



Political Transparency and Accountability Profile (2010)

Lowe's Companies, Inc.

CUSIP: 548661107

Stock Symbol: LOW

Corporate Web Site: www.lowes.com

Lowe's Companies (Lowe's) is a second largest chain of home improvement superstores in the United States. It operates approximately 1,700 stores in all 50 states, Canada and Mexico.¹ The company provides a wide range of products and services for home decoration, maintenance, repair, remodeling, and property maintenance. The company is also the nation's second largest home appliance retailer after Sears.²

Political Activity

The January 2010 U.S. Supreme Court decision in *Citizens United v. the Federal Election Commission* overturned several long-standing restrictions on corporate political spending activities. The Court's decision struck down part of the Tillman Act of 1907 that first limited corporate political spending. Under the new ruling companies may spend unlimited corporate funds on independent expenditures to support or oppose a candidate as long as they do not coordinate their efforts with the candidates. Companies continue to be prohibited from contributing directly to federal candidates. Third-party groups such as trade associations also may use unlimited general purposes funds for the same purpose.

Companies may also continue to give contributions at the state and local level and to so-called 527s. These groups--named for the section of the tax code under which they are organized--may significantly impact federal, state and local elections. Companies also engage in political spending indirectly by supporting trade associations, organized as 501c6 organizations and other tax-exempt groups, which include social welfare organizations known as 501c4s. Trade associations and 501c4 groups gained popularity during the 2008 election cycle in the wake of the Federal Election Commission's crackdown on 527 groups for violating campaign finance law during 2004 elections.³ Another way companies can contribute to the political process is by supporting events such as Presidential inauguration celebrations and the Republican or Democratic Party conventions, a growing source of corporate support in recent years.⁴ Company funds are also used to pay for trade associations' grassroots lobbying communications.

¹ See Lowe's "Company Overview," available at <http://media.lowes.com/company+overview/>

² See Hoovers "Lowe's Companies Company Profile," available at http://www.hoovers.com/company/Lowes_Companies_Inc/rfstif-1-1njdap.html

³ See *Soft Money in the 2006 Election and the Outlook for 2008: The Changing Nonprofits Landscape*, Campaign Finance Institute, 2007. Approximately \$90 million in 501(c) spending on federal election activities was reported in 2006. T.W. Farnam & Brody Mullins, "Interest-Group Campaign Spending Nears Record", *Wall Street Journal*, February 5, 2008.

⁴ See *Inside Fundraising for the 2008 Party Conventions: Party Surrogates Gather Soft Money While Federal Regulators Turn a Blind Eye*, (The Campaign Finance Institute, 2008). See: *The Inauguration: Brought to you by the Few, the Wealthy* (Public Citizen; January 14, 2009 available at <http://www.citizen.org/pressroom/release.cfm?ID=2799>), and *Lawmakers and Lobbyists Celebrate Inauguration* (The Washington Independent; January 20, 2009 available at <http://washingtonindependent.com/26340/lawmakers-celebrate-inauguration-with-lobbyists>).

Lowe's has not been a big political spender in recent years. The company has contributed approximately \$158,000 in corporate funds to political activities since 2002.⁵ The true figure is difficult to determine because reporting at the state-level is incomplete and can be misleading. This estimate also excludes payments Lowe's has made to trade associations or other tax-exempt organizations that fund political activities.

Lowe's does not disclose its political contributions or the payments it makes to trade associations and other tax-exempt groups that are used for political purposes. The company's Board of Directors does not oversee its political spending. These gaps in transparency and accountability put shareholder value at risk.⁶

Election Cycle Trends

The company has made approximately \$158,000 in state-level contributions since 2002. This includes a contribution of \$150,000 in 2004 to the ballot measure committee, Californians Against Government Run Health Care, which opposed a proposition to expand employer provided health care requirements.⁷

The amounts listed for the state-level giving are approximate figures because state campaign finance reporting is often incomplete and in many cases donations from the corporation and its political action committee (PAC) are combined, even though the latter are employee-funded. The Center for Political Accountability does not include donations that appear to come from a company PAC.⁸

Trade Association Activity

Trade associations serve a variety of purposes. Some engage in political activity through contributions at the state and local level, grassroots lobbying, and issue advocacy. These activities are funded by dues and other payments from member companies. While not all trade associations are politically active, several major industry groups carry significant political weight.

A complete list of the trade associations or related groups to which Lowe's belongs is not publicly available. Most associations only disclose the companies represented on their board of directors, not their entire membership list. Shareholders also do not have access to the amount Lowe's pays to trade associations annually or the portion used for the associations' political spending.

A Center for Political Accountability review of publicly available information found that Lowe's is a member of the Retail Industry Leaders Association (RILA),⁹ which in 2009 merged with the National Retail Federation.¹⁰

^{5 5} See Institute for Money in State Politics, www.followthemoney.org and CQMoneyline <http://moneyline.cq.com/pml/home.do>. The CPA used these databases to conduct searches on the company's political giving. The search results do not distinguish contributions made with corporate funds from contributions made by the company PAC. Though the CPA made every effort to exclude any PAC contributions, the figure cited in this report might include donations made with employee funds.

⁶ *The Green Canary: Alerting Shareholders and Protecting Their Investments*, Center for Political Accountability, February 2005. See also *Hidden Rivers: How Trade Associations Conceal Corporate Political Spending, Its Threat to Companies, and What Shareholders Can do*, Center for Political Accountability, May 2006.

⁷ The Institute for Money in State Politics, www.followthemoney.org. The CPA used the Institute's database to conduct searches on the company's political giving. The search results do not distinguish contributions made with corporate funds from contributions made by the company PAC. Though the CPA made efforts to eliminate any PAC contributions, the figure cited in this report might include donations made with employee funds.

⁸ Ibid

⁹ See "RILA Members," available at <http://www.rila.org/Pages/RILAMembers.aspx>

¹⁰ See National Retail Federation, "RILA and NRF Agree to Merge," available at http://nationalretailfederation.com/modules.php?name=News&op=viewlive&sp_id=709

These organizations have been politically active in recent years. In 2008, RILA reported payments of \$6.8 million and lobbying and political expenditures of \$2.1 million.¹¹ In 2007, the NRF reported payments of \$7 million and lobbying and political expenditures of \$1.6 million.¹²

Transparency and Accountability Checklist

Publicly Disclosed Standards & Procedures Governing Corporate Political Activity

The CPA derived the following checklist from existing legal standards, best practice standards among leading corporations and policies that ensure protection of shareholder value. A company that fulfills most of the criteria listed below likely has good governance of its corporate political spending. The CPA relied on information that is disclosed on the company website and therefore publicly available to all investors. A company will not get credit for policies or procedures that are not publicly available.

Room for Improvement

Lowe's does not disclose its political contributions or the payments it makes to trade associations and other tax-exempt groups that are used for political purposes. The company's Board of Directors does not oversee its political spending.

Basic Disclosure

Is this information disclosed on the company website?

Political contributions policies	no	Political contributions	no	Trade association memberships and affiliations with other tax-exempt organization	no
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Standards & Oversight Procedures

Do company policies explicitly include the following items?

The use of corporate funds for political purposes is prohibited	no
Political contributions permitted only through voluntary employee funded PAC contributions	no
No contribution will be given in anticipation of, in recognition of, or in return for an official act	yes ¹³
Company will not reimburse employees directly or indirectly for political donations or expenses	no
No employees will be pressured to make any personal political expenditures	no

¹¹ RILA's Form 990 ("Return of Organization Exempt from Income Tax") for the tax year 2008 indicates that the group received \$6,794,492 in dues, assessments and similar amounts from members (See Schedule C, Part III-B, Line 1). The group also reported that it spent \$2,096,218 - or nearly 31% on lobbying and political expenditures. (See Schedule C, Part III-B, Line 2a)

¹² NRF's Form 990 ("Return of Organization Exempt from Income Tax") for the tax year 2007 indicates that the group received \$7,053,786 in dues, assessments and similar amounts from members (See line 3, 85c). Of that amount, \$1,644,698 - or about 23% - was spent on lobbying and political expenditures. (See line 85d)

¹³ See Lowe's "Code of Business Conduct and Ethics," available at http://files.shareholder.com/downloads/LOW/880286528x0x174084/cffa2259-92a7-4783-a4c1-48d078ceea14/LOW_WebDoc_3627.pdf. Code states that "The U.S. Foreign Corrupt Practices Act prohibits giving anything of value, directly or indirectly, to foreign government officials or foreign political candidates in order to obtain or retain business. It is strictly prohibited to make illegal payments to government officials of any country."

Political contribution policies are included in Code of Conduct	no
Political contribution policies are disclosed elsewhere on the company website	no
Political contributions policies include specific criteria for approval of political donations	no
Prior approval required for political contributions	no
Officer or department must approve political contributions	no
General counsel or legal department must approve political contributions	no
An executive officer of the company must approve political contributions	no
Board of directors or board committee oversees political contributions	no
Board of directors or board committee must issue prior approval for political contributions	no
The same standards and oversight procedures apply to trade association payments	no

This checklist relies on the company's publicly disclosed information and reflects only external company standards and procedures. It does not measure compliance with the company's expressed standards and procedures. Any clear violations of the company's standards and procedures of which the CPA is aware will be included in this report.

Data last updated on March 30, 2010