

A Range of Support for Shareholder Proposals on Political Contributions

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While the tug-of-war over getting the SEC to adopt future rules requiring companies to disclose political contributions, and dueling legislative initiatives encouraging or prohibiting such disclosure, are making headlines, there has been less attention paid to the very current situation faced by nearly a hundred companies this season in terms of shareholder proposals on the topic. The proposals covering corporate political activities encompass a wide range of focus and, consequently, significant variation among the vote results.

A shareholder proposal requesting that the company adopt a policy to prohibit the use of funds for political purposes received 4% support at Starbucks, while proposals asking companies to screen their corporate contributions against candidates whose voting records are "inconsistent" with corporate values were favored by only 6% of shareholders at Johnson & Johnson and 5% at Praxair.

On the other hand, traditional proposals asking companies to report on political contributions, lobbying expenditures, or both, have received much higher support from shareholders. Lobbying proposals won 37% at Visa and 42% at Marathon Oil, while proposals seeking reports on political contributions obtained 39% favorable votes at BB&T and 31% at Northern Trust. At AT&T and Citigroup, however, about 25% of shareholders endorsed the proposals.

ISS has been making recommendations for proposals requesting disclosures on a case-by-case basis, based largely on whether a company has an existing report that provides certain information, particularly policies and oversight mechanisms. In our experience, if a company meets nearly all of the criteria in the ISS policy statement, the report ISS issues may provide a sense of what additional changes the company can adopt that will cause ISS to recommend against the proposal. These may include additional disclosure, or clarifications, regarding management or board oversight. Having ISS side with a company can decrease support levels substantially.

Disclosure of political contributions was also part of the groundbreaking News Corp. corporate governance settlement, which has led some to speculate that future shareholder derivative suits may include efforts to obtain this disclosure.

If you have any questions regarding the matters covered in this publication, please reach out to any of the lawyers listed below or your usual Davis Polk contact.

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