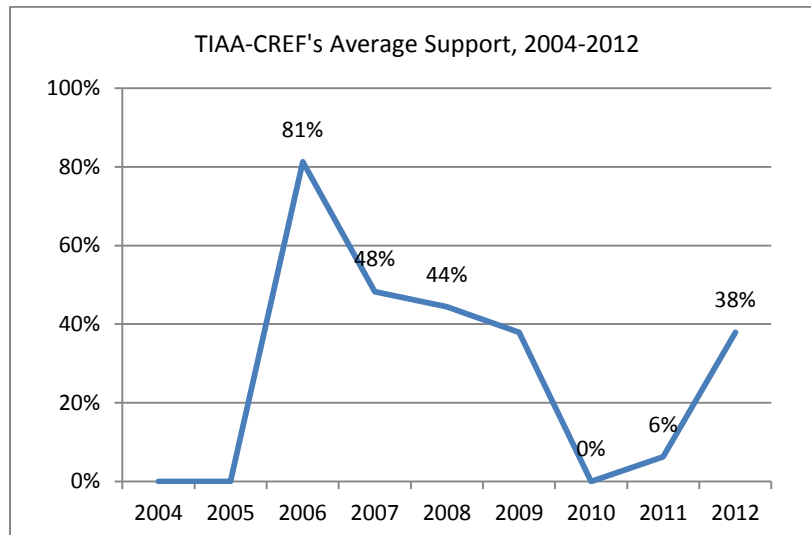


inconsistent voting within a fund family, i.e. conflicting votes on a single resolutions, each unique fund family-vote combination is recorded. In total 10,177 unique votes were analyzed for this year's survey.

AllianceBernstein says in its [proxy voting policy](#), dated March 2008, that it votes on a case-by-case basis on “social, political, and environmental issues.”

Other fund groups showing a significant increase in support in 2012 compared with previous proxy seasons include DWS Investments and TIAA-CREF. **DWS Investments** had opposed every one of the 203 resolutions it had voted on in the previous eight proxy seasons, but supported 83 percent in 2012. At the time of this report, DWS Investment’s [proxy voting guidelines](#) says that it would vote “against” “shareholder proposals regarding political contributions and donations.”

**TIAA-CREF’s** average support for corporate political disclosure increased to 38 percent in 2012, compared with zero percent and six percent in 2010 and 2011, respectively. TIAA-CREF’s support on this issue has fluctuated considerably over the past nine years, as illustrated in the table below.



At the time of this report, TIAA-CREF’s [proxy voting guidelines](#) says the following on corporate political spending:

*Without effective oversight, excessive or poorly managed corporate political spending may pose risks to shareholders, including the risk that corporate political spending may benefit political insiders at the expense of shareholder interests. Given increased public scrutiny of corporate political activities, we believe it is the responsibility of company boards to review and disclose the use of corporate assets to influence the outcomes of elections. Companies involved in political activities should disclose information about contributions as well as the board and management oversight procedures designed to ensure that political expenditures are made in compliance with all laws and in the best interests of shareholders.*

A total of 13 large fund groups supported at least 50 percent of political spending resolutions in the 2012 proxy season. These fund groups provided unanimous support for the resolution filed by Trillium Asset Management at CenturyLink (voted on May 25, 2012). And 12 of the 13 fund families supported resolutions at Amazon and CVS Caremark, filed by Newground Social Investment and Green Century Asset Management, respectively.

**Lack of Support:** The largest decrease in support was recorded by Russell. Russell's voting record is worth noting: having never supported a single political contributions resolution prior to the 2011 proxy season (predominantly abstaining), it supported all but one of the 30 resolutions that it voted on in 2011. This

encouraging change has, however, been reversed and Russell voted against all but two of the 27 resolutions (or seven percent) that it voted on in 2012.

As in previous years, the three largest mutual fund families in the United States failed to support a single political spending disclosure resolution. Fidelity continues to abstain on all political spending resolutions. Vanguard voted against five resolutions in the 2012 proxy season (abstaining on all others), breaking a long record of abstentions. American opposed all 29 resolutions it voted on during the 2012 proxy season, having only ever supported two out of the 194 political spending resolutions that it had voted on previously.

Vanguard and Fidelity provide no tangible rationale in their proxy voting guidelines, while American provides specific guidance that would seem to lend more support than is actually reflected in their voting record. [American Funds' 2011 proxy voting guidelines](#) state:

*"We review shareholder proposals relating to political expenditures on a case-by-case basis. In order to make a voting decision we consider:*

- 1) Whether there currently is a policy in place regarding political contributions.*
- 2) The level of political contribution oversight by the board and management team.*
- 3) The company's current disclosure practices and whether it has been subject to any previous fines or litigation.*

*We may vote in favor of a proposal when the current disclosure on political contributions is insufficient or significantly lacking compared to a company's peers, there are verifiable or credible allegations of funds mismanagement through donations, and there is no explicit board oversight or evidence that board oversight on political expenses is inadequate. We may not support a shareholder proposal if the information requested is already available in another report or the company meets the criteria noted above."*

Mutual funds looking to update their proxy voting policies with more specific guidance on corporate political disclosure and oversight may draw on Appendix 2 of the Conference Board's [Handbook on Corporate Political Activity](#), in which sample proxy voting guidelines are provided. In addition, CPA's one-page summary on the [key elements of meaningful corporate political disclosure](#) provides concise guidance to proxy voters as they try to determine where the gaps may lie in a company's policies and disclosure.

## **Data Source**

This report was based on data provided by Fund Votes (<http://www.fundvotes.com>), an independent project started in 2004 that tracks mutual fund proxy voting in the U.S. and Canada. The database of over 35 million proxy voting decisions by large financial institutions spans nine years of mutual fund proxy voting disclosure. The data has been indexed to facilitate analysis of investment institutions' voting patterns on a wide range of issues proposed by both management and shareholders.

**Appendix I:**  
**2012 Shareholder-Sponsored Political Contribution Disclosure Resolutions based on CPA Model Resolution<sup>3</sup>**

Company	Proponent	AGM Date	Shareholder Support
Allstate Corp (ALL)	City of Philadelphia Public Employees Retirement System	5/22/2012	11.57%
Amazon.com Inc. (AMZN)	Newground Social Investment	5/24/2012	25.07%
Anadarko Petroleum Corp (APC)	New York State Pension Funds	5/15/2012	46.62%
Archer Daniels Midland (ADM)	International Brotherhood of Teamsters	11/3/2011	27.90%
AT&T Inc. (T)	Domini Social Investments	4/27/2012	38.56%
AutoNation Inc. (AN)	New York State Pension Funds	5/9/2012	11.36%
Boeing Co (BA)	Newground Social Investment	4/30/2012	29.44%
Caterpillar (CAT)	New York State Pension Funds	6/13/2012	10.4%
CenturyLink Inc. (CTL)	Trillium Asset Management	5/23/2012	41.08%
Coventry Health Care Inc. (CVH)	New York City Pension Funds & the Amalgamated Bank (co-filer)	5/17/2012	48.62%
CVS Caremark Corp. (CVS)	Green Century Capital Management	5/10/2012	40.91%
DTE Energy Co (DTE)	New York City Pension Funds	5/3/2012	28.73%
Express Scripts Inc. (ESRX)	Miami Firefighters	5/30/2012	31.6%
FedEx (FDX)	New York State Pension Funds	9/26/2011	27.70%
Honeywell Intl Inc. (HON)	Responsible Wealth Coalition	4/23/2012	29.14%
JP Morgan Chase & Co (JPM)	Domini Social Investments	5/15/2012	10.60%
Lorillard Inc. (LO)	New York State Pension Funds	5/17/2012	39.23%
Mylan Inc. (MYL)	Nathan Cummings Foundation	5/4/2012	34.78%
National Oilwell Varco (NOV)	Nathan Cummings Foundation	5/16/2012	33.87%
Regions Financial (RF)	New York City Pension Funds	5/17/2012	38.18%
Republic Services Inc. (RSG)	New York State Pension Funds	5/17/2012	16.67%
Sara Lee (SLE)	International Brotherhood of Teamsters	10/27/2011	13.00%
Schwab, Charles Corp (SCHW)	New York City Pension Funds	5/17/2012	23.50%
Sprint Nextel Corp (S)	New York City Pension Funds	5/15/2012	20.98%
Sunrise Senior Living (SRZ)	Harrington Investments	5/2/2012	12.88%
Travelers Cos Inc. (TRV)	New York State Pension Funds	5/23/2012	29.96%
Valero Energy Corp (VLO)	Nathan Cummings Foundation	5/3/2012	35.85%
Wellcare (WCG)	Amalgamated Bank and NYC (co-filer)	5/23/2012	52.66%
Windstream Corp (WIN)	Communication Workers of America	5/9/2012	43.30%

<sup>3</sup> Includes all CPA-model resolutions that went to a vote between July 1, 2011, and June 30, 2012.