October 17, 2013

Dear Business Leader:

In April, we wrote a letter outlining a long-term effort by political activists to limit the ability of companies to make their voices heard in the public policy arena.

As the 2013 proxy season winds down and you meet with investors on issues for the 2014 proxy season, we write again to update you on the key issues of this activist campaign and how your company can prepare for activities against it related to political and lobbying disclosure.

The Campaign to Quiet American Business

Some unions, environmentalists, public pension fund managers and other political activists, coordinating with the **Center for Political Accountability ("CPA"),** have engaged in a campaign with two goals: convince corporate America that 1) investors desire disclosure of "political and public policy expenditures" and 2) most corporations themselves are agreeing to greater disclosure of these expenditures.

Neither of these is true. Shareholders are *not* voting to pass disclosure resolutions, and companies are *not* overwhelmingly disclosing more information about their spending. Here are the facts:

Investors Do NOT Support Increased "Disclosure": The Facts About 2013 Proxy Voting

- In 2013, to date, only an average of 18 percent of shareholders in the Fortune 250 voted for these resolutions, a marked decrease from the roughly 25 percent who supported them in 2011 and identical to the roughly 18 percent vote in 2012. Eighty-two percent of shareholders do not support disclosure proxy resolutions.

- According to 2012 data from SEC Form N-PX, the seven largest institutional managers of equity securities supported only 3.6 percent of proposals calling for increased disclosure of corporate political spending. These include: Vanguard, BlackRock, State Street, Fidelity, Capital World Investors, Capital Research Global Investors, and T. Rowe Price.

- The non-partisan Manhattan Institute has discovered that the CPA actually inflates the numbers it uses to outline the level of shareholder support by disregarding abstentions, which count as "votes against" the proposal under most corporate bylaws.

- To date, <u>not a single shareholder proposal</u> related to political or lobbying activity in the Fortune 250 has received majority shareholder support.

<u>Corporations Do NOT Support Increased Political and Lobbying "Disclosure"</u>

One powerful ploy that activists are using against publicly traded companies is creating the illusion that most corporations are supportive of increased broad disclosure of spending on so-called political activities. The *CPA-Zicklin Index of Corporate Political Accountability and Disclosure* is their primary tool. Created by CPA president Bruce Freed, the third annual "Index" was just released and is being touted as evidence of corporate support for increased disclosure of political and public policy expenditures.

But it does no such thing. Here are some facts:

- A high Index score does not mean your company will stop receiving shareholder proposals on disclosure. **<u>The top-ranked company on the Index in 2012 still received two different shareholder proposals in 2013.</u>**

- The Index has changed its methodology each year to increase the weighting on certain types and methods of disclosure. As a result, **<u>several top-ranked companies on the Index in 2011 saw their scores drop in 2012.</u>** In fact, the Index's authors openly admit that they move the goalposts. The current Index says that in 2014, they will once again alter how scores are weighted to ratchet up punishment for companies that choose not to disclose an itemized list of public policy expenditures, including recipient names and the amounts given.

- Activists claim corporations support more disclosure. But of the more than 250 shareholder proposals related to the disclosure of political and lobbying activity over the last seven years at Fortune 250 companies, boards have recommended shareholders vote "against" <u>every</u> proposal.

<u>Political and Lobbying Disclosure: Tools for Responding to Activists</u>

This fall marks a period of increased dialogue with activist investors on what companies will be facing on their 2014 proxy statements. The CPA and their allies will be approaching many of you, using the CPA-Zicklin Index, to try to extract further concessions. Knowing the facts can help your company avoid the disclosure trap:

- **Actively monitor shareholder proxy activities on "disclosure."** www.Proxymonitor.org is the Manhattan Institute's complete database of Fortune 250 proxy votes, including "disclosure" shareholder proposals and can provide your firm with extensive insight into trends and facts on this issue.

- **Equip your staff with information and the necessary tools to effectively respond to shareholder activist threats.** The Center for Competitive Politics has created www.ProxyFacts.org as an information hub on this issue and has helpful background, facts and points to equip your investor relations team. For your reference, we have attached their short piece countering the Index entitled, *Five Facts the Center for Political Accountability Does Not Want You to Know*.

- **Engage directly and early with your shareholders to explain the need to resist these anti-business proxy proposals.** Some companies faced with disclosure proxy votes have engaged early with their larger institutional investors. In so doing, these firms have been able to explain the facts around this campaign and what the company does already disclose. These engagements have minimized potential votes for these resolutions.

Finally, our organizations stand ready to help. If you would like further information on this issue generally or more in-depth background on the specific issues we outlined in this letter, please contact any of us directly.

Sincerely,

John Engler President Business Roundtable	Jay Timmons President and CEO National Association of Manufacturers	Thomas J. Donohue President and CEO U.S. Chamber of Commerce