

OPEN WINDOWS

HOW CODES OF CONDUCT
REGULATE CORPORATE POLITICAL SPENDING

AND

A MODEL CODE TO PROTECT COMPANY INTERESTS
AND SHAREHOLDER VALUE

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ABOUT THE CENTER FOR POLITICAL ACCOUNTABILITY

A public interest advocacy group, the Center for Political Accountability (CPA) is spearheading a nationwide shareholder initiative to bring transparency and accountability to corporate political spending. Since October 2003, it has been working with institutional investors and other groups to persuade companies to disclose and require board oversight of their political spending. A growing number of companies are agreeing to political disclosure and accountability.¹

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¹ See Center for Political Accountability website, www.politicalaccountability.net, for the names of companies agreeing to political disclosure and accountability and the results of shareholder votes.

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Political Spending and Risk

INTRODUCTION

Real and increasing risks are associated with political spending by companies with corporate funds as Freddie Mac, Westar Energy, Sears Roebuck and PepsiCo can attest and as election lawyers are warning their corporate clients. Companies not only have paid record fines, run up hefty legal bills and faced reputational knocks over the past few years because of political expenditures, but prosecutors are now taking a harder look at contributions as possible bribes.

These developments have made company political spending a major issue for shareholders and the public alike. “As Congress debates new campaign-finance rules, shareholder groups are pushing companies to do a better job of disclosing political donations,” the Wall Street Journal observed in April 2006.² Indeed, a survey released by the Center in April 2006 found that 85 percent of shareholders agreed that the “lack of transparency and oversight in corporate political activity encourages behavior” that threatens shareholder value and “puts corporations at legal risk.”³

Institutional investors have been raising the issue since the 2004 proxy season and a growing number of companies are adopting political transparency and accountability. As of January 2007, 19 companies have agreed to disclose and

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² Jeanne Cummings, “Investors Seek Clarity on Campaign Giving,” Wall Street Journal, April 5, 2006.

³ Corporate Political Spending: A Survey of American Shareholders, 2006. Survey conducted by Mason-Dixon Polling & Research, and commissioned by the Center for Political Accountability (March 2006).

Codes of conduct are one way for companies to manage risk factors posed by political spending.

account for their political spending.⁴ In the 2006 proxy season, average support for a political disclosure resolution rose to 21 percent, double the average in 2005.⁵

One would expect that all of this would lead companies to strengthen the political spending provisions of their codes of conduct to mitigate these risks. They have not, according to a survey of S&P 100 companies by the Center for Political Accountability (CPA). The Center found that the codes of conduct and other publicly stated policies of many companies regulate political spending in a vague or cursory manner. Indeed, of the 81 companies that address corporate political contributions in their codes, none include comprehensive policies to ensure political transparency and accountability. Nine companies do not cover corporate political contributions in their codes of conduct, but do so elsewhere on their websites. Another 10 companies have no corporate political spending policies on their websites.

Codes of conduct are one way for companies to manage risk factors posed by political spending. They set out standards of behavior and policies that are intended to protect companies and build public trust. They also reflect how a company presents itself to its employees

⁴ Companies agreeing to disclose and account for their contributions made with corporate funds, also known as soft money, are *Morgan Stanley, Johnson & Johnson, Schering-Plough, Eli Lilly, Bristol-Myers Squibb, Coca Cola, PepsiCo, Staples, McDonald's, Southern Co., General Mills, Amgen, Monsanto, General Dynamics (GD), Verizon Communications, General Electric (GE), Hewlett-Packard (HP), American Electric Power (AEP)*, and *Home Depot*. GD, GE, HP, and AEP have agreed to report their trade association payments used for political purposes as part of their overall disclosure of political spending with corporate funds. Several other companies have agreed to dialogues on disclosure and board oversight of their payments to trade associations and other tax-exempt organizations that are used for political purposes.

⁵ For the 2006 season, the resolution received over 20% of the vote at 14 companies—*Amgen* (75.5%), *Caremark* (42.1%), *Home Depot* (34.0%), *Marsh & McLennan* (33.2%), *Verizon Communications* (33.0%), *Wyeth* (28.9%), *J.P. Morgan Chase* (28.9%), *St. Paul Travelers* (28.7%), *Union Pacific* (27.7%), *Charles Schwab* (27.0%), *Washington Mutual* (24.0%), *General Dynamics* (22.4%), *Clear Channel Communications* (20.5%), and *American Financial Group* (20.0%).

and shareholders. The Center conducted its survey to understand how public companies use their codes to regulate political spending, whether those provisions are meaningful, and what would be required to make them effective.

This report, entitled *Open Windows*, sets out the results of the survey along with recommendations. Building on earlier groundbreaking studies by the Center⁶, it opens with an overview of how political spending poses a risk to companies and why strong codes governing it are needed. It then presents the results of the CPA's survey, including a review of gaps in the codes. Lastly, the report lays out an 11 point model code for political spending to provide guidance to companies. Developed by the CPA, the model code takes into consideration existing legal standards and draws on best practices in current company codes.

⁶ *The Green Canary: Alerting Shareholders and Protecting Their Investments*, Center for Political Accountability, 2005. (www.politicalaccountability.net/gcreport/indexgc.htm); *Hidden Rivers: How Trade Associations Conceal Corporate Political Spending, Its Threat to Companies, and What Shareholders Can Do*, Center for Political Accountability, 2006. (www.politicalaccountability.net/content.asp?contentid=425) The reports were the first analyses of the risks that corporate political spending pose to companies and shareholder value. The expenditures include political contributions made with corporate funds, known popularly as soft money, and company payments to trade associations and other tax-exempt organizations that are used for political purposes.

Growing Risk from Company Political Spending

1

Disclosures that some company political contributions were used for questionable or illegal purposes and Federal Election Commission (FEC) actions against corporate donors over the past few years suggest the dimensions of the risks companies face from political expenditures.⁷ An article entitled “The End of Legal Bribery” that appeared in the June 2006 issue of *Washington Monthly* reinforces these concerns.⁸

⁷ *Freddie Mac* was fined a record \$3.8 million by the Federal Election Commission (FEC) in 2006 to settle charges that it illegally used corporate resources for 85 fundraisers for members of Congress between 2000 and 2003. That was the FEC’s largest civil penalty to date. *Audiobox* previously held that title; it paid \$849,000 in 2003 when it was alleged to have illegally reimbursed employees for their political contributions. (“Freddie Mac pays record \$3.8 million FEC fine to settle allegations of campaign violations,” GSE Report, April 24, 2006. www.gsereport.com; Jim Drinkard, “Freddie Mac to pay record \$3.8M to settle FEC allegations,” USA Today, April 18, 2006) *Mattel* and former *Mattel* executives paid a \$477,000 FEC fine in 2002 to settle violations resulting from the company’s reimbursement of employees who had made federal political contributions. (“FEC Investigation of Corporate Reimbursement Assesses \$477,000 in Civil Penalties,” Federal Election Commission Press Release, Dec., 5, 2002. www.fec.gov)

In October 2005, companies that contributed for events at the 2000 Republican presidential convention got a jolt when the Associated Press revealed that their money was diverted for purposes they knew nothing about. These included gifts to a charity associated with an elected official, payments to a consulting firm that employed the official’s wife, huge contributions to the campaign of another politician’s son, and laundered contributions to other political committees. (John Solomon and Sharon Theimer, “DeLay, successor Blunt swapped donations,” Associated Press, October 6, 2005.) According to the AP article, “[Rep.] Tom DeLay [R, Texas] deliberately raised more money than he needed to throw parties at the 2000 presidential convention, then diverted some of the excess to longtime

ally [Rep.] Roy Blunt [R, Missouri] through a series of donations that benefited both money's causes. When the financial carousel stopped, DeLay's private charity, the consulting firm that employed DeLay's wife and the Missouri campaign of Blunt's son all ended up with money, according to campaign documents reviewed by the Associated Press. Jack Abramoff, a Washington lobbyist recently charged in an ongoing federal corruption and fraud investigation, and Jim Ellis, the DeLay fundraiser indicted with his boss last week in Texas, also came into the picture. The complicated transactions are drawing scrutiny in legal and political circles after a federal grand jury indicted DeLay on charges of violating Texas law with a scheme to launder illegal corporate contributions to state candidates. The government's former chief election enforcement lawyer [Larry Noble] said the Blunt and DeLay transactions are similar to the Texas case and raise questions that should be investigated regarding *whether donors were deceived or the true destination of their money was concealed.*" [italics added]

Eight companies were indicted in 2004 by a Travis County, Texas Grand Jury for giving more than \$500,000 to Rep. Tom DeLay's Texans for a Republican Majority PAC in the 2002 elections. Texas law prohibits corporate political contributions at the state and local level. The companies were *Alliance Quality Nursing Home Care, Bacardi USA, Cracker Barrel, Diversified Collection Services, Meadwestvaco, Sears, Roebuck, Westar Energy* and *Williams Companies*. The total amount spent by these companies in legal costs is unknown, but likely far exceeds the political contributions that resulted in the indictments. ("TPJ, Reform Groups Seek Changes from 54 Corporations That Gave to TAB & TRMPAC," Texans for Public Justice Press Release, Nov. 10, 2005. www.tpj.org/docs/ctr_for_corp_responsibility/pr.pdf; *Cracker Barrel, Diversified Collection Services, Meadwestvaco* and *Sears, Roebuck* all settled their criminal charges with prosecutors.)

During the 2004 proxy season, *PepsiCo, Union Pacific, BellSouth* and *Pfizer* had to deal with reports that some of their soft money political contributions had ended up at groups and candidates with positions that directly conflicted with their publicly stated policies. These included the Traditional Values Coalition, Kansans for Life, the Christian Coalition's Kansas affiliate, and legislative candidates in Texas, all of which opposed the same-sex partner and other benefits the companies provided to gay employees.

- 8 According to the Washington Monthly article, prosecutors are beginning to take a harder look at corporate political contributions and whether some may be construed as bribes. It quotes Robert K. Kelner, chairman of the election law and political law practice of Covington & Burling, as saying: "More than in the past, the Department of Justice seems to be trying very hard to tie campaign contributions to legislative acts by members of Congress and to draw the

inference that there's a criminal connection between the two." The seriousness with which the threat is taken is seen in the advice, recounted in the article, that Kenneth Gross, a Washington election lawyer, is giving to his Fortune 500 clients. According to the article, "Gross is warning his big business clients to be extra careful about how they handle their millions of dollars of contributions to candidates for federal office. Tying those gifts even subtly to a request to take a specific action, he warns, could put both the giver and the receiver into legal jeopardy." (Jeffrey Birnbaum, "The End of Legal Bribery," Washington Monthly, June 2006.)

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and whether some may be **construed** as bribes.

CPA Survey of S&P 100 Codes of Conduct: Big Holes, Few Specifics

The CPA conducted its first biennial review of the codes of conduct of S&P 100 companies in June 2006, which was updated in January 2007. The S&P 100 were selected because they are the largest public companies in the U.S. and are seen as setting standards for the broader corporate community.⁹

⁹ The following companies are in the S&P 100: 3M Company, Abbott Laboratories, AES Corp., Alcoa Inc., Allegheny Technologies Inc., Allstate Corp., Altria Group, Inc., American Electric Power, American Express, American International Group, Amgen, Anheuser-Busch, AT&T Inc., Avon Products, Baker Hughes, Bank of America Corp., Baxter International Inc., Black & Decker Corp., Boeing Company, Bristol-Myers Squibb, Burlington Northern Santa Fe, Campbell Soup, Caterpillar Inc., CBS Corp., Chevron Corp., CIGNA Corp., Cisco Systems, Citigroup Inc., Clear Channel Communications, Coca Cola Co., Colgate-Palmolive, Comcast Corp., Computer Sciences Corp., Dell Inc., Dow Chemical, E.I. du Pont de Nemours and Co., Eastman Kodak, El Paso Corp., EMC Corp., Entergy Corp., Exelon Corp., Exxon Mobil Corp., FedEx Corp., Ford Motor, General Dynamics, General Electric, General Motors, Goldman Sachs Group, Halliburton Co., Harrah's Entertainment, Hartford Financial Services Group, HCA Inc., H.J. Heinz, Hewlett-Packard, Home Depot, Honeywell International Inc., Intel Corp., International Business Machines, International Paper, Johnson & Johnson, JPMorgan Chase & Co., Lehman Brothers, Limited Brands, Inc., Lucent Technologies, McDonald's Corp., MedImmune Inc., Medtronic Inc., Merck & Co., Merrill Lynch, Microsoft Corp., Morgan Stanley, National Semiconductor, Norfolk Southern Corp., OfficeMax Inc., Oracle Corp., PepsiCo Inc., Pfizer, Inc., Procter & Gamble, RadioShack Corp., Raytheon Co., Rockwell Automation, Inc., Sara Lee Corp., Schlumberger Ltd., Southern Co., Sprint Nextel Corp., Target Corp., Texas Instruments, Time Warner Inc., Tyco International, U.S. Bancorp, Unisys Corp., United Parcel Service, United Technologies, Verizon Communications, Wal-Mart Stores, Walt Disney Co., Wells Fargo, Weyerhaeuser Corp., Williams Cos. and Xerox Corp. See Appendix for specific information regarding each company, including links to their codes of conduct.

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The CPA reviewed the codes of conduct for each of the S&P 100 companies. Where companies have multiple codes of conduct (i.e. a code for all employees and a code for senior officers), all codes were examined. Where a company had documents supporting the code of conduct and referenced in the code (i.e. statements of business principles and values), those documents were also reviewed. Following this review, the CPA also examined the entire corporate website for each company, including the charters for board committees. Any information found outside of the codes of business conduct is identified in this report as being disclosed elsewhere on the company's website.

In using this methodology, the CPA sought to focus on the political spending policies included in the codes of conduct, while still giving companies due credit for political spending policies disclosed elsewhere on their websites.

The CPA contacted each company to confirm that it had found all company political spending policies publicly disclosed on the corporate website. Companies that did not initially respond were given a second opportunity to confirm that the Center had all relevant, public information on the company's political spending policies.¹⁰

¹⁰ As of November 1, 2006, 54 companies had responded to CPA letters seeking confirmation of publicly-disclosed company policies on corporate political spending. It is noted that companies were asked to confirm whether the CPA had all the relevant information to review, and were not asked to confirm the CPA's interpretation of the policies (i.e. whether prior approval is required, whether the company requires board oversight, etc.). The CPA notes that some of the language used by the companies is vague and might be open to some interpretation. The CPA has made best efforts to ensure that all report findings are accurate.

The Center's review relied solely on the information publicly provided on the companies' websites. The survey therefore reflects only external policies and does not include any internal employee policies not made available to the public. The CPA further notes that the survey was conducted in June 2006 and company policies were again reviewed in January 2007. Any updates to company policies since January 24, 2007 are not reflected in this report.

In its review, the Center paid particular attention to whether the codes included the following key points. The Center considers these factors, which are examined more fully later in the report, to be critical for assuring transparency and accountability in the company's political spending.

- A policy on corporate political contributions
- Approval policies for political contributions made with corporate funds
- Prior approval of political contributions
- Disclosure of an approving officer or department
- Executive level oversight
- Board level oversight
- Public disclosure of contributions

What was striking was the absence in most codes of conduct of specific and clear policies regarding corporate political spending.

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Following are results of the review:

Policy on corporate political contributions

The CPA found that 81 companies (81% of the S&P 100) address corporate political contributions in their codes of conduct. However, many lack specificity and few are comprehensive.

Of the 19 remaining companies, nine post some form of corporate political contributions policy elsewhere on their websites, and 10 do not address corporate political

contributions at all, either in their codes of conduct or elsewhere on their websites.¹¹

The 10 companies that do not post any public information on their websites regarding their corporate political contribution policies are *Anheuser-Busch*, *Computer Sciences*, *FedEx*, *General Motors*, *Goldman Sachs Group*, *International Paper*, *Lehman Brothers*, *MedImmune*, *Texas Instruments*, and *Walt Disney Company*.

Despite the lack of public information on their policies, seven of the 10 companies made significant political contributions in the 2004 election cycle. The following companies made donations to independent political committees, popularly referred to as 527s for the section of the Internal Revenue Code under which they are organized: *Anheuser-Busch* (\$506,000); *International Paper* (\$305,000); *Goldman Sachs Group* (\$235,000); *General Motors* (\$89,465); *Lehman Brothers* (\$35,000); and *FedEx* (\$30,000).¹² While *Walt Disney Company* did not give to 527s, the company made contributions at the state-level, giving \$185,000 in California alone.¹³

Eleven companies have language that seems to prohibit political contributions made with corporate funds. The ten that include an apparent prohibition in their codes of conduct are *Allegheny Technologies*, *Avon Products*, *Black & Decker*, *Colgate-Palmolive*, *IBM*, *Lucent Technologies*, *OfficeMax*, *RadioShack*, *Sara Lee* and *Schlumberger Ltd*. The final company, *Wells Fargo*, appears to prohibit corporate political contributions elsewhere on its website but not in the code of conduct.

¹¹ It is noted that some companies address voluntary employee political contributions and activities or corporate government activities and lobbying, but do not specifically address political contributions made with corporate funds. In such cases, the CPA did not give the companies credit for posting corporate political contributions policies in their codes or elsewhere on their websites.

¹² PoliticalMoneyLine, www.fecinfo.com

¹³ California Secretary of State, Campaign Finance, <http://calaccess.ss.ca.gov/Campaign/Committees/Detail.aspx?id=1007803&session=2003&view=general>

However, the survey found that for many of these companies, the actual language in the code is vague and does not legally preclude the companies from giving in spite of their policies.¹⁴

Prior approval of contributions

Over half (57 companies) of the S&P 100 companies state in their codes of conduct that they require prior approval of political contributions by management, legal counsel, or the board of directors. Five other companies do not mention prior approval in their codes but disclose elsewhere on their websites that prior approval of contributions made with corporate funds is required.

This means that of the 89 companies on the S&P 100 that appear to allow corporate political contributions (or, at least, do not specifically prohibit them), just over two-thirds (62 companies) require that contributions receive prior approval by management, legal counsel, or the board.

¹⁴ For example, *Allegheny Technologies's* code states: “Corporate political contributions are illegal in the United States, and the Company will not contribute to any political party or candidate for office or nomination for election to a public office.” The statement that corporate political contributions are illegal in the US is incorrect and misleading. Current campaign finance law allows corporations to make donations in many states and to §27s. Also, though the company states that it will not contribute to any political party or candidate for office or nomination, it does not mention anything about §27s, state-level political action committees, or other political organizations. Similarly, *Schlumberger Ltd.*’s code states: “Schlumberger is politically neutral so you must not make any contributions of the Company’s funds or assets to political parties or organizations, their leaders, or candidates for public office.” It is unclear whether the company itself does not make any contributions, or whether individual employees are just generally prohibited from making contributions on their own on behalf of the company. As a final example, *Wells Fargo*’s code states: “All contributions on behalf of Wells Fargo to candidates for public office and related political entities are made through Wells Fargo political action committees (PACs). These PACs are funded solely by voluntary employee contributions.” While this language seems to clearly prohibit corporate contributions, the company nevertheless made significant donations on the state-level in the 2004 cycle, giving as much as \$350,000 in California. (California Secretary of State, Campaign Finance, <http://calaccess.ss.ca.gov/Campaign/Committees/Detail.aspx?id=1007714&session=2003>) (See Appendix for links to the companies’ codes.)

The following 12 companies mention corporate political contributions in their codes of conduct or elsewhere on their websites but say nothing about prior approval of donations: *Allstate*, *American Express*, *Dow Chemical*, *El Paso*, *Entergy*, *General Dynamics*¹⁵, *HCA*, *Medtronic*, *Raytheon*, *U.S. Bancorp*, *UPS* and *United Technologies*. These companies, therefore, may have a custom of seeking prior approval, but they do not set this forth as a formal requirement, which subjects them to risk.

Several of these companies make significant political donations. In the 2004 election cycle, the following companies gave to 527s: *American Express* (\$237,500); *Dow Chemical* (\$200,000); *Raytheon* (\$80,000); *UPS* (\$65,000); and *Allstate* (\$60,000).¹⁶

Disclosure of an approving officer or department

Fifty companies disclose in their codes of conduct an approving officer or department for corporate political contributions. Five other companies make such a disclosure elsewhere on their websites. Eighty-nine percent of the companies (55 companies) that require prior approval of contributions also disclose the approving body.

While prior approval of political contributions is required by only 62 companies on the S&P 100, only 55 companies disclose an officer or department charged with reviewing the contributions. This means that of the 89 companies that appear to allow for corporate political contributions, less than two-thirds (62%) disclose an approving officer or department.

Executive level oversight

Fifty-seven companies disclose in their codes of conduct that they require executive level oversight of contributions. An additional five companies make this disclosure elsewhere on their websites.

The CPA gave companies credit for having executive

¹⁵ In December 2006 *General Dynamics* agreed to disclose and have board oversight of its political spending and political spending policies. At the time of this report, the company had yet to post its contribution policies on its website, which may include prior approval policies for political contributions.

¹⁶ PoliticalMoneyLine, www.fecinfo.com

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level oversight of contributions if the company named an executive officer or department charged with overseeing contributions, or if the company indicated that contributions require oversight from some level of senior management.¹⁷

This means that just over two-thirds (70%) of the 89 companies in the S&P 100 that appear to allow corporate political contributions require executive oversight of contributions made with corporate funds.

Board level oversight

Only three companies disclose in their codes of conduct that they require board of director oversight of political contributions made with corporate funds. Thirty-one other companies disclose elsewhere on their websites (generally in board committee charters) that they require board oversight of contributions.¹⁸

Taken together, only 34 companies on the S&P 100 list require board oversight of political contributions. They are *Allstate, Altria, American Electric Power, American Express, Amgen, Bank of America, Baxter International, Boeing, Bristol-Myers Squibb, Caterpillar, CIGNA, Citigroup, Coca Cola, Dow Chemical, Exxon Mobil, General Dynamics, General Electric, Hewlett-Packard, H.J. Heinz, Home Depot, Johnson & Johnson, JPMorgan Chase & Co., McDonald's, Merck, Merrill Lynch, Morgan Stanley, Norfolk Southern, PepsiCo, Pfizer, Southern,*

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¹⁷ For example, *Campbell Soup's* Code of Business Conduct and Ethics states that “employees may not make any direct or indirect political contribution on behalf of Campbell or with Campbell funds unless authorized by the company’s management.” (Campbell Soup, Code of Business Conduct and Ethics, www.campbellsoupcompany.com/governance_conduct_ethics.asp?cpovisq=) While the code does not identify any specific executive officers, it indicates that senior management must approve contributions, and therefore the CPA gives the company credit for executive level oversight. Other companies which are given credit for executive level oversight but that don’t identify officers or departments have similar language which the CPA interprets as requiring senior management oversight.

¹⁸ The CPA considers “board oversight” to be either oversight of contributions by the full board of directors or by a committee of the board.

*Target, Verizon Communications, Williams, and Xerox.*¹⁹ *Boeing, Heinz, and Williams* include the disclosure in their codes while the remaining companies disclose the requirement elsewhere on their websites.²⁰

Public disclosure of contributions

Seventeen companies in the S&P 100 publicly disclose their political contributions made with corporate funds. They are *Abbott Laboratories, American Electric Power, Amgen* (effective Jan. 1, 2007), *Bristol-Myers Squibb, Coca Cola* (effective Feb. 21, 2007), *General Dynamics, General Electric, Hewlett-Packard, Home Depot, Johnson & Johnson, McDonald's, Merck, Morgan Stanley, PepsiCo, Pfizer, Southern, and Verizon Communications* (effective early 2007).²¹

¹⁹ In December 2006, *General Dynamics* agreed to disclose and have board oversight of its political spending. In January 2007, *American Electric Power, General Electric, and Hewlett-Packard* agreed to disclose and have board oversight of their political spending, and *Home Depot* agreed to disclose and have board oversight of its political contributions.

²⁰ The CPA does not include in this list one other company—*AT&T*—that has questionable board oversight policies. *AT&T's* board authorizes a maximum amount for political spending, but does not oversee how that money is spent. (*AT&T*, Political Contribution Statement, <http://att.sbc.com/gen/investor-relations?pid=7726>)

²¹ *Chevron, Microsoft* and *Exxon Mobil* make some disclosures regarding their contributions. *Microsoft* posts an aggregate amount of corporate funds used for political contributions, but does not list the specific amounts and recipients. *Exxon Mobil* lists the contributions the company makes to 5278, but for state-level giving it lists only the aggregate amount given in each state. *Chevron* posts an aggregate contribution amount and states that it will disclose its contributions to shareholders upon written request. The CPA sent such a request on July 6, 2006 and has yet to receive anything from the company.

The Need for Strong Political Spending Provisions

The CPA believes that publicly posting a clearly emphasized and visible political spending policy on the corporate website is a helpful governance practice. It calls the company's political spending to the attention of visitors to the website, underscoring the company's activities in this area and encouraging visitors to access the information on these policies. Posting a separate political spending policy also shows that the company has a distinct policy in this area (separate from other corporate expenditures), increasing corporate political accountability.

Twenty-five companies on the S&P 100 include a separate political contributions policy statement on their websites. They are *Abbott Laboratories, Alcoa, Allstate, Altria, Amgen, AT&T, Bank of America, Bristol-Myers Squibb, Chevron, Citigroup, Coca Cola, ExxonMobil, Halliburton, HCA, Hewlett-Packard, Johnson & Johnson, JPMorgan Chase & Co., McDonald's, Merck, Microsoft, Morgan Stanley, PepsiCo, Pfizer, Southern* and *Wells Fargo*.²²

However, the CPA supports companies including their entire corporate political spending policy in the code of conduct or a link to it in the code of conduct because it is the final authority governing corporate and employee behavior.²³

²² *JPMorgan Chase & Co.* filed a Form 8-K with the SEC on Oct. 20, 2006 stating that the company adopted a policy regarding political contributions and legislative lobbying to be posted on its corporate governance website. *General Dynamics* agreed in December 2006 and *American Electric Power, General Electric*, and *Home Depot* agreed in January 2007 to disclose and have board oversight of their political contributions. At the time of this report the companies had yet to post new political contributions policies on their websites but are expected to do so.

²³ A corporate code of conduct represents a company's commitment to abide by certain standards of conduct. Managers and employees who fail to comply with

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Companies use the codes to set basic standards for employee performance and conduct and to create a culture of accountability and integrity that employees are expected to participate in.²⁴ The code of conduct therefore serves as a general guidebook for all employees on all issues that affect their performance and the company's interests.

The code of conduct reflects the corporate culture at a particular company and serves to represent the company's values to the general public. In this way, the code is critical to establishing and protecting a strong corporate reputation.²⁵

In light of these factors, while the company's political contributions policy can be displayed separately from the code to increase public awareness of the company's policies in this area, the code of conduct should include the company's policies on corporate political spending. While the company may choose to go into further detail outside of the code regarding its political activities, the code should include basic political spending approval and disclosure policies to mitigate risk and avoid conflict.

the code can face disciplinary action and may lose the right to have their company defend them in any criminal or civil action arising from a violation of the code.

²⁴ For example, *Pfizer's* code states: "As a Pfizer colleague, one of your responsibilities. . . in fact, your first and most important responsibility. . . is to abide by the Summary of Pfizer Policies on Business Conduct. . . Everyone must comply not only with the letter of these policies, but also their spirit. . . I ask you to apply these principles faithfully. Compromising them may jeopardize Pfizer's reputation and potential—and therefore your own." (See Appendix for link to *Pfizer's* code.)

²⁵ For example, *Coca-Cola's* code states: "The reputation of The Coca-Cola Company has a significant impact on every relationship our Company maintains. It influences how consumers feel about our products, how bottlers and customers regard our work, and how shareowners perceive us as an investment. Because our success is so closely related to our reputation, it's up to all of us to keep it strong—to act in every instance with honesty, integrity, accountability and respect. The Code of Business Conduct is here to help all of us do just that. It provides clear, easy-to-understand principles to guide our conduct. These principles are illuminated by real-world examples of right and wrong under the Code. The Code applies to all directors, officers and employees, no matter where you work, so it's important that you read it and understand it. Keep it with you and refer to it frequently." (See Appendix for link to *Coca-Cola's* code.)

A Model Code of Conduct for Corporate Political Spending

The CPA recommends that political contributions only be made through the company PAC, which should be restricted to receiving funds only from voluntary personal contributions. However, if the company chooses to give with corporate funds, the Center has developed the following model as a guide to help protect the company's interests and shareholder value. In creating this model, the CPA has taken into consideration existing legal standards and has incorporated provisions from current company codes.

- 1 Political spending shall reflect the company's interests and not those of its individual officers or directors.
- 2 The company will disclose publicly all expenditures of corporate funds on political activities. The disclosure will include regular reports on the company's website.
- 3 The company will disclose dues and other payments made to trade associations and other tax-exempt organizations that are or that it anticipates will be used for political expenditures. The disclosures shall describe the political activities undertaken. In the case of trade association payments, the disclosures will involve some element of pro-rating of the company's payments that are or will be used for political purposes.
- 4 Company disclosure of political expenditures shall include direct and indirect political contributions (including in-kind contributions) to candidates, political parties or political organizations; independent expenditures; electioneering communications on behalf of a federal, state or local candidate;

and the use of company time and resources for political activity.

- 5 The board of directors or a committee of the board shall monitor the company's political spending, receive regular reports from corporate officers responsible for the spending, supervise policies and procedures regulating the spending, and review the purpose and benefits of the expenditures.
- 6 All corporate political expenditures must receive prior written approval from the General Counsel or Legal Department, and the company shall identify all senior management officials responsible for approving corporate political expenditures.
- 7 In general, the company will follow a preferred policy of making its political expenditures directly rather than through third party groups. In the event that the company is unable to exercise direct control, the company will monitor the use of its dues or payments to other organizations for political purposes to assure consistency with the company's stated policies, practices, values and long-term interests.
- 8 No contribution will be given in anticipation of, in recognition of, or in return for an official act.
- 9 Employees will not be reimbursed directly or through compensation increases for personal political contributions or expenses.
- 10 The company will not pressure or coerce employees to make any personal political expenditures or take any retaliatory action against employees who do not.
- 11 The company shall report annually on its website on its adherence to its code for corporate political spending.

What follows is an expanded explanation for why each point should be part of a company code of conduct, including references to existing legal standards and current company codes that incorporate these policies.

Political spending shall reflect the company's interests and not those of its individual officers or directors.

In creating this model, the CPA has taken into consideration existing legal standards and has incorporated provisions from current company codes.

Nearly three-quarters of shareholders believe that corporate political spending is often undertaken to advance the private political interests of corporate executives rather than the interest of the company and its shareholders, according to a 2006 survey by Mason-Dixon Polling & Research of shareholder attitudes on corporate political spending. The survey also shows that more than half of the shareholders surveyed have little or no confidence that the companies in which they own stock have adequate oversight of political contributions.²⁶

To protect the company's interests and to boost investor confidence, it is critical that executives be prohibited from using company resources to further their own political aims or agendas which are divergent from those of the company. The code should therefore explicitly separate company political spending from the personal political activities of employees.

The company will disclose publicly all expenditures of corporate funds on political activities. The disclosure will include regular reports on the company's website.

Transparency in political spending discourages improper political expenditures and creates a culture of openness and honesty. The code should therefore establish that the company will provide a list of its political expenditures to shareholders and the public via the company website. One company that demonstrates its commitment to transparency is Amgen, which states in its Political Contributions Policy:

To improve access to information about *Amgen's* corporate political contributions in the United States, effective January 1, 2007, *Amgen* will post on a semi-annual basis our contributions categorized by state, candidate, and amount.²⁷

This policy reflects overwhelming shareholder support for transparency. The Mason-Dixon survey found that 94%

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²⁶ Corporate Political Spending: A Survey of American Shareholders, 2006. Survey conducted by Mason-Dixon Polling & Research, and commissioned by the Center for Political Accountability (March 2006). Jeanne Cummings, "Investors Seek Clarity on Campaign Giving," Wall Street Journal, April 5, 2006.

²⁷ *Amgen*, Political Contributions Policy, www.amgen.com/investors/corporate_governance_political_contributions.html

Shareholders are near **unanimous** in their support for disclosure of political **contributions** made through trade associations.

of shareholders want corporations to publicly disclose all political contributions.²⁸

The company will disclose dues and other payments to trade associations and other tax-exempt organizations that are or that it anticipates will be used for political expenditures. The disclosures shall describe the political activities undertaken. In the case of trade association payments, the disclosures will involve some element of pro-rating of the company's payments that are or will be used for political purposes.

A commitment to transparency requires that companies disclose dues or other payments made to trade associations and other tax-exempt groups that are used for political purposes. Currently, these payments are not publicly disclosed. Implementing this kind of disclosure would ensure that executives undertake due diligence on payments to trade associations and would help companies avoid the reputational and legal risks associated with using conduits for political spending.

Shareholders are near unanimous in their support for disclosure of political contributions made through trade associations.²⁹

For example, *Hartford Financial Services Group* has committed itself to monitoring payments to trade associations and similar organizations:

Corporate resources may be expended to promote voter registration, nonpartisan voter education and issue education efforts, as well as grassroots lobbying to influence legislation or ballot referenda, consistent with federal and state law. The Hartford is authorized to use corporate funds to purchase memberships and/or

²⁸ Corporate Political Spending: A Survey of American Shareholders, 2006. Survey conducted by Mason-Dixon Polling & Research, and commissioned by the Center for Political Accountability.

²⁹ Corporate Political Spending: A Survey of American Shareholders, 2006. Survey conducted by Mason-Dixon Polling & Research, and commissioned by the Center for Political Accountability. The survey found that 95% of shareholders agree that companies should make certain that political contributions made to trade associations be consistent with company policies and be fully disclosed. Trade groups must track political expenditures, and therefore reporting should not present a significant problem (see section 162(e)(1)(B) of the Internal Revenue Code).

otherwise make contributions to associations or organizations which promote voter registration, voter education and issue education, and for the administrative activities (which could include payment for attendance at political events) of such associations and organizations, so long as any funds paid for or contributed to such associations or organizations are (a) used only for the foregoing purposes, (b) approved in advance by the Chief Executive Officer and are consistent with an annual budget approved by the Chief Executive Officer, (c) included in an annual report to the Legal and Public Affairs Committee of the Company's Board of Directors, (d) not tied to the procurement of The Hartford's products and services, and (e) in compliance with all applicable laws and regulations.³⁰

Company disclosure of political expenditures shall include direct and indirect political contributions (including in-kind contributions) to candidates, political parties or political organizations; independent expenditures; electioneering communications on behalf of a federal, state or local candidate; and the use of company time and resources for political activity.

The code of conduct specifically defines the types of expenditures covered by the company's political spending policies to put employees on notice about the activities covered by the code. While a direct monetary contribution is generally understood as a political contribution, employees may not be aware that other types of expenditures and activities—such as using company resources and facilities to engage in political activity—carry risk and require oversight and approval.

National Semiconductor, *Avon Products*, and *Procter & Gamble* respectively provide clear definitions of political contributions in their codes:

A "contribution" is any direct or indirect payment, distribution, loan, advance, deposit, or gift of money, services or anything of value in connection with an election or to an organization or group formed to support or defend a referendum or ballot issue.³¹

³⁰ *Hartford Financial Services Group*, Code of Ethics and Business Conduct, www.thehartford.com/higfiles/pdf/TheHartfordCodeofEthics.pdf

³¹ *National Semiconductor*, Code of Conduct and Ethics, www.national.com/invest/codeofconduct.html

“Political contributions” mean direct or indirect payments in support of political candidates, officeholders or political parties. In addition to cash payments, political contributions are deemed to include work performed by Avon associates during paid working hours, the purchase of tickets to fund-raising events, the payment for advertisements, printing or other campaign expenses and product donations.³²

Don't use any Company facilities, including conference facilities, office supplies, mail service, telephones, fax machines and computers, for political campaigning, political fundraising or partisan political purposes without the express written permission of the Ethics Committee. Don't assist any political candidate's campaign while you are on the job or on Company property unless authorized by the Ethics Committee.³³

The board of directors or a committee of the board shall monitor the company's political spending, receive regular reports from corporate officers responsible for the spending, supervise policies and procedures regulating the spending, and review the purpose and benefits of the expenditures.

Board oversight allows for directors to be fully aware of the company's political activities. Having board oversight assures accountability and keeps the spending in alignment with the company's long term interests. Thus, the code of conduct should provide that either the board of directors or a committee of the board will oversee the company's political spending. *Williams* is a good example of how the code can simply and effectively provide for board oversight:

The use of company funds or assets for political purposes must receive prior approval of the Williams Board of Directors.³⁴

³² *Avon Products*, Code of Business Conduct and Ethics,

www.avoncompany.com/investor/corporategovernance/pdf/code_of_conduct.pdf

³³ *Procter & Gamble*, Worldwide Business Conduct Manual,

www.pg.com/company/our_commitment/corp_gov/WBCMREDUCED_Single_Page.pdf

³⁴ *Williams*, Code of Business Conduct,

www.williams.com/investors/wmb/corpgov/code.asp#political

Political activity is highly **regulated**, and it is important
that company **policies** are in **compliance** with all applicable laws and regulations.

McDonald's Political Contributions Policy provides a good example of comprehensive board oversight policies and procedures:

Also, McDonald's Board of Directors, by resolution, may establish an annual aggregate spending limit for the Company's political contributions...Management will report semi-annually to the Audit Committee of the Board of Directors of McDonald's Corporation regarding political contributions made by the Company pursuant to this Policy. Political contributions in excess of the spending limit established by the Board or any other exceptions to this Policy, must be approved in advance by the Audit Committee.³⁵ (*McDonald's* Political Contributions Policy)

All corporate political expenditures must receive prior written approval from the General Counsel or Legal Department, and the company shall identify all senior management officials responsible for approving corporate political expenditures.

Political activity is highly regulated, and it is important that company policies are in compliance with all applicable law and regulations. Requiring prior written review of political spending by the General Counsel or Legal Department ensures that expenditures are given proper consideration by a particular approving body beforehand, and provides confidence that the political activity is legal. Identifying executives responsible for approving the expenditures creates accountability and integrity.

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Alcoa's code is a strong example of how a company can establish accountability and reduce risk:

No corporate asset may be used for or in aid of any committee whose principal purpose is to influence the outcome of a referendum or other vote of the electorate on a public issue, unless the legality is confirmed by the General Counsel of Alcoa and the written approval of the Chief Executive Officer of Alcoa is first obtained.³⁶

³⁵ *McDonald's*, Political Contributions Policy,
www.mcdonalds.com/corp/invest/gov/political_contribution.html

³⁶ *Alcoa*, Business Conduct Policies,
www.alcoa.com/global/en/about_alcoa/corp_gov/policy_bus_conduct.asp

Boeing's code is explicit about who is responsible for contributions at each step of the approval process:

All political contributions are recommended by the Government Relations organization and are reviewed by the Vice President and Assistant General Counsel, Washington, D.C., Operations before they are approved by the Senior Vice President, Washington D.C. Operations.³⁷

In general, the company will follow a preferred policy of making its political expenditures directly rather than through third party groups. In the event that the company is unable to exercise direct control, the company will monitor the use of its dues or payments to other organizations for political purposes to assure consistency with the company's stated policies, practices, values and long-term interests.

By restricting political spending to direct expenditures, companies can avoid the risks associated with money flowing through undisclosed channels to a recipient or for a purpose not approved by the company. When indirect expenditures are the only practicable avenue, the code should establish accountability policies that mitigate the risks. *McDonald's* Political Contributions Policy seeks to reduce indirect corporate political spending and ensure that political spending is in alignment with the company's interests:

Any political contribution made by the Company must be approved in advance by the head of the Government Relations Department of McDonald's Corporation, and must support a political candidate or ballot initiative that the head of the Government Relations Department determines is beneficial to the long-term interests of the Company and its system of restaurants. In determining whether or not to approve a request to make a political contribution, the head of the Government Relations Department may examine many factors, including, but not limited to, the merits of the candidate, election or ballot initiative, the value of the contribution to the election or ballot initiative, the quality and effectiveness of the organization to which the contribution will be made and the appropriateness of the Company's level of involvement in the election or ballot initiative. When

possible, the Company should avoid making political contributions through a conduit or intermediary organization.³⁸

No contribution will be given in anticipation of, in recognition of, or in return for an official act.

It is illegal for companies to make a political contribution in anticipation of, in recognition of, or in return for an official act.³⁹ Failure to comply with this provision could subject the company to a bribery prosecution.

In an article in the June 2006 issue of the *Washington Monthly*, Robert K. Kelner, chairman of the election law and political law practice at Covington & Burling states: “More than in the past, the Department of Justice seems to be trying very hard to tie campaign contributions to legislative acts by members of Congress and to draw the inference that there’s a criminal connection between the two.”⁴⁰

Weyerhaeuser’s code expressly addresses this behavior:

Employees must not offer, promise or give anything of value to any government official, employee, agent or other intermediary (either domestically or internationally) in order to influence the exercise of government duties.⁴¹

Employees will not be reimbursed directly or through compensation increases for personal political contributions or expenses.

It is usually illegal for companies to reimburse employees in any way for political contributions.⁴² The code should state that there will be no such reimbursement. *El Paso’s* code says that employees will receive no direct or indirect monetary support for their political contributions:

It should be clearly understood that such political activity by El Paso personnel must be performed strictly in their

³⁸ *McDonald’s*, Political Contributions Policy, www.mcdonalds.com/corp/invest/gov/political_contribution.html

³⁹ 18 USC, Section 201.

⁴⁰ Jeffrey Birnbaum, “The End of Legal Bribery: How the Abramoff case could change Washington,” *Washington Monthly*, June 2006.

⁴¹ *Weyerhaeuser*, Code of Ethics, www.weyerhaeuser.com/aboutus/ourvalues/codeofethics.pdf

⁴² 2 USC Sections 441b and 441f.

individual and private capacities as responsible citizens and not on behalf of El Paso. El Paso personnel may not receive any direct or indirect reimbursement or offsetting refund of any nature whatsoever with respect to political contributions made by them in any form.⁴³

The company will not pressure or coerce employees to make any personal political expenditures or take any retaliatory action against employees who do not.

Companies should make clear that they will not pressure or coerce employees to make any political expenditures. *Du Pont* and *American Express's* codes respectively provide that:

No direct or indirect pressure in any form is to be directed toward employees to make any political contribution or participate in the support of a political party or the political candidacy of any individual.⁴⁴

You may not use your position to coerce or pressure employees to make contributions or support candidates or political causes. In certain instances, the Company may encourage employees to support or oppose legislative issues that affect the Company's businesses. In no instance, however, may you use your position of authority to make another employee feel compelled or pressured to work for, or on behalf of, any legislation, candidate, political party or committee, to make contributions for any political purpose, or to cast his or her vote one way or the other.⁴⁵

The company shall report annually on its website on its adherence to its code for corporate political spending.

Companies have used annual reports to demonstrate their commitment to ethical conduct. The annual review required by the Defense Industry Initiative (DII) coordinator of company adherence to the DII's principles

⁴³ *El Paso*, Code of Business Conduct,
www.elpaso.com/Profile/codeconduct.shtm#Political%20Activities%20and%20Contributions

⁴⁴ *E.I. DuPont*, Business Ethics Policy and Procedures,
www2.dupont.com/Social_Commitment/en_US/assets/downloads/conductguide/Business_Ethics_Policy_and_Procedures.pdf

⁴⁵ *American Express*, Code of Conduct,
http://media.corporate-ir.net/media_files/NYS/axp/corpgov/Amex074_COC.pdf

Companies have used **annual reports** to demonstrate their
commitment to ethical conduct.

of business conduct and ethics serves as an appropriate model for all companies to follow for corporate political spending.

As a result of the procurement scandals of the mid 1980s, a blue ribbon commission appointed to investigate the scandals recommended that companies significantly tighten their codes of business ethics and conduct to assure legal and ethical behavior. The companies created the *Defense Industry Initiative on Business Ethics and Conduct*, which includes six principles to regulate company behavior. As of late 2006, 74 of the top U.S. defense contractors (many of which are in the S&P 100) are signatories.⁴⁶ A key element is public accountability by the companies to demonstrate their commitment to the DII principles.

Of particular relevance for company political spending is Principle 6, entitled “Public Accountability.” It requires companies to report annually on the actions they are taking to follow the principles and their record for the year. As a DII annual report points out,

This annual review is a critical element giving force to these principles and adding integrity to this defense industry initiative as a whole. Ethical accountability, as a good-faith process, should not be affirmed behind closed doors. The defense industry is confronted with a problem of public perception—a loss of confidence in its integrity—that must be addressed publicly if the results are to be both real and credible, to the government and public alike.⁴⁷

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⁴⁶ www.dii.org

⁴⁷ 1966 Annual Report to the Public and the Defense Industry, Defense Industry Initiative on Business Ethics and Conduct, February 1997 (<http://www.itcilo.it/english/actrav/telearn/global/ilo/guide/defence.htm>)

CONCLUSION

Corporate political spending exposes companies and shareholders to serious risks that are increasing as companies come under heightened pressure to contribute and as trade associations play a larger political role. Corporate codes of conduct provide an opportunity to develop political spending policies that establish transparency and accountability and help mitigate these risks.

The CPA model code draws upon best practices of leading public companies. In doing so, it reduces the risks from political activity and protects corporate reputations and shareholder value.

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The CPA model ... **reduces** the **risk** from political activity and **protects** corporate reputations and shareholder **value**.

APPENDIX

S&P 100 Company Codes of

Conduct and Political Spending Policies

Key to symbols

- * Information is not disclosed in the Code of Conduct but elsewhere on the Company's website.
- A *Chevron* says that it will provide a list of all political contributions to shareholders upon written request. The CPA sent a letter on July 6, 2006 requesting such list and had received nothing in return at the time of this report's release.
- B *Comcast's* code states that "employees who work in or supervise their business unit's public affairs or government affairs department may make or solicit political contributions on behalf of the Company... All other employees, officers, directors and agents are not authorized to make or solicit political contributions... without prior approval of the General Counsel of the Executive Vice President."
- C In December 2006 *General Dynamics* agreed to disclose and have board oversight of its political spending and political spending policies. At the time of this report, the company had yet to post its contribution policies on its website.
- D *Hartford Financial Services Group's* Code details an approval process for political spending on voter registration and education efforts, but not an approval process for political contributions.
- E Alcatel acquired *Lucent Technologies* in late 2006, forming *Alcatel-Lucent*.
- F In January 2007 *American Electric Power, General Electric, and Hewlett-Packard* agreed to disclose and have board oversight of their political spending and political spending policies. *Home Depot* agreed to disclose and have board oversight of its political contributions and political contribution policies. At the time of this report, the companies had yet to post their new policies on their websites.

	CODE OF CONDUCT URL	CORPORATE POLITICAL CONTRIBUTIONS ADDRESSED IN CODE	PRIOR APPROVAL	APPROVING OFFICER/ DEPARTMENT DISCLOSED
3M	http://solutions.3m.com/wps/portal/!ut/p/kcxml/04_Sj9SPykssy0xPLMnMz0vMOQ9KzYsPDdaP0I8yizeINwoM0S_IcFQEA08IHmo!	Yes	Yes	Yes—Area Vice President and 3M Political Contributions Committee
Abbott Laboratories	www.abbott.com/en_US/content/document/COBC_English.pdf	Yes	Yes	Yes—Legal Division and Government Affairs function
AES Corporation	www.aes.com/pub-sites/AES/content/live/9017303b307f00faeda04895007bea/1033/Code%20of%20ConductandEthics(June04).pdf	Yes	Yes	Yes—Chief Compliance Officer
Alcoa Inc.	www.alcoa.com/global/en/about_alcoa/corp_gov/policy_bus_conduct.asp	Yes	Yes	Yes—General Counsel and CEO
Allegheny Technologies Inc.	www.alleghenytechnologies.com/pages/about-us/CorporateGuidelines.pdf	Yes—Contributions prohibited	—	—
Allstate Corp.	http://media.corporateir.net/media_files/IROL/93/93125/corpgov/allstate_5_4_06FINAL.pdf	No	No	No
Altria Group Inc.	www.altria.com/download/pdf/responsibility_Altria_Code_of_Conduct.pdf	Yes	Yes	No

EXECUTIVE OVERSIGHT	BOARD OVERSIGHT	POLITICAL SPENDING ADDRESSED ELSEWHERE ON WEBSITE	CONTRIBUTIONS DISCLOSED
Yes	No	No	No
Yes	No	Yes	Yes
Yes	No	No	No
Yes	No	Yes	No
-	-	-	-
No	Yes*	Yes	No
Yes	Yes*	Yes	No

	CODE OF CONDUCT URL	CORPORATE POLITICAL CONTRIBUTIONS ADDRESSED IN CODE	PRIOR APPROVAL	APPROVING OFFICER/ DEPARTMENT DISCLOSED
American Electric Power	www.aep.com/investors/corporategovernance/docs/PrinciplesOfBusinessConduct_Booklet.pdf	No	No F	No F
American Express	http://media.corporate-ir.net/media_files/NYS/axp/corpgov/Amex074_COc.pdf	No	No	No
American International Group	http://media.corporate-ir.net/media_files/irol/76/76115/corpgov/CoC_AIG_405_2.pdf	Yes	Yes	Yes—Vice President-Corporate Affairs
Amgen	www.amgen.com/pdfs/dtrt2004.pdf	Yes	Yes	Yes—Washington D.C. Office; external political compliance vendor and specialized election law counsel*
Anheuser-Busch	http://media.corporate-ir.net/media_files/nys/bud/corpgov/bud_codeofethics.pdf	No	No	No
AT&T Inc.	http://att.sbc.com/gen/investor-relations?pid=5595	No	Yes*	Yes—CEO (for contributions over \$1,000) and company's attorneys*
Avon Products	/www.avoncompany.com/investor/corporategovernance/pdf/code_of_conduct.pdf	Yes—Contributions prohibited	—	—
Baker Hughes	www.bakerhughes.com/investor/about/code_of_conduct.htm	No	Yes*	Yes—Legal Department*

EXECUTIVE OVERSIGHT	BOARD OVERSIGHT	POLITICAL SPENDING ADDRESSED ELSEWHERE ON WEBSITE	CONTRIBUTIONS DISCLOSED
No F	Yes F	No F	Yes F
No	Yes*	Yes	No
Yes	No	No	No
Yes	Yes*	Yes	<i>Yes—effective January 1, 2007</i>
No	No	No	No
Yes*	No	Yes	No
–	–	–	–
Yes*	No	Yes	No

	CODE OF CONDUCT URL	CORPORATE POLITICAL CONTRIBUTIONS ADDRESSED IN CODE	PRIOR APPROVAL	APPROVING OFFICER/ DEPARTMENT DISCLOSED
Bank of America Corp.	http://media.corporate-ir.net/media_files/irol/71/71595/corpgov/Ethics_6_21_05_final.pdf	Yes	Yes*	No
Baxter International Inc.	www.baxter.com/about_baxter/sustainability/our_values_and_standards/global_business_practice_standards/sub/political_activities.html	Yes	Yes	Yes— <i>Business Unit's General Manager, Financial Controller and Legal Counsel</i>
Black & Decker Corp.	www.bdk.com/governance/bdk_governance_appendix_1.pdf	Yes— <i>Contributions prohibited</i>	—	—
Boeing Company	www.boeing.com/companyoffices/aboutus/ethics/ethics_booklet.pdf	Yes	Yes	Yes— <i>Vice President and Assistant General Counsel and Senior Vice President (Washington D.C. Operations)</i>
Bristol-Myers Squibb	www.bms.com/aboutbms/corporate_governance/content/data/sbc3.pdf	Yes	Yes	Yes— <i>Legal Division</i>
Burlington Northern Santa Fe Corp.	http://www.bnsf.com/investors/governance/externalCodeConduct.html	Yes	Yes	Yes— <i>Government Affairs</i>
Campbell Soup	www.campbellsoupcompany.com/governance_conduct_ethics.asp?cpovisq=	Yes	Yes	No
Caterpillar Inc.	www.cat.com/cda/layout?m=37474&x=7	Yes	Yes	Yes— <i>Chairman</i>

EXECUTIVE OVERSIGHT	BOARD OVERSIGHT	POLITICAL SPENDING ADDRESSED ELSEWHERE ON WEBSITE	CONTRIBUTIONS DISCLOSED
Yes*	Yes*	Yes	No
Yes	Yes*	Yes	No
-	-	-	-
Yes	Yes	No	No
Yes	Yes*	Yes	Yes
Yes	No	No	No
Yes	No	No	No
Yes	Yes*	Yes	No

	CODE OF CONDUCT URL	CORPORATE POLITICAL CONTRIBUTIONS ADDRESSED IN CODE	PRIOR APPROVAL	APPROVING OFFICER/ DEPARTMENT DISCLOSED
CBS Corp.	http://www.cbcorporation.com/assets/documents/BCS4-21-06.pdf	Yes	Yes	Yes— <i>Compliance Officer or General Counsel</i>
Chevron Corp.	www.chevron.com/investor/corporate_governance/biz_conduct.asp#gov_affairs	Yes	Yes	Yes— <i>Policy, Government and Public Affairs, and “in certain cases by the Office of the Chairman”</i>
CIGNA Corp.	http://www.cigna.com/about_us/governance/cigna_code_ethics.pdf	Yes	Yes	Yes— <i>General Counsel and CEO</i>
Cisco Systems	http://media.corporate-ir.net/media_files/IROL/81/81192/corpgov/codeofconduct_050404_final.pdf	Yes	Yes	Yes— <i>SVP, Government Affairs</i>
Citigroup Inc.	www.citigroup.com/citigroup/corporategovernance/data/codeconduct_en.pdf	Yes	Yes	Yes— <i>General Counsel and Government Affairs Office</i>
Clear Channel Communications	www.clearchannel.com/Corporate/documents/Code_of_Conduct.pdf	Yes	Yes	Yes— <i>Chief Executive Officer, President or Chief Legal Officer</i>
Coca Cola Co.	www2.coca-cola.com/ourcompany/pdf/business_conduct_codes.pdf	Yes	Yes	Yes— <i>Principal Manager and General Counsel; Vice President, Public Affairs*</i>
Colgate-Palmolive	www.colgate.com/Colgate/US/Corp/CodeOfConduct/CodeOfConduct.pdf	Yes— <i>Contributions prohibited</i>	—	—

EXECUTIVE OVERSIGHT	BOARD OVERSIGHT	POLITICAL SPENDING ADDRESSED ELSEWHERE ON WEBSITE	CONTRIBUTIONS DISCLOSED
Yes	No	No	No
Yes	No	Yes	No ^A
Yes	Yes*	Yes	No
Yes	No	No	No
Yes	Yes*	Yes	No
Yes	No	No	No
Yes	Yes*	Yes	Yes—effective Feb. 21, 2007
—	—	—	—

	CODE OF CONDUCT URL	CORPORATE POLITICAL CONTRIBUTIONS ADDRESSED IN CODE	PRIOR APPROVAL	APPROVING OFFICER/ DEPARTMENT DISCLOSED
Comcast Corp.	www.cmcsk.com/phoenix.zhtml?c=118591&p=irol-govConduct#XI	Yes	No B	Yes— <i>General Counsel or Executive Vice President</i>
Computer Sciences Corp.	www.csc.com/governance/uploads/EthicsStandards.pdf	No	No	No
Dell Inc.	www.dell.com/downloads/global/corporate/vision_national/code_of_conduct.pdf	Yes	Yes	Yes— <i>Government Relations Team</i>
Dow Chemical	http://www.dow.com/about/aboutdow/code_conduct/ethics_conduct.htm	Yes	No	No
Du Pont (E.I.)	www2.dupont.com/Social_Commitment/en_US/assets/downloads/conductguide/Business_Ethics_Policy_and_Procedures.pdf	Yes	Yes	Yes— <i>Office of the Chairman or a committee appointed by the Office of the Chairman</i>
Eastman Kodak	www.kodak.com/US/en/corp/corpPrinciples/businessConduct.jhtml?pq-path=2879/2214/9556	Yes	Yes	Yes— <i>Director and Vice President, Communications and Public Affairs</i>
El Paso Corp.	www.elpaso.com/Profile/codeconduct.shtm#Political%20Activities%20and%20Contributions	Yes	No	No
EMC Corp.	www.emc.com/about/governance/BusinessConductGuidelines.pdf	Yes	Yes	No

EXECUTIVE OVERSIGHT	BOARD OVERSIGHT	POLITICAL SPENDING ADDRESSED ELSEWHERE ON WEBSITE	CONTRIBUTIONS DISCLOSED
No ²	No	No	No
No	No	No	No
Yes	No	No	No
No	Yes*	Yes	No
Yes	No	No	No
Yes	No	No	No
No	No	No	No
Yes	No	No	No

	CODE OF CONDUCT URL	CORPORATE POLITICAL CONTRIBUTIONS ADDRESSED IN CODE	PRIOR APPROVAL	APPROVING OFFICER/ DEPARTMENT DISCLOSED
Entergy Corp.	www.energy.com/about_energy/entegrity/government.aspx	Yes	No	No
Exelon Corp.	http://media.corporate-ir.net/media_files/irol/12/124298/pdfs/BusinessConduct_062304.pdf	Yes	Yes	<i>Yes—Government Affairs or External Affairs</i>
Exxon Mobil Corp.	www.exxonmobil.com/corporate/files/corporate/Code_ethics.pdf	Yes	Yes	<i>Yes—Board of Directors</i>
FedEx Corp.	http://ir.fedex.com/downloads/code.pdf	No	No	No
Ford Motor	www.ford.com/NR/rdonlyres/e6fxrpy2f2da5fvuf7tmpee573mrvt2wpmukiwonkefjbu5a2mwpkztochwhdrxv4tkolztiseox3t7n3h52uzomfe/corporateConductStandards.pdf	Yes	Yes	<i>Yes—Legal Office</i>
General Dynamics	www.generaldynamics.com/	Yes	No	No
General Electric	www.ge.com/files/usa/citizenship/compliance/spirit/english.pdf	Yes	Yes	<i>Yes—Vice President for Government Relations</i>
General Motors	www.gm.com/company/investor_information/docs/corp_gov/wwi2005.pdf	No	No	No

EXECUTIVE OVERSIGHT	BOARD OVERSIGHT	POLITICAL SPENDING ADDRESSED ELSEWHERE ON WEBSITE	CONTRIBUTIONS DISCLOSED
No	No	No	No
Yes	No	No	No
Yes	Yes*	Yes	No
No	No	No	No
Yes	No	No	No
No c	Yes c	No c	Yes c
Yes	Yes f	No f	Yes f
No	No	No	No

	CODE OF CONDUCT URL	CORPORATE POLITICAL CONTRIBUTIONS ADDRESSED IN CODE	PRIOR APPROVAL	APPROVING OFFICER/ DEPARTMENT DISCLOSED
Goldman Sachs Group	/www.goldmansachs.com/our_firm/investor_relations/corporate_governance/articles/corporate_governance_030224195742.html	No	No	No
Halliburton Co.	http://www.halliburton.com/Default.aspx?navid=344&pageid=731	Yes	Yes	Yes—CEO or his designee and the Law Department
Harrah's Entertainment	http://media.corporate-ir.net/media_files/IROL/84/84772/corpgov/CorpGovGuidelines42506.pdf	Yes	Yes	No
Hartford Financial Services Group	www.thehartford.com/higfiles/pdf/TheHartfordCodeofEthics.pdf	Yes	No	No
HCA Inc.	http://ec.hcahealthcare.com/CPM/HCA_Code-EFF1-1-2006.pdf	Yes	No	No
Heinz (H.J.)	www.heinz.com/code_of_conduct.pdf	Yes	Yes	Yes—senior management and Board of Directors
Hewlett-Packard	www.hp.com/hpinfo/globalcitizenship/csr/sbcbrochure.pdf	Yes	Yes	Yes—Vice President of Government and Public Affairs as part of programs approved by CEO
Home Depot	http://ir.homedepot.com/governance/ethics.cfm	No	No	No

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No	No	No	No
Yes	No	Yes	No
Yes	No	No	No
No	No	No	No
No	No	Yes	No
Yes	Yes	No	No
Yes	Yes F	Yes	Yes F
No F	Yes F	No F	Yes F

	CODE OF CONDUCT URL	CORPORATE POLITICAL CONTRIBUTIONS ADDRESSED IN CODE	PRIOR APPROVAL	APPROVING OFFICER/ DEPARTMENT DISCLOSED
Honeywell International Inc.	http://media.corporate-ir.net/media_files/irol/94/94774/corpgov/conduct.pdf	Yes	Yes	Yes— <i>Law and Government Relations Departments</i>
Intel Corp.	www.intel.com/intel/finance/cbp.htm	Yes	Yes	Yes— <i>Legal Department</i>
International Business Machines	www.ibm.com/investor/corpgovernance/pdf/bcg.pdf	Yes— <i>Contributions prohibited</i>	—	—
International Paper	www.internationalpaper.com/Our%20Company/Ethics%20and%20Business%20Practice/index.html	No	No	No
Johnson & Johnson	www.investor.jnj.com/governance/conduct.cfm	Yes	Yes	Yes— <i>Company Group Chairman</i>
JPMorgan Chase & Co.	www.jpmorganchase.com/cm/BlobServer?blobtable=Document&blobcol=urlblob&blobkey=name&blobheader=application/pdf&blobwhere=jpmc/governance/www.pdf	Yes	Yes	Yes— <i>Government Relations Department</i>
Lehman Brothers	www.lehman.com/shareholder/corpgov/index.htm#	No	No	No
Limited Brands, Inc.	www.limitedbrands.com/social_responsibility/governance.jsp	Yes	Yes	Yes— <i>General Counsel</i>

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Yes	No	No	No
Yes	No	Yes	No
-	-	-	-
No	No	No	No
Yes	Yes*	Yes	Yes
Yes	Yes*	Yes	No
No	No	No	No
Yes	No	No	No

	CODE OF CONDUCT URL	CORPORATE POLITICAL CONTRIBUTIONS ADDRESSED IN CODE	PRIOR APPROVAL	APPROVING OFFICER/ DEPARTMENT DISCLOSED
Former Lucent Technologies	www.lucent.com/investor/pdf/BusinessGuides.pdf	Yes— <i>Contributions prohibited</i>	—	—
McDonald's Corp.	www.mcdonalds.com/corp/invest/gov/standards_of_business.RowPar.0003.ContentPar.0001.ColumnPar.0002.File.tmp/McD%20SBC%20USEng_Skinner_12.23.04.pdf	Yes	Yes	Yes— <i>Vice President for Government Relations</i>
MedImmune Inc.	http://media.corporate-ir.net/media_files/irol/83/83037/corpgov/codeconduct_b.pdf	No	No	No
Medtronic Inc.	www.medtronic.com/corporate_governance/downloads/code82005.pdf	Yes	No	No
Merck	www.merck.com/about/code_of_conduct.swf	Yes	Yes	Yes— <i>CEO; Corporate Political Contributions Committee chaired by Vice President, Public Affairs*</i>
Merrill Lynch	www.ml.com/media/49828.pdf	Yes	Yes	No
Microsoft Corp.	www.microsoft.com/mscorp/legal/buscond/	No	No	No
Morgan Stanley	www.morganstanley.com/about/inside/governance/ethics.html	Yes	Yes*	Yes— <i>Director of Government Relations*</i>

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-	-	-	-
Yes	Yes*	Yes	Yes
No	No	No	No
No	No	No	No
Yes	Yes*	Yes	Yes
Yes	Yes*	Yes	No
No	No	Yes	No
Yes*	Yes*	Yes	Yes

	CODE OF CONDUCT URL	CORPORATE POLITICAL CONTRIBUTIONS ADDRESSED IN CODE	PRIOR APPROVAL	APPROVING OFFICER/ DEPARTMENT DISCLOSED
National Semiconductor	www.national.com/invest/codeofconduct.html	Yes	Yes	No
Norfolk Southern Corp.	www.nscorp.com/nscorp.html/pdf/NSCodeOfEthics.pdf	Yes	Yes	Yes— <i>Law Department</i>
OfficeMax Inc.	http://investor.officemax.com/ethics.cfm	Yes— <i>Contributions prohibited</i>	—	—
Oracle Corp.	www.oracle.com/corporate/investor_relations/codeofethics.pdf	Yes	Yes	Yes— <i>Corporate Affairs office in Washington D.C.</i>
PepsiCo Inc.	www.pepsico.com/PEP_Investors/CorporateGovernance/CodeofConduct/index.cfm#	Yes	Yes	Yes— <i>Vice President of Government Affairs</i>
Pfizer, Inc.	www.pfizer.com/pfizer/download/investors/corporate/business_conduct_policies_summary_2003.pdf	No	Yes*	Yes— <i>Corporate Affairs and Legal Division*</i>
Procter & Gamble	www.pg.com/company/our_commitment/corp_gov/WBCMREDUCED_Single_Page.pdf	Yes	Yes	Yes— <i>Ethics Committee, which currently consists of Global Human Resources Officer, Chief Financial Officer and Chief Legal Officer</i>
RadioShack Corp.	http://media.corporate-ir.net/media_files/NYS/RSH/gov/RSH_CodeOfEthics.pdf	Yes— <i>Contributions prohibited</i>	—	—

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Yes	No	No	No
Yes	Yes*	Yes	No
-	-	-	-
Yes	No	No	No
Yes	Yes*	Yes	Yes
Yes*	Yes*	Yes	Yes
Yes	No	Yes	No
-	-	-	-

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Raytheon Co.	http://www.raytheon.com/about/static/cms01_023524.pdf	Yes	No	No
Rockwell Automation, Inc.	www.rockwellautomation.com/about_us/pdfs/Ethics_A08.pdf	Yes	Yes	Yes—Office of the General Counsel and Senior Vice President and Chief Financial Officer
Sara Lee Corp.	www.saralee.com/ourcompany/globalbusinesspractices.aspx	Yes—Contributions prohibited	—	—
Schlumberger Ltd.	www.slb.com/media/about/slb_code_of_ethics.pdf?	Yes—Contributions prohibited	—	—
Southern Co.	http://investor.southerncompany.com/governance/ethics.cfm	Yes	Yes	Yes—CEO, General Counsel and Senior External Affairs Officer*
Sprint Nextel Corp.	www.sprint.com/governance/docs/sprint_nextel_code_of_conduct_20060327.pdf	Yes	Yes	Yes—Government Relations Officer
Target Corp.	http://media.corporate-ir.net/media_files/irol/65/65828/corpgov/business_conduct_guide.pdf	Yes	Yes	Yes—Vice President Government Affairs; Senior Vice President and General Counsel or Chairman and CEO*
Texas Instruments	www.ti.com/corp/docs/investor/corpgov/valuesethicsconduct.pdf	No	No	No

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No	No	No	No
Yes	No	No	No
-	-	-	-
-	-	-	-
Yes	Yes*	Yes	Yes
Yes	No	No	No
Yes	Yes*	Yes	No
No	No	No	No

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Time Warner Inc.	www.timewarner.com/corp/corp_governance/pdf/StandardsBusinessConduct_June_22_2005.pdf	Yes	Yes	Yes— <i>Chairman and CEO or his designee, currently an Executive Vice President</i>
Tyco International	www.tyco.com/WWW/Documents/pdf/tyco_guide_to_ethical_conduct.pdf	Yes	Yes	Yes— <i>Corporate Law Department</i>
U.S. Bancorp	www.usbank.com/cgi_w/cfm/about/ethics/pdf/Ethics_Handbook.pdf	Yes	No	No
Unisys Corp.	www.unisys.com/common/investors/other/Code_of_Ethics.pdf	Yes	Yes	No
United Parcel Service	http://investor.shareholder.com/ups/governance/documentdisplay.cfm?DocumentID=563	Yes	No	No
United Technologies	www.utc.com/responsibility/ethics/english/coe_english.pdf	Yes	No	No
Verizon Communications	www22.verizon.com/about/careers/pdfs/CodeOfConduct.pdf	Yes	Yes	Yes— <i>Legal Department and the Public Affairs, Policy and Communications Department</i>
Wal-Mart Stores	http://media.corporate-ir.net/media_files/IROL/11/112761/corpgov/Ethics%20Current.pdf	Yes	Yes	Yes— <i>Government Relations Department</i>

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Yes	No	No	No
Yes	No	No	No
No	No	No	No
Yes	No	No	No
No	No	No	No
No	No	No	No
Yes	Yes*	Yes	<i>Yes—effective in early 2007</i>
Yes	No	No	No

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Walt Disney Co.	http://corporate.disney.go.com/corporate/conduct_standards.html	No	No	No
Wells Fargo	www.wellsfargo.com/pages/about/corporate/ethics/team_member_code_of_ethics_2004.pdf	No (<i>Elsewhere on website contributions prohibited</i>)	–	–
Weyerhaeuser Corp.	www.weyerhaeuser.com/aboutus/ourvalues/codeofethics.pdf	Yes	Yes	Yes– <i>Vice President of Government Affairs and General Counsel</i>
Williams Cos.	www.williams.com/investors/wmb/corpgov/code.asp#political	Yes	Yes	Yes– <i>Board of Directors</i>
Xerox	www.xerox.com/downloads/usa/en/iir_Code_of_Conduct_EmployeeHandbook.pdf	Yes	Yes	Yes– <i>Vice President for Government Relations</i>

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No	No	No	No
-	-	Yes	-
Yes	No	No	No
Yes	Yes	No	No
Yes	Yes*	Yes	No